Proforma Invoice VS Sales Contract

Proforma invoice is the primary contractual document of the buyer (importer) and the seller (exporter) in export trade. The buyer agrees to deliver the goods to the seller at a fixed price and on a specific date through this invoice. Basically, an exporter prepares a proforma invoice with signature and seal on the letterhead of his company after the sales contract is issued and submits it to the advising bank along with other documents. In many cases, the exporter prepares the proforma invoice before the sales contract is issued as per the demand of the importer. The advising bank then sends the invoice to the importer's bank. The importer's bank provides the letter of credit or advances payment using the information of the proforma invoice. In the case of TT, this proforma invoice is sent to the buyer. As soon as he received the invoice, he started the work of releasing the payment under the buyer.

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Sales contracts and proforma invoices are not the same things at all. The main difference between these two documents is that all the information related to **the contract is written in detail in the sales contract**. The Proforma Invoice, on the other hand, **summarizes all the details of the contract**.

Another important difference between the two documents is that the **Proforma Invoice details the importer's bank information**, such as the account name, number, etc., which is not included in **the sales contract**.

What is included in a sales contract?

In addition to the price, a sales contract should state the time for payment, the method for payment, and any payment schedule (e.g., lump, installment, etc.) agreed upon. A sales contract should address the many different aspects of the delivery of the goods and/or services.

What is the purpose of a proforma invoice?

A proforma invoice is a preliminary bill or estimated invoice which is used to request payment from the committed buyer for goods or services before they are supplied. A proforma invoice includes a description of the goods, the total payable amount and other details about the transaction.

Ref:

<https://onlinegarmentsacademy.blogspot.com/2020/10/what-is-PI.html>

<https://www.fundingcircle.com/uk/>

https://www.americanexpress.com/en-gb/business/trends-and-insights/articles/what-is-a-proforma-invoice/