IMPBUS

NOVEMBER 2013 EXAMINATION

DATE: 4 NOVEMBER 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.
(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 of the following products does South Africa not import?  
   
   (a) pharmaceutical products  
   (b) luxury cars  
   (c) earth moving equipment  
   (d) precious metals such as gold

2. How many original documents make up the airway bill?  
   
   (a) one  
   (b) two  
   (c) three  
   (d) six

3. Which of the following is a benefit of international trade?  
   
   (a) It reduces the variety of goods.  
   (b) It increases the prices of domestic products.  
   (c) It decreases the quality of local products.  
   (d) It encourages the introduction of new production methods and innovation.

4. What is the major reason for imposing import duties?  
   
   (a) to generate money for the government  
   (b) to make imported goods cheaper  
   (c) to encourage a negative balance of payments  
   (d) All of the above.

5. Under which payment method does the buyer pay before the goods are delivered?  
   
   (a) advance payment  
   (b) consignment sales  
   (c) prepaid  
   (d) cash on delivery
6. An irrevocable and confirmed letter of credit is most suitable where:

(a) one company is trading with a subsidiary company.
(b) the parties have been trading for a long time and they trust one another.
(c) one of the parties is located in a high-risk area in which war or social, political or financial instability are big problems.
(d) All of the above.

7. What does a balance of trade deficit mean?

(a) imports = exports
(b) a country’s imports exceed the value of its exports for a specific period
(c) a country’s exports exceed the value of its imports
(d) None of the above.

8. What is the major characteristic of a bill of exchange?

(a) It is negotiable.
(b) It is transferable.
(c) The buyer can amend it.
(d) It is an unconditional order.

9. What does the term 'stripping' mean?

(a) a process during which flexible strips of material are tied around boxes to fasten them securely
(b) to pack cargo together
(c) the thorough cleaning of a container
(d) to put cargo into smaller units

10. Where does one obtain a fumigation certificate?

(a) Trade and Industry Department
(b) Agriculture Department
(c) Export Department
(d) Import Department

(ii) TRUE OR FALSE QUESTIONS

Indicate whether the following statements are True or False. Motivate all your answers.

1. Exhibition goods and equipment are covered for twelve months under the Carnets.
2. Goods stored in a bonded warehouse are exempt from VAT.
3. A bill of lading acts as an insurance certificate.
4. Another word for 'order' is 'indent'.
5. A groupage bill of lading is used for consolidated consignments. [5 × 2 = 10]
(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. mineral</td>
<td>(a) importer / buyer</td>
</tr>
<tr>
<td>2. consignor</td>
<td>(b) the person to whom payment is made</td>
</tr>
<tr>
<td>3. base metal</td>
<td>(c) the difference between a company’s imports and exports</td>
</tr>
<tr>
<td>4. consignee</td>
<td>(d) diamond</td>
</tr>
<tr>
<td>5. issuing bank</td>
<td>(e) the importer or person to whom the bill is addressed</td>
</tr>
<tr>
<td>6. the drawee</td>
<td>(f) exporter / seller</td>
</tr>
<tr>
<td>7. confirming bank</td>
<td>(g) record of all financial transactions between a country and the rest of the world</td>
</tr>
<tr>
<td>8. the payee</td>
<td>(h) the bank that agrees to pay the beneficiary under the letter of credit</td>
</tr>
<tr>
<td>9. balance of payments</td>
<td>(i) the bank that opens the letter of credit on behalf of the buyer</td>
</tr>
<tr>
<td>10. balance of trade</td>
<td>(j) platinum</td>
</tr>
</tbody>
</table>
SECTION B: SHORT QUESTIONS  
(10 MARKS)

ANSWER ALL THE QUESTIONS

QUESTION 1

Define a 'letter of credit'.  [2]

QUESTION 2

Define the term 'trade relations'.  [2]

QUESTION 3

(a)  i. Define the term 'capital'.  (1)

   ii. Briefly explain 'comparative advantage'.  (2)

(b) Give three examples of enquiry documents.  (3)  [6]

[10]
SECTION C: LONG ANSWER QUESTIONS

ANSWER ALL THE QUESTIONS

QUESTION 1

(a) In international trade, an order does not state only the price and quantity of the product. Identify five other items of information included in an international order.

(b) Identify five items of information contained in the freight forwarder’s instruction document.

QUESTION 2

Specify five documents required to facilitate payment and briefly describe each one.

QUESTION 3

(a) i. Briefly explain the circumstances under which a buyer could pay cash in advance.

   ii. Identify five import expenses that can be paid with foreign exchange.

(b) Discuss the documents that are required when making foreign currency payments.
SECTION D: INTERPRETATIVE QUESTIONS (20 MARKS)

ANSWER ANY ONE OF THE QUESTIONS

QUESTION 1
(a) Explain the purpose of a bill of lading. (5)
(b) Describe five types of bills of lading. (15) [20]

OR

QUESTION 2
Explain ten common problems that occur with LCs and the supporting documentation. [10 × 2 = 20]

OR

QUESTION 3
(a) i. Which parties are involved in a letter of credit? (5)
    ii. What is the difference between a rebate and a refund? (5)
(b) Explain the five functions of an air waybill. (5 × 2 = 10) [20]

[20]

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