NOVEMBER 2012 EXAMINATION

DATE: 5 NOVEMBER 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.

Examiner: K Ngang
(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 is NOT a function of a bill of lading?
   - (a) a contract of carriage
   - (b) a receipt for goods received / shipped
   - (c) an insurance certificate
   - (d) a document of title

2. Which payment method is favourable to the seller?
   - (a) payment in advance
   - (b) open account
   - (c) letter of credit
   - (d) cash with order

3. The term 'surplus' in the balance of payments means that:
   - (a) imports exceed exports.
   - (b) exports = imports.
   - (c) exports exceed imports.
   - (d) there is an increase in trade.

4. The SAD 500 is:
   - (a) an insurance document.
   - (b) a customs document.
   - (c) a transport document.
   - (d) a certificate of origin.

5. The disadvantage of exporting primary products is that:
   - (a) they bring a lot of revenue.
   - (b) they bring in less revenue.
   - (c) they are not competitive.
   - (d) they are expensive.
6. Which is the odd one out?
   (a) road waybill
   (b) bill of lading
   (c) air waybill
   (d) SAD 500

7. Which INCOTERM represents maximum responsibility for the buyer?
   (a) free on board
   (b) delivered duty paid
   (c) ex works
   (d) carriage paid to

8. How many parties are there in a bill of exchange?
   (a) two
   (b) three
   (c) five
   (d) four

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

10. Which international organisation offers loans to exporters and importers?
    (a) the International Chamber of Commerce
    (b) the International Monetary Fund
    (c) the International Trade Organisation
    (d) the International Air Transport Association

(ii) TRUE OR FALSE QUESTIONS

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

1. An ATA carnet is a customs document that allows goods to be temporarily imported into other countries.

2. Countries implement exchange rate controls to protect foreign currency reserves.

3. A through bill of lading is used by freight forwarders.

4. Duty-free goods are stored in a bonded warehouse.

5. Importers can get rebates as compensation in terms of imported goods. [5 x 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. irrevocable letters of credit</td>
<td>(a) bill of lading</td>
</tr>
<tr>
<td>2. a commercial invoice</td>
<td>(b) payment cannot be obtained</td>
</tr>
<tr>
<td>3. a document that allows the importer to collect goods</td>
<td>(c) is presented for payment</td>
</tr>
<tr>
<td>4. exchange rate fluctuations</td>
<td>(d) trade between countries</td>
</tr>
<tr>
<td>5. if a letter of credit is expired</td>
<td>(e) costs associated with importing goods</td>
</tr>
<tr>
<td>6. consignee</td>
<td>(f) agent</td>
</tr>
<tr>
<td>7. freight forwarder</td>
<td>(g) enquiry document</td>
</tr>
<tr>
<td>8. international trade</td>
<td>(h) cannot be cancelled</td>
</tr>
<tr>
<td>9. pro forma invoice</td>
<td>(i) common law of contracts</td>
</tr>
<tr>
<td>10. an acceptance is found in</td>
<td>(j) buyer</td>
</tr>
</tbody>
</table>
SECTION B: SHORT QUESTIONS

(10 MARKS)

ANSWER ALL THE QUESTIONS

QUESTION 1

Define the term 'opportunity cost'.

[2]

QUESTION 2

Define the term 'capital'.

[2]

QUESTION 3

(a) i. Define the term 'consignor'.

[1]

ii. Identify any two transport documents.

[2]

(b) List the three common enquiry documents.

[3] [6]

[10]
SECTION C: LONG ANSWER QUESTIONS (40 MARKS)

ANSWER ALL THE QUESTIONS

QUESTION 1
(a) Identify the five functions of an air waybill. (5)
(b) Explain how the three air waybill documents are distributed. (5) [10]

QUESTION 2
List and explain any five methods of payment used in international trade. [10]

QUESTION 3
(a) i. List any five documents that are presented with a letter of credit for payment. (5)
ii. Which procedure should be followed when making changes to a letter of credit? (5)
(b) List ten piece of information contained in a commercial invoice. (10) [20]

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

ANSWER ONE OF THE QUESTIONS

QUESTION 1

(a) Outline the information found in a freight forwarder’s instruction document.  

(b) Identify and explain the five types of bills of lading.  

OR

QUESTION 2

Discuss the common problems that occur with letters of credit and the supporting documents.  

OR

QUESTION 3

(a) i. Identify the five documents that need to be presented for a documentary collection.  

ii. List five of the documents that usually accompany a letter of credit.  

(b) Discuss the benefits of international trade.

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