JUNE 2013 EXAMINATION

DATE: 3 JUNE 2013

TIME: 14H00 – 16H00

TOTAL: 100 MARKS

DURATION: 2 HOURS

PASS MARK: 40%

(FE-09)

IMPORT MANAGEMENT

THIS EXAMINATION PAPER CONSISTS OF 4 SECTIONS:

SECTION A: CONSISTS OF:
(i) 10 MULTIPLE-CHOICE QUESTIONS (10 MARKS)
(ii) 5 TRUE OR FALSE QUESTIONS (10 MARKS)
(iii) 10 MATCHING-STATEMENT QUESTIONS (10 MARKS)

ANSWER ALL THE QUESTIONS

SECTION B: CONSISTS OF 3 SHORT QUESTIONS

ANSWER ALL THE QUESTIONS (10 MARKS)

SECTION C: CONSISTS OF 3 LONG ANSWER QUESTIONS

ANSWER ALL THE QUESTIONS (40 MARKS)

SECTION D: CONSISTS OF 3 INTERPRETATIVE QUESTIONS

ANSWER ANY ONE OF THE QUESTIONS (20 MARKS)

INSTRUCTIONS:

1. Read the following instructions carefully before answering the paper, as failure to act upon them will result in a loss of marks.
2. Write your answers in your answer book, which is provided in the exam.
3. Ensure that your name and student number are clearly indicated on your answer book.
4. Write your answers in either blue or black ink in your answer book.
5. Read each question very carefully before you answer it and number your answers exactly as the questions are numbered.
6. Begin with the question for which you think you will get the best marks.
7. Note the mark allocations for each question – give enough facts to earn the marks allocated. Don't waste time by giving more information than required.
8. You are welcome to use diagrams to illustrate your answers.
9. Please write neatly – we cannot mark illegible handwriting.
10. Any student caught cheating will have his or her examination paper and notes confiscated. The College will take disciplinary measures to protect the integrity of these examinations.
11. If there is something wrong with or missing from your exam paper or your answer book, please inform your invigilator immediately. If you do not inform your invigilator about a problem, the College will not be able to rectify it afterwards, and your marks cannot be adjusted to allow for the problem.
12. This paper may be removed from the examination hall after the examination has taken place.
SECTION A  
(30 MARKS)

ANSWER ALL THE QUESTIONS

(i) MULTIPLE-CHOICE QUESTIONS

Choose the correct option for each of the following. Write only the question number and your chosen answer. For instance, if you think that the correct answer for number 1 is (a), then write it as 1. (a).

1. Which one of the following is a function of an airway bill?
   (a) it is used for payment
   (b) it is a commercial invoice
   (c) it is an insurance certificate
   (d) it is a document of title

2. Under which payment method is payment made as soon as goods are received?
   (a) payment in advance
   (b) open account
   (c) letter of credit
   (d) cash with order

3. Which letter of credit is used under unusual circumstances?
   (a) revocable
   (b) confirmed
   (c) back to back
   (d) Both (a) and (b).

4. Which of the following information is found on an international order?
   (a) price of goods
   (b) quantity of goods
   (c) packaging method
   (d) All of the above.

5. A clean bill of lading is issued when:
   (a) goods are received in a good condition for shipment.
   (b) goods are in a bad condition when received for shipment.
   (c) goods are going by sea transport.
   (d) None of the above.

6. The benefit of international trade is that:
   (a) it decreases the quality of goods and services.
   (b) it encourages the introduction of new production methods.
   (c) a variety of products becomes limited.
   (d) it destabilises the prices of domestic products.
7. Which one of the following is a continuation sheet for customs declaration?
   (a) DA 500
   (b) DA 59
   (c) DA 501
   (d) DA 51

8. How many parties are there in a letter of credit?
   (a) two
   (b) three
   (c) five
   (d) one

9. The main method of reducing exchange rate fluctuation is by means of:
   (a) a forward-exchange contract.
   (b) open account trading.
   (c) speculation.
   (d) Both (a) and (c).

10. Which of the following goods are VAT exempt?
    (a) goods stored in a bonded warehouse
    (b) goods in transit
    (c) goods used in manufacturing a final product that will be exported
    (d) All of the above.

(ii) TRUE OR FALSE QUESTIONS

Indicate whether the following statements are true or false. Motivate all your answers.

1. There are three parties to a bill of exchange.

2. A deficit in the balance of payments means that there are more exports than imports.

3. The international monetary fund offers loans to international traders.

4. Ad-valorem is a fixed quantity of the total goods used to calculate customs duty.

5. Comparative advantage is the ability of a country to produce a product at a lower opportunity cost than the country with which it trades.
(iii) **MATCHING-STATEMENT QUESTIONS**

Match the statements in Column B to the statements in Column A. Write down the answers only, for example 1. (a).

<table>
<thead>
<tr>
<th>Column A</th>
<th>Column B</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. irrevocable credit</td>
<td>(a) bill of lading</td>
</tr>
<tr>
<td>2. a SADC country</td>
<td>(b) in low risk countries / buyers</td>
</tr>
<tr>
<td>3. confirmed credits</td>
<td>(c) airway bill</td>
</tr>
<tr>
<td>4. an Oceania country</td>
<td>(d) the issuing bank is responsible for making payment</td>
</tr>
<tr>
<td>5. a seller can use open account trading</td>
<td>(e) trade between two or more countries</td>
</tr>
<tr>
<td>6. a seller can use advance payment</td>
<td>(f) the advising bank takes the responsibility to make payment</td>
</tr>
<tr>
<td>7. international trade</td>
<td>(g) Mauritius</td>
</tr>
<tr>
<td>8. internal trade</td>
<td>(h) when trading with high risk countries / buyers</td>
</tr>
<tr>
<td>9. a document of title</td>
<td>(i) New Zealand</td>
</tr>
<tr>
<td>10. document that serves as an insurance document</td>
<td>(j) trade within a country</td>
</tr>
</tbody>
</table>

[10]  

[30]
SECTION B: SHORT QUESTIONS  
(10 MARKS)

ANSWER ALL THE QUESTIONS

QUESTION 1

(a) Define primary products and give one example.  

(b) Define intermediate products and give one example.  

QUESTION 2

Define absolute advantage.  

QUESTION 3

Explain the meaning of natural wealth.
SECTION C: LONG ANSWER QUESTIONS (40 MARKS)

ANSWER ALL THE QUESTIONS

QUESTION 1

(a) Trade specialisation does not work as well in practice as it does in theory. Explain this statement. (5)

(b) Identify any five costs contained in a costing sheet. (5) [10]

QUESTION 2

Explain five classes of bills of lading. [10]

QUESTION 3

(a) i. Identify five documents required by the Department of Customs and Excise when clearing imports. (5)

ii. List any five organisations / individuals that use ATA Carnet systems. (5)

(b) Write the abbreviations in full and explain the responsibility of the buyer and seller under FOB, EXW and FAS. (10) [20] [40]
SECTION D: INTERPRETATIVE QUESTIONS (20 MARKS)

ANSWER ANY ONE OF THE QUESTIONS

QUESTION 1

(a) Identify and discuss in detail the five role players involved in a letter of credit. (5 × 2 = 10)

(b) Identify and briefly explain five special letters of credit used for unusual situations. (5 × 2 = 10) [20]

OR

QUESTION 2

(a) Describe eight documents required for importing specific goods into South Africa. (8 × 2 = 16)

(b) Explain the purpose of import duties. (4) [20]

OR

QUESTION 3

(a) Explain the steps of a consignment sale. (4)

(b) Discuss the information needed when applying for a letter of credit. (8 × 2 = 16) [20]

Section A: 30 marks
Section B: 10 marks
Section C: 40 marks
Section D: 20 marks
TOTAL: 100 MARKS