

Foreign Trade

One mark questions:

Q1. Mention one demerit of Foreign Trade.

Ans. Foreign Trade may encourage the importation of harmful goods.

Q2. What is Entrepot Trade?

Ans. Entrepot trade means importing the goods from one country, not for domestic use, for exporting to another country.

Q3. Who is a forwarding agent?

Ans. Forwarding agent is a specialized agent appointed by exporter to perform various formalities relating to shipment of goods.

Q4. Name an intermediary who helps the importer.

Ans. Clearing agent or Indent house helps the importer.

Q5. What is foreign trade?

Ans. Foreign Trade is the trade between one country and another country.

Q6. State two types of foreign trade.

Ans. Import Trade and Export Trade.

Q7. What do mean by import trade?

Ans. Import trade means purchase of goods from one country from another country.

Q8. What is export trade?

Ans. Export trade means, sale of goods from one country to another country.

Q9. State one of the needs of the foreign trade.

Ans. Due to possession of different natural resources by different countries.

Q10. What is export promotion?

Ans. Export promotion means, promotion of exports by undertaking the necessary measures.

Q11. What is loco price?

Ans. Loco price is the price coated is the price of the goods as they lie in the exporter's warehouse.

Q12. What is Franco price?

Ans. Franco price is the price which includes not only cost and packing but also other charges incurred for carrying the goods from exporter's warehouse to importer's warehouse.

Q13. State two types of charter party.

Ans. 1. Voyage charter party. 2. Time charter party.

Two marks Questions:

Q1. Write any two disadvantages of foreign trade.

Ans. a. Excessive dependence on other countries creates problems at times of war.

b. Encourage reckless utilization of scarce natural resources.

Q2. What is dock receipt?

Ans. Dock receipt is a receipt, for the receipt of the goods to the dock. It is not a document of title.

Q3. What is mate's receipt?

Ans. Mate's receipt is a receipt issued by a assistant captain to the dock authorities, which indicates that goods have been already loaded on the board of the ship. It is not a document of title.

Q4. What is bill of lading?

Ans. A bill of lading is an official receipt, issued by the shipping company to the forwarding agent or exporter for the receipt of goods on the board of the ship. It is treated as document of title.

Q5. What is certificate of origin?

Ans. A certificate of origin is a certificate issued by console, the chambers of commerce and the trade association. It helps to avail the preferential treatment as regards to import duty.

Q6. What is consular invoice?

Ans. Consular invoice is an invoice issued by console of importing country residing the exporting country. It helps for the assessment of import duty on ad valorem basis.

Q7. What is letter of hypothecation?

Ans. A letter of hypothecation is a letter sent by exporter to the exchange bank, which authorizes the exchange bank to sell the goods in case the bill is dishonored by the importer.

Q8. What is a letter of credit?

Ans. A letter of credit is a letter given by a banker, undertaking to accept a bill of exchange drawn by an exporter on behalf of importer. Banker collects some securities for granting a letter of credit.

Q9. What is indent house?

Ans. Indent houses are specialized agencies engaged in the import of goods on behalf of the importers. They act as intermediaries or middlemen between importers and the exporters.

Q10. What is a bill of entry form?

Ans. A bill of entry is a document, prepared by the importer showing the details of goods imported. The main content is the real value of the goods imported.

Q11. What is bill of sight?

Ans. A bill of sight is a document or appeal prepared and submitted by the clearing agent to the customs authority requesting to permit for the inspection of the packages, it helps to know the real value of the goods imported.

Q12. What is bonded warehouse?

Ans. A bonded warehouse located in a port and owned by the dock authorities, provides storage to the importers who are unable to pay the import duty.

Five marks questions:

Q1. Write the functions of Indent Houses.

Ans. Indent Houses are specialized agencies engaged in the import of goods for and on behalf of the importers. They are intermediaries or middlemen between the importers and the exporters. The various functions performed by the Indent Houses are:-

- a. **Link**:- They act as a link between the importers and exporters.
- b. **Knowledge**:- They help small importers, as they do not have much knowledge about foreign traders.
- c. **Favorable Terms**:- They help the small importers to get more favorable terms.
- d. **Credit**:- They help the small importers to import the goods on credit on their reputation.
- e. **Better Quality**:- It insures better quality of the goods to the importers.
- f. **Latest Information**:- It provides latest information about the foreign markets.
- g. **Complaints**:- They convey the complaints of the importers to the exporters and insures speedy adjustments.

h. Economies:- They buy the goods in bulk

Q2. Distinguish between Home Trade and Foreign Trade.

Points	Home Trade	Foreign Trade
Geographical boundries	Same Nation	Different Nations
Volume	Accounts for about 95%	Accounts for about 5%
Specialization	National level	International level
Documentation	Less number of documents	More number of documents
Rules and regulations	Of one country	Of two or more countries
Restrictions	Free from restrictions	Subject to series of restrictions
Cost of transport	Less	More
Transitory period	Less	More
Risks and Insurance	Less	More
Balance of Payments Problem	Do not have	There is
Trade Policies	Uniform	Different

Q3. Explain any five demerits of foreign trade.

Ans.1. Difficulties in times of war.

2. Reckless utilization of natural resources.
3. May ruin domestic industries.
4. Encourages importation of luxury goods.
5. Practice of dumping.
6. One sided development.

Ten marks question

Q1. Explain briefly the Export Procedure.

Ans. Stages or steps involved in exporting goods from one country to another country. India to America.

Export Procedure;

1. Enquiry and Quotation.
2. Indent and License.
3. Assembling, Packing and Marketing.
4. Appointment of a Forwarding agent to arrange for shipment of goods.
5. Formalities of Forwarding agent.
 - a. Taking delivery of goods.
 - b. Securing shipping space through charter party or without charter party.
 - c. Customs formalities.
 - d. Dock Receipt.
 - e. Mate's Receipt.
 - f. Bill of lading.
 - g. Marine Insurance Policy.
 - h. Advice.
6. Other Relevant Documents.
 - a. Certificate of Origin.
 - b. Consular Invoice.
7. Export Invoice and Payment.
8. Advice to the importer.

Note: All the above stages are to be explained in detail.

Q2. Explain briefly Explain briefly the Import Procedure.

Ans. Import Procedure;

Steps or Stages involved in importing goods by one country from another country. i.e., by India from China.

Steps or Stages:

1. Obtaining IEC Number and Import License.
2. Obtaining Foreign Exchange.
3. Placing an Indent.
4. Receipt of Letter of Advice and Shipping Documents.
5. Formalities to be performed by the Clearing Agent.
 - a. Permission from the shipping company.
 - b. Customs formalities:
 - i) Bill of Entry Forms.
 - ii) Bill of Sight.
 - iii) Application to Import.
 - iv) Payment of import duty (if any).
 - c. Dispatch of goods
 - d. Letter of Advice.
6. Receiving delivery of goods.

Note: All the above stages are to be explained in detail.

Q3. Explain in detail the formalities of forwarding agent.

Ans. Forwarding agent plays an important role in export trade. He is specialized in shipment of the goods. The forwarding agent is an individual, a firm or a company which performs various formalities in connection with the shipment of the goods on behalf of the exporter for commission. He is being appointed by the exporter who dispatches the goods to the port either by rail or by road. The following are the formalities to be performed by forwarding agent.

- a. Forwarding agent receives delivery of the goods at the port of departure.
- b. Securing shipping space: Forwarding agent furnishes the shipping company with all the details regarding the goods to be shipped to obtain shipping order, in case if goods are in small quantity. The shipping order is an order issued by the shipping company to the captain of the ship to receive the goods on the board of the ship.

On the other hand, if goods to be exported are in large quantities, then charter party. Charter party is the contract in which the forwarding agent has to hire either full ship or part of the ship.

The following are the types of Charter party:-

1. Voyage charter party.
2. Time charter party.

The following are the clauses of charter party:

- i) Lay days refers to the days allowed by the owner of the shipping company to the forwarding agent for loading of cargoes on the board of the ship, in this regard it is necessary to know the meaning of following terms.

Demurrage means penalty payable for using extra days for loading over and above the lay days.

Dispatch money is the refund of money for having saved some of the lay days.

c. Going through customs formalities:-

- i) Forwarding agent is required to fill in a document called shipping bill in triplicate. Shipping Bill is a document prepared by an exporter or his forwarding agent stating therein the various details of the goods exported.
 - ii) Forwarding agent is required to fill in the document called application to export in duplicate.
 - iii) Forwarding agent has to present these documents to port office and pay necessary port dues / landing and shipping charges. Port office certifies these documents.
 - iv) Forwarding agent has to present all the 3 copies of shipping bill and one copy of application to export to customs office and pay necessary export duty and collect the customs export pass.
- d. Payment of Dock dues and obtaining Dock receipt. Forwarding agent has to fill in a document called Dock challan in duplicate and submit it along with the customs export pass and one copy of shipping bill to the Dock authorities for carrying of the goods to the dock and then dock receipt will be issued, after delivery of the dock.
- e. Loading and obtaining mate's receipt: Dock authorities will arrange for loading of the goods on the board of the ship. After loading mate's receipt is issued to the Dock authorities, which in turn handed over to the forwarding agent.
- f. Obtaining Bill of Lading: Bill of lading is an official receipt issued by the shipping company for the receipt of goods on board of the ship. Forwarding agent has to present the mate's receipt to shipping company and obtain Bill of Lading.

- g.** Obtaining of Marine Insurance Policy:- Forwarding agent obtains marine insurance policy in order to cover the goods against marine risks.
- h.** Advice to the exporter:- Forwarding agent sends all the documents and a bill for his expenses and remuneration to the exporter.

Q4. Explain Importance / benefits/ Advantages of Foreign Trade.

Ans. The benefits of Foreign Trade:

1. Territorial specialization.
2. Better utilization of the available resources.
3. Sale of surplus goods (Export).
4. Purchase of deficit goods (Import).
5. Widens the market.
6. Importation of latest technology machines etc.
7. Direct foreign investment.
8. Stability in prices.
9. Improvement in quality.
10. Development in transportation.
11. Greater Employment opportunities.
12. International economic cooperation and peace.

Note: All the above points to be explained in detail.

Insurance

One mark questions:

Q1. Mention any one of the principle of Insurance.

Ans. Principle of Indemnity or any other.

Q2. What is Marine Insurance?

Ans. Marine Insurance is a contract between two parties under which one party agrees to indemnify, the other party against the loss arising from certain marine risks in consideration of a certain payment.

Q3. What is Insurance Policy?

Ans. The document which contains the terms and conditions of the contract of insurance is called as Insurance Policy.

Q4. Name one policy under Fire Insurance.

Ans. Valued Policy or any other.

Q5. Who is Insurer?

Ans. The person who undertakes to indemnify or compensate is called as Insurer.

Q6. Who is insured?

Ans. The person who is indemnified or compensated is called as Insured or Assured.

Q7. Name a party to an insurance contract.

Ans. Insurer or Insured.

Q8. What is double insurance?

Ans. It means the same subject matter of insurance is insured with two or more insurers to cover the same risk.

Two marks:

Q1.What is re-insurance?

Ans. Re-insurance means an insurer re-insures whole or part of risk undertaken by him with another insurer. It is to reduce a part of the heavy risk.

Q2. Give the meaning of Life Insurance?

Ans. It is a contract under which the assurer in consideration of a premium undertakes to pay certain sum of money on the death of the assured or on the expiry of a specific period of time whichever is earlier. It is a contract of assurance.

Q3. Give the meaning of surrender of policy?

Ans. Surrender of a policy is the giving up the rights in the policy by the assured on account of his inability to pay further premiums. The money paid by the assurer to the assured is called as 'surrender value.'

Q4. State any two benefits of privatization of insurance.

Ans. a) It generates more employment opportunities.

b) It helps to provide courteous and timely services to the policy holders.

Q5. What is valued policy?

Ans. Valued policy is a policy in which the value of the property insured is agreed upon and stated in the policy at the time of taking out the policy. This policy is taken out in case if the value of the property cannot be determined after the happening of the event.

Q6. What do you mean by endowment policy?

Ans. Endowment policy is a kind of life insurance policy which is taken out for a fixed period. The sum assured will be paid either to the assured or to his dependents.

Q7. Give the meaning of paid up policy.

Ans. Paid up policy is an alternative to surrender of a policy. In this the sum assured will be reduced to the extent that total premium bears to the premium already paid. The reduced sum assured becomes payable.

Q8. Give the meaning of fire insurance.

Ans. Fire insurance is a contract in which the insurer undertakes to indemnify the insured for actual loss by damage in return for a consideration called the premium.

Q9. What is marine insurance?

Ans. Marine is a contract between two parties under which one party agrees to compensate the other party against the loss arising from certain marine risks in consideration of a certain payment.

Q10. What is insurance?

Ans. Insurance is a device which helps a person to protect himself against certain risks. It may be a contract of indemnity or guarantee

Ten marks questions:

Q1. What is Marine Insurance? Explain the various types of marine insurance policies.

Ans. Marine Insurance is a contract between two parties under which one party agree to indemnify the other party against the loss arising from certain marine risks in consideration of certain payment.

The kinds/types of marine insurance policies are:-

1. **Valued Policy:-** It is a policy in which the value of the subject matter of insurance is agreed upon and stated at the time of taking out of policy.
2. **Unvalued or open policy:-** It is a policy under which the value of the subject matter of insurance will be valued only after the happening of the event.
3. **Voyage Policy:-** In this policy the subject matter is insured for a specific voyage or route from one point to another point. Names of port departure and destination are mentioned.
4. **Time Policy:-** In this policy the subject matter is insured for a definite time period. It clearly states date/time of the starting the journey and date on which journey comes to an end.
5. **Mixed Policy:-** In this policy the subject matter is insured for a specific voyage and for a definite time period. It includes both place and time.
6. **Floating Policy:-** In this type of policy the subject matter of insurance will be described in general without any specification of the ship or cargo. Policy is taken out for a fixed sum and such is reduced after each shipment to the extent of declared value.
7. **Wager Policy:-**It is a policy taken by a person who does not have insurable interest in the subject matter. It is also called as honour policy.
8. **Fleet Policy:-** It covers the risks of all the ships owned by the insured.

Q2. Explain in brief various types of fire insurance policies.

Ans. Fire insurance is a contract under which the insurer undertakes to indemnify / compensate the insured for actual loss caused to him by destruction or damage of the insured property by fire in return for a consideration called premium.

Types:

1. **Valued Policy:** The value of the property insured is agreed upon and stated at the time of taking out policy. Ex. Works of art, jewellery etc.
2. **Specific policy:** Policy is taken out for a specific amount. The insured is paid only to the extent of actual loss or specific amount, whichever is lower.

3. Average policy: This type of policy is intended to penalize the insured for under – insurance of his property.
4. Floating policy: Under this the properties found in different localities are covered by one policy. Suitable for business concerns having business at different places.
5. Blanket policy: If cover all assets, fixed as well current assets.
6. Comprehensive policy: It is to cover such risks as fire, explosion, lightning, thunders, civil commotion, strikes, and burglary up to certain limit.
7. Consequential loss policy: To indemnify the insured against the loss or profit caused by any interruption of business by fire. It is also called as ‘loss of profit policy.’
8. Reinstatement of replacement policy: The insurer undertakes to pay the cost of replacement of the property destroyed / damaged by fire or may replace the property destroyed instead of paying compensation in cash.