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UCP 600 article 14 and they would not refund the funds reimbursed.

*Questions :*

1. Was Global Bank, Pune Branch correct in its argument, as the credit issuing bank ?
2. Was the stand taken by The American Bank, New York correct, as the negotiating bank ?

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**M. B. A. (FOURTH SEMESTER)**

**END SEMESTER**

**EXAMINATION, May, 2023**

**EXPORT AND TRADE DOCUMENTATION**

**Time : Three Hours**

**Maximum Marks : 100**

**Note :** (i) This question paper contains *two* Sections—Section A and Section B.

(ii) Both Sections are compulsory.

(iii) Answer any *two* sub-questions among (a), (b) & (c) in each main question of Section A. Each sub-question carries 20 marks.

(iv) Section B consisting of Case Study is compulsory. Section B is of 20 marks.

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**Section—A**

1. (a) Explain the concept of LC What is the requirement of an LC ? (CO1, CO2)  
(b) Explain the role of patents, copyright and trademarks by using suitable examples. (CO1, CO2)  
(c) What documents are required while sending a consignment to a foreign country ? (CO1, CO2)
2. (a) How can you prepare preshipment documentation. Explain by citing relevant examples. (CO3)  
(b) Explain different modes of transportation in detail. (CO3)  
(c) Suppose your company wants to export a particular product to a foreign country. What procedure would you use to export the product. (CO3)
3. (a) What are the problems one may face while shipment of a product ? Use relevant examples. (CO4)

- (b) What is a shipping document and what documents are required for international shipping ? (CO4)
- (c) What are different type of freight documentation ? (CO4)
4. (a) What are custom formalities that are required while importing and exporting the products ? (CO5)  
(b) What do you understand by : (CO5)
  - Import and Export Incentives
  - Import and Export License  
(c) Who are custom house agents and what are their role and responsibilities ? (CO5)

**Section—B**

5. **Case Study :** (20 Marks)  
M/S Auto India is a public limited company; they manufacture SUVs (sports utility vehicle), in technical collaboration with General Motors of USA. The company has established their manufacturing base at Ranjangaon in Pune. They have acquired an area of 250 acres and the total project cost is estimated at ₹ 1500

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crores. As per the projections, the company is slated to achieve a 25% market share in the Indian market, within a period of two years.

Out of the total project cost, 49% is brought in by General Motors and the rest is tied up with financial institutions, international banks and Indian banks. The working capital is financed by a consortium of banks in which Global bank, Pune branch, is the leader. The company imports many parts of the car engine in a CKD (completely knocked down) condition from General Motors, Detroit, after establishing import letters of credit through its main bankers, Global Bank, Pune Branch.

M/S Auto India approached Global Bank, Pune for opening of import letter of credit as per UCP ICC 600 for USD 100,000, on sight basis, in favour of General Motors, Detroit.

Type of credit — Irrevocable negotiable

Application — UCP ICC 600

Applicant — M/S Auto India, Pune, India

Beneficiary — M/S General Motors, Detroit, USA

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Issuing Bank — Global Bank, Pune, India

Advising Bank — The American Bank, New York

Negotiating Bank — The American Bank, New York

Reimbursing Bank — International Bank, New York

Availability — Negotiable at sight

Expiry — At the counters of The American Bank, New York

Amount — USD 100,000

Merchandise — Car engine parts

Quantity and price — 50 units @ USD 2000 per unit

**Circumstances**

**Issuing Bank**

Global Bank, Pune issued its irrevocable negotiable credit through its head office in Pune since Global Bank co-ordinated all its accounting and communication functions at its head office. The Bank's head office transmitted the credit through Swift network as

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instructed by its Pune branch to General Motors, Detroit, through The American Bank, New York.

#### **Advising Bank**

The American Bank, New York advised the credit to General Motors, Detroit on receipt of the swift transmission.

#### **Credit**

Along with other conditions, the credit clearly stated that the negotiating bank was to forward the documents directly to Global Bank's head office at Pune.

#### **Beneficiary**

After export of the consignment, General Motors, Detroit presented the documents under the credit to The American bank, New York.

#### **Negotiating Bank**

The American Bank, New York, examined the documents presented by General Motors and determined that they were in compliance with the terms and conditions of the credit. The American bank negotiated the documents and forwarded the documents, as per the credit

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terms, to the HO of Global Bank in Pune and claimed reimbursement from International bank, New York.

#### **Reimbursing Bank**

International Bank, New York honoured the reimbursement claim by crediting the current account of the American Bank, New York and debiting the account of Global Bank, Pune, in its books.

#### **Issuing Bank Head Office**

Global Bank's Head Office, at Pune, received the documents and after internal registration of the documents, forwarded the documents to its Pune Branch by inter-office mail.

#### **Issuing Bank Branch**

On receipt of the documents by the Pune branch of Global Bank, they examined the documents and determined that they were discrepant. They were (a) 60 units were shipped instead of 50 units, thereby overdrawing the credit value by USD 2000 (b) Inspection certificate by Auto Inspection

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Council, USA is not submitted, as per credit terms. Global Bank contacted Auto India for waiver of the discrepancies.

**Applicant**

Auto India requested for copies of the documents to be forwarded by fax and after reviewing the same, they refused to waive the discrepancies.

**Issuing Bank Branch**

Global Bank, Pune Branch instructed its HO to transmit an authenticated swift to The American Bank, New York stating that Global Bank had rejected the documents for the noted discrepancies, requesting the American Bank's instructions as to disposal of the documents, and demanding a refund of the funds reimbursed.

**Issuing Bank Head Office**

The HO of the Global Bank sent the authenticated swift message to the American Bank, New York, as instructed by its Pune Branch.

**Negotiating Bank**

On receipt of the swift notification advising that Global Bank had rejected the documents for the stated discrepancies, the American Bank informed Global Bank that it did not accept the rejection of the drawing since the Global Bank did not comply with UCP 600 sub-article 14 for standard examination of documents. Therefore, Global Bank was said to be stopped from dishonouring its irrevocable obligation.

**Issuing Bank**

Global Bank, Pune Branch responded by stating that they acted in accordance with UCP article 14, since their action did not exceed five banking days following the day of receipt of the documents at their branch counters after which they scrutinised the documents and determined to refuse them. They maintained that as per article 14 of UCP 600, they notified about the rejection of the documents, by swift, not later than the close of the fifth banking day following the day of receipt of the documents.

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They had pointed out all the discrepancies and had informed American Bank, New York that they were holding the documents at the latter's disposal.

#### **Negotiating Bank**

The American Bank, New York replied as follows : We disagree with your position that you acted in accordance with UCP 600 article 14. Documents were delivered by courier to your HO as per the terms of the credit, on Monday, January 7, 2008. Your swift notifying rejection of the documents was not sent until Wednesday, Jan 16, 2008 that is, on the eighth banking day after receipt of the documents by your bank.

#### **Issuing Bank**

Global Bank, Pune Branch, responded by stating that even though its HO received the documents on January 7, 2008; the Global Bank's Pune Branch did not receive the documents until the following Thursday,

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January 10, 2008, and the swift advice rejecting the documents was sent within the time period permitted in UCP article 14.

#### **Negotiating Bank**

The American Bank, New York, replied that it was not their concern how Global Bank's operational policy impacted on their inability to comply with UCP. The American Bank, New York stated that in accordance with the credit terms and conditions, documents were negotiated by them and forwarded to Global Bank's HO by courier. The documents were received by Global Bank on Jan 7, 2008, and any notice of rejection of the documents should have been given within the close of the fifth banking day following receipt of the documents. Global Bank's Pune Branch failed to do so. Therefore, the American Bank, New York's position was firm relative to

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