JUNE 2012 EXAMINATION

DATE: 4 JUNE 2012

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 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. The formula for working GDP is:
   (a) consumption – investment + government spending + [exports – imports].
   (b) consumption + investment + government spending + [exports – imports].
   (c) consumption + investment + government spending.
   (d) consumption – investment + government spending.

2. A negative trade balance refers to:
   (a) a trade deficit.
   (b) a trade surplus.
   (c) an import free country.
   (d) a balance of imports and export.

3. Which of the following is a primary product?
   (a) cars
   (b) bread
   (c) processed food
   (d) wood

4. A comparative advantage refers to:
   (a) a country’s productive capacity.
   (b) a country’s ability to produce at less than opportunity cost.
   (c) a country’s ability to produce at lower opportunity cost.
   (d) a country’s ability to produce at higher opportunity cost.

5. A reason why trade specialisation does not work in practice as it does in theory is:
   (a) that some third-world countries may be able to produce a product more effectively than a first-world country.
   (b) that no country in the world only produces and exports one product.
   (c) None of the above.
   (d) Both (a) and (b).
6. Transport documents relevant to an importer are:
   (a) a costing sheet, an order sheet and proforma invoices.
   (b) bills of lading, airway bills, roadway bills and railway bills.
   (c) a customs work sheet, a certificate of origin, a commercial invoice and a customs declaration form.
   (d) a proforma invoice, an inspection certificate and a package declaration.

7. The best definition of a bonded warehouse is:
   (a) a building where imported goods are stored.
   (b) a warehouse where imported goods are stored.
   (c) a warehouse in which imported goods are stored until the import duty and taxes are paid.
   (d) a building in which imported goods are stored until the import duty and taxes are paid.

8. The importer needs to consider the _____ during importation.
   (a) port charges
   (b) manufacturing costs
   (c) exchange rate
   (d) transport costs

9. What compensation is a reduction of the import duty that needs to be paid when goods are imported?
   (a) rebates
   (b) refund
   (c) draw back
   (d) value added tax

10. The following method of payment is most preferred by an importer:
    (a) letters of credit
    (b) open accounts
    (c) cash in advance
    (d) bills of exchange

(ii) **TRUE OR FALSE QUESTIONS**

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

1. Capital goods are products that are used to make other goods.
2. An importer prefers payments in advance.
3. More emphasis is placed on export clearance than import clearance.
4. The International Chamber of Commerce is an international organisation established in 1919 to promote international trade and globalisation.
5. Free alongside Ship (FAS) means that the consignor needs to deliver the goods alongside the ship on the quay.
(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. international trade</td>
<td>(a) trade within a country</td>
</tr>
<tr>
<td>2. another name for an order</td>
<td>(b) SAD 500</td>
</tr>
<tr>
<td>3. a document that guarantees payments to the seller</td>
<td>(c) a characteristic of a letter credit</td>
</tr>
<tr>
<td>4. incoterms are</td>
<td>(d) bill of lading</td>
</tr>
<tr>
<td>5. internal trade</td>
<td>(e) indent</td>
</tr>
<tr>
<td>6. a document that confirms a contract of carriage</td>
<td>(f) an international customs document that is issued to allow goods to be temporarily imported into other countries</td>
</tr>
<tr>
<td>7. a customs declaration form</td>
<td>(g) trade rules</td>
</tr>
<tr>
<td>8. the ATA carnet</td>
<td>(h) trade between countries</td>
</tr>
<tr>
<td>9. negotiable</td>
<td>(i) cash in advance</td>
</tr>
<tr>
<td>10. prepaid</td>
<td>(j) letter of credit</td>
</tr>
</tbody>
</table>

[10]

[30]
SECTION B: SHORT QUESTIONS

(10 MARKS)

ANSWER ALL THE QUESTIONS

QUESTION 1
Define comparative advantage. [2]

QUESTION 2
Explain the strapping process. [2]

QUESTION 3
(a)  i. Define a bill of lading. (1)
    ii. Explain the difference between a negotiable and non-negotiable letter of credit. (2)
(b)  List three elements of a common law contract of sale. (3) [6] [10]
SECTION C: LONG ANSWER QUESTIONS (40 MARKS)

ANSWER ALL THE QUESTIONS

QUESTION 1
(a) Discuss three purposes of a bill of lading. (5)
(b) Explain the meaning of a master bill and house bill of lading. (5) [10]

QUESTION 2
Briefly discuss the five documents needed for payments of imported goods. [10]

QUESTION 3
(a) i. List the information found in an ATA carnet system. (5)
    ii. Give five advantages of the ATA carnet system. (5)
(b) Name and discuss five different costs involved in importing goods. (10) [20]

[40]
SECTION D: INTERPRETATIVE QUESTIONS (20 MARKS)

ANSWER ONE OF THE QUESTIONS

QUESTION 1

(a) Some manufacturers in other countries are able to produce better and more cost effectively than manufacturers in South Africa. Explain five reasons for this. (10)

(b) Briefly describe the responsibilities of the buyer and seller for the following incoterms: EXW, FOB and FAS. (10) [20]

OR

QUESTION 2

Discuss how exchange control regulations affect the following:

(a) Non residents and investments (5)
(b) Imports (5)
(c) Exports (5)
(d) Foreign currency accounts (5) [20]

OR

QUESTION 3

(a) i. Explain a forward exchange contract. (5)
ii. Explain why South Africa implements exchange controls. (5)

(b) Identify and describe five methods of reducing currency fluctuations. (10) [20] [20]

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