

CHAPTER : - 11

BUSINESS STUDIES

CLASS 11th

INTERNATIONAL BUSINESS

**INTRODUCTION OF
INTERNATIONAL BUSINESS**



INTERNATIONAL BUSINESS

MEANING

International business refers to buying and selling of goods or services beyond geographical limits of a the country. It is also called trade between two countries.



INTERNATIONAL BUSINESS

International / External trade is of three types:

1. Export:

It refers to selling goods or services to foreign countries.

2. Import:

It refers to buying goods or services from foreign countries.



INTERNATIONAL BUSINESS

3. Entrepot (Re-export):

It refers to import of goods not for consumption in home country but for exporting them to another country.



INTERNATIONAL BUSINESS

NATURE OF EXTERNAL TRADE / INTERNATIONAL BUSINESS

International business or international trade or foreign trade involves two countries. The main features of external trade are:



INTERNATIONAL BUSINESS

1. Involvement of Two Countries :

- In international business, minimum two countries are involved. Buying and selling across the borders of the country can also be termed as external trade.
- Trading between two far off cities of the same country cannot be termed as international business.



2. Payment in Foreign Currency :

Each country has its own currency. Payment for imported goods is made in foreign currency and payment for export is also received in foreign currency.



PROBLEMS OF INTERNATIONAL BUSINESS

- ✓ **Legal Procedures:**
 - Import or export of goods involves a lengthy and complicated procedure. Prior permission of the government has to be obtained before exporting or importing goods or services.
 - One has to fill many documents, get custom clearance, conversion of rupee into foreign currency, booking of ship etc. All these are time-consuming activities.



INTERNATIONAL BUSINESS

✓ Restrictions:

- The international business is not as free as internal trade. In case of several items export or import licence has to be obtained. Many restrictions are imposed by the government on export or import of certain items.



INTERNATIONAL BUSINESS

✓ High Risk :

- The risk involved in international business is much higher than in internal trade. Due to long distances there is risk of damage of goods in transit.



INTERNATIONAL BUSINESS

✓ Different Languages :

- Different languages are spoken and written in different countries. Traders must appoint someone who can read and understand the foreign language to read the price list, terms and conditions of trade, etc.



INTERNATIONAL BUSINESS

Difference b/w Internal Trade & External trade / International Business

Point of Difference		Internal Trade	External trade
1.	Meaning	Internal trade refers to buying & selling of Goods within the geographical limits of a country.	External trade refers to buying & selling of goods beyond the geographical limits of a country.
2.	Countries involved	Only one country is involved.	Minimum two countries are involved.
3.	Risk	Less degree of risk is involved.	High degree of risk is involved.
4.	Currency used	Payments are made & received in home currency only.	Payment are made & received in foreign currency only.



INTERNATIONAL BUSINESS

Difference b/w Internal Trade & External trade / International Business

Point of Difference		Internal Trade	External trade
5.	Procedure involved	No long procedures or formalities have to be completed before starting.	Long procedures & many formalities have to be completed before starting.
6.	Mode of payment	Payment are made by cash or cheque.	Payment are made through bill of exchange or through banks.
7.	Legal rules & regulations	National laws, rules & regulation are applicable.	International rules & regulations are applicable.
8.	Mode of transport	It uses road, railway mode of transport.	It uses sea transport & air transport.



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**REASONS FOR
INTERNATIONAL BUSINESS**



INTERNATIONAL BUSINESS

- **The main reasons for international business are:**
 - ✓ **The countries can not produce equally well or cheaply all that they need.**
 - ✓ **There is unequal distribution of natural resources among different countries.**



INTERNATIONAL BUSINESS

- ✓ Availability of different factors of production such as land, labour, capital and raw material differ among different nations.
- ✓ Difference in labour, productivity and production cost due to socio-economic, geographical and political reasons.
- ✓ There is not even a single country, which is in a better position to produce better quality products at lower cost.



INTERNATIONAL BUSINESS

- ✓ As a result, each country finds it advantageous to produce those selected goods or services that it can produce more effectively and efficiently and procuring rest through trade with other countries, which the other countries can produce at the lower cost.
- ✓ This is the main reason why countries trade with each other and engage in international business.



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INTERNATIONAL BUSINESS

INTERNATIONAL BUSINESS

VS.

DOMESTIC BUSINESS



INTERNATIONAL BUSINESS

INTERNATIONAL BUSINESS vs. DOMESTIC BUSINESS

- **Conducting international business is more complex than the domestic business because of variations in political, social, cultural and economic environments. To be successful, they have to plan their production, marketing etc. as per the requirement of target foreign market.**



INTERNATIONAL BUSINESS

The key areas, in respect of which domestic and international business differ from each other are:

✓ **Nationality of Buyers and Sellers :**

In case of domestic business, both buyers and sellers are of the same nationality whereas in case of international business both are of different nations and nationality.



INTERNATIONAL BUSINESS

✓ Nationalities of Other Stakeholders :

Stakeholders are employees, suppliers, shareholders / parties, general public etc. who interact with business firms.

In case of domestic business, all stakeholders belong to one country and share common language, values, behavioural pattern etc.

Whereas in case of international business, it is more complex as they have different values, aspirations etc.



INTERNATIONAL BUSINESS

✓ Customer Heterogeneity across Markets :

Due to socio - cultural differences, background differs in their tastes, fashion, language etc. There is lot of variation in the demand pattern.

For example, Indian people use right hand driven car whereas American people drive left hand fitted steering, brakes etc.



INTERNATIONAL BUSINESS

✓ Differences in Business Systems and Practices :

These differences are more in international business as compared to domestic business. Difference in economic development, cost, economic infrastructure, market support services makes it necessary for the firms dealing in international trade to adapt their production, finance, human resources and market plans as per the conditions prevailing in the international market.



INTERNATIONAL BUSINESS

✓ Business Regulations and Policies :

Each country has its own set of laws and regulations. Tariff and taxation policies differ from nation to nation. Most of the time, there is some kind of discrimination against foreign products, services and capital.



INTERNATIONAL BUSINESS

✓ **Currency Used in Business Transactions :**

Another difference between domestic and international business is that international business involves use of different currencies and exchange rate of currencies keeps on fluctuating. Due to this fluctuation, it becomes difficult for firms to fix prices of their products and services.



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**BENEFITS OF
INTERNATIONAL BUSINESS**



INTERNATIONAL BUSINESS

❖ BENEFITS TO NATIONS

✓ Earning of Foreign Exchange :

International business helps a country to earn foreign exchange which can be used to import capital goods, technology, petroleum products, fertilizers etc.



INTERNATIONAL BUSINESS

✓ More Efficient Use of Resources :

Every country has some or the other natural resources. For example, a country may possess mineral resources, labour resources, technological capabilities, water resources etc.

Every country tries to use these resources in the best possible manner and gradually they become more efficient and specialised in using these resources than other countries.



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For example, Japan may produce electronic goods more efficiently than India and India may produce agricultural goods more efficiently than Japan. Thus India can buy electronic goods from Japan and can sell agricultural goods to Japan.



INTERNATIONAL BUSINESS

✓ Improving Growth Prospects and Employment Potential :

External trade boosts up the economic growth of a country as the firms of developing countries increase their production capacity to supply goods in foreign countries. Companies can also import technical knowhow to utilise their resources. Increased production results in increase in GDP leading to economic growth of the country.



INTERNATIONAL BUSINESS

External trade creates employment opportunities directly as well as indirectly. External trade results in increase in production and due to increased production the demand for labour increases which creates employment opportunities.



INTERNATIONAL BUSINESS

✓ Increases Standard of Living :

In the absence of international trade, it would not have been possible for the world community to use the goods and services produced in other countries. The people living in developing and underdeveloped countries can use these products and increase their standard of living.



INTERNATIONAL BUSINESS

❖ BENEFITS TO FIRMS

✓ Prospects for Higher Profit :

Generally international business is more profitable than domestic business. When the prices in domestic market are low then firms can sell at high price in international market in the countries where prices are high.



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✓ Increased Capacity Utilisation :

Companies involved in external trade increase their production capacity. With increase in production capacity of these firms can get benefits of large production or economies of scale and reduce the cost of production.



INTERNATIONAL BUSINESS

✓ Prospects for Growth :

When the demand for the products starts becoming saturated in domestic countries then such firms can enhance their business by approaching international market. This is the main motivation for many MNCs at developed countries to enter in the markets of developing countries.



INTERNATIONAL BUSINESS

- ✓ **Way out from Intense Competition in the Domestic Market :**

High competitive domestic market drives many companies to go international in search of markets for their products. This helps them to grow and expand.



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EXPORT TRADE



INTERNATIONAL BUSINESS

MODE OF ENTERING INTO INTERNATIONAL BUSINESS

❖ EXPORTING AND IMPORTING

- Exporting refers to sending of goods and services from the home country to a foreign country and importing means buying goods and services from a foreign country.
- The exporting and importing can be done in two ways : direct or indirect.



INTERNATIONAL BUSINESS

- Direct means firm itself approaches in foreign country and completes all the formalities itself.
- On the other hand, when a firm employs a middleman to perform these formalities then it is called indirect exporting and importing.



MEANING OF EXPORT TRADE

- Export trade refers to selling goods and services produced in the home country to foreign country or across the border.
- The seller of such goods and services is known as exporter and buyer is called as importer.



OBJECTIVES

✓ To sell Surplus Goods :

A country can sell its surplus output to foreign country as some time countries produced the products more than its need in home country so such surplus products can be exported.



INTERNATIONAL BUSINESS

✓ To make Better Utilisation of Resources :

By producing goods at large scale country can make better utilisation of resources.

✓ To earn Foreign Exchange :

Countries can earn foreign exchange by selling the goods in foreign market and this can be used to buy capital goods and technology from foreign market.



INTERNATIONAL BUSINESS

✓ To Increase National Income :

Earning from export trade help to increase the national income and higher national income improves the standard of living and quality of life of people in the home country.

✓ To Generate Employment :

Growth of export trade creates employment opportunities for large number of people.



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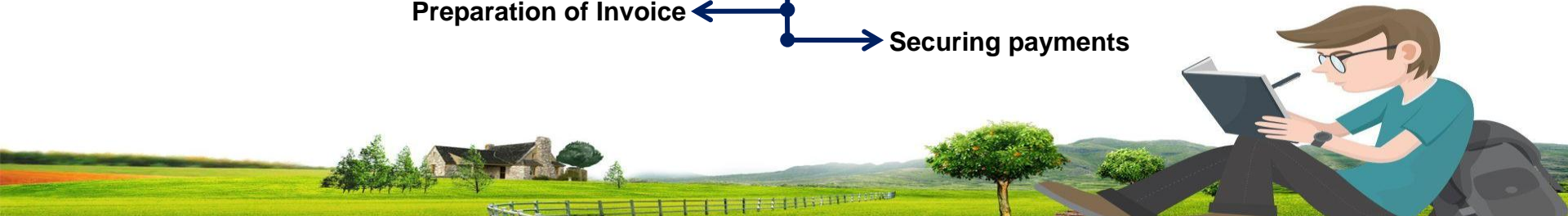
INTERNATIONAL BUSINESS

EXPORT PROCEDURE - I



INTERNATIONAL BUSINESS

EXPORT PROCEDURE



INTERNATIONAL BUSINESS

The main step involved in export procedure are:

✓ **Receipt of Enquiry and Sending Quotations :**

The prospective buyers of a product send an enquiry to different exporters regarding price, qualities, terms and conditions etc. Sometimes enquiry is conducted by giving advertisement also.

The exporter sends a reply to this enquiry in the form of a quotation termed as "Proforma Invoice". Proforma invoice contains detailed information regarding price, quality, size, weight, shape etc. of products which the exporter can supply.



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✓ Receipt of Order or Indent :

In case the prospective buyer is satisfied with the information given in the proforma invoice, then he places an order for the goods to be despatched. This order is known as "Indent". It contains the description regarding the goods ordered, their price, delivery terms and conditions, packaging and marking instructions etc.



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✓ Assessing Importer's Creditworthiness and Securing Guarantee for Payment :

After receiving the order and before manufacturing the goods, the exporter enquires about the creditworthiness of the importer to get payment security.

To minimise the risk of default payment most of the exporters prefer to demand a "Letter of Credit". Letter of credit is a surity that the importer will make payment to bank and bank will make payment to exporter on behalf of the importer.



INTERNATIONAL BUSINESS

✓ Obtaining Export Licence :

According to the customs law, a firm must acquire an export licence before exporting goods. The prerequisites of export licences are:

❖ Obtaining IEC Number (Import Export Code) :

Before starting the export procedure, the exporter has to get an IEC number. This number is used in filling the formalities of export procedure. To get this number the exporter has to apply to the Regional Import Export Licensing Authority in the prescribed form.



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Along with the application the exporter must submit the following documents:

- I. Details about the personal record of the exporter.**
- II. Bank receipt for payment of fees to apply for IEC number.**
- III. Certificate from the bankers.**
- IV. Declaration by the exporters that they will not be exporting the goods listed in caution list (caution list contains the goods on which there is restriction on export).**



❖ Obtaining RCMC (Registration Cum Membership Certificate) :

Exporters get various benefits in the form of subsidies and exemption in excise duty, tax etc. To get these benefits they have to show RCMC. After getting IEC number, the exporter applies for RCMC. The RCMC is issued by

- I. Export Promotion Council**
- II. Federation of Indian Export Organisations**
- III. Export Development Authority etc.**



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❖ Registration with ECGC (Export Credit Guarantee Corporation) :

It is necessary in order to protect overseas payments from political and commercial risks. This registration also helps the exporter to get financial assistance from commercial banks and other financial institutions.



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✓ Obtaining Pre-shipment Finance :

Pre-shipment finance is a finance which the exporter needs to procure raw materials, other components, processing and packaging of goods and transportation of goods to the port for shipment. After receiving a letter of credit, the exporter approaches his banker to obtain pre-shipment finance.



INTERNATIONAL BUSINESS

✓ Production and Procurement of Goods :

After sending the confirmation to the importer, the exporter starts manufacturing the product according to the specification. If the exporter is not a manufacturer then he starts procuring the goods from different manufacturers as per the specifications of the export order.



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✓ Pre - shipment Inspection :

Quality plays a very important role in external trade. Exporters have to follow international quality standards. The goods are produced strictly according to the quality specifications of buyers. In India, it is compulsory to get a pre-shipment quality inspection according to Quality Control and Inspection Act.



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The government has prescribed certain quality standards keeping in mind the safety and health of the people. Export Inspection Councils are set up to check whether exporters are following those quality standards or not. If the Council is satisfied then they issue an inspection certificate. Without inspection certificate export is not permitted. There are three methods of pre-shipment inspection.



i. Consignmentwise Inspection :

In this method the exporter calls the inspectors from Export Council after goods are ready for despatch. The inspector checks each consignment of finished goods and if he is satisfied then he issues a certificate of inspection.



II. In - process Quality Control :

Under this method the inspectors inspect the quality during the production process. While goods are in process of manufacturing then only the inspector comes and inspects the quality.

In this method the inspector can check the quality of raw material used, technology or type of machinery used etc. If the inspector is satisfied then an inspection certificate is issued by him.



III. Self - certification :

Reputed firms and large-scale exporters themselves see to it that international quality standards are maintained to improve and earn goodwill in the international market.

They try to obtain international quality standard marks such as ISO 9000, ISO 2000 etc. These firms acquire mechanism of quality assurance and testing facility.



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After self-inspection, they may also approach the Export Inspection Council to inspect the quality standards and issue a certificate.



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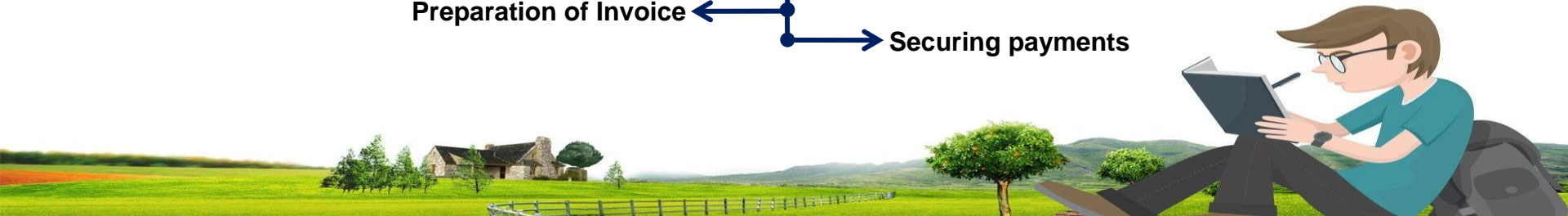
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EXPORT PROCEDURE - II



INTERNATIONAL BUSINESS

EXPORT PROCEDURE



INTERNATIONAL BUSINESS

✓ Excise Clearance :

The exported goods are generally exempted from the excise duty and if duty is already paid then it is refunded back to the exporter. To get exemption, the exporters apply to the Excise Commissioner along with a copy of RCMC, invoice etc.

If the exporter has already paid excise duty and he has to get refund then he applies to the Assistant Commissioner of Excise.

The Assistant Commissioner verifies the refund application and if he is satisfied the duty amount is refunded back to the exporter.



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✓ Obtaining Certificate of Origin :

Some importing countries provide tariff concession to goods coming from a particular country. To avail of such benefits the importer may ask the exporter to send a "certificate of origin". This certificate is a proof that goods are actually being manufactured in the country from where these are exported.



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✓ Reservation of Shipping Space :

The exporting firms apply to a shipping company for booking a shipping space. On accepting this application the shipping company issues a Shipping Order. A shipping order is an instruction to the captain of the ship to receive the specified goods on board after custom clearance.



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✓ Packing and Forwarding :

The goods are then properly packed and marked with necessary details such as name and address of the importer, gross and net weight, port of shipment and destination etc.

On loading goods into the railway wagon, the railway authority issues "Railway Receipt" which serves as a title of goods. The exporter endorses the receipt in favour of the agent to enable him to take the delivery of goods.



INTERNATIONAL BUSINESS

✓ Insurance of Goods :

The exporter then gets the goods insured with an insurance company to protect against the risks of loss or damage of goods due to sea perils.



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✓ Custom Clearance :

To obtain the custom clearance the exporter prepares the Shipping Bill. A shipping bill contains the details about the goods such as the port where the goods are to be discharged, the country of final destination, exporter's name and address etc.



INTERNATIONAL BUSINESS

- ✓ **Five copies of the shipping bill along with the following documents are then submitted to the custom appraiser at the custom house:**
 - **Export contract or export order**
 - **Letter of credit**
 - **Commercial invoice**
 - **Certificate of origin**
 - **Certificate of inspection**
 - **Marine insurance policy.**



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After submission of these documents the port superintendent is approached to obtain Carting Order. Carting order is the instruction to the staff at the gate of the port to permit the entry of the cargo inside the dock. After obtaining the carting order the cargo physically moves into the port area. If the exporter is not having time he can hire a clearing and forwarding agent.



INTERNATIONAL BUSINESS

✓ Obtaining Mate's Receipt :

After receiving custom clearance the goods are then loaded on ship for which the captain of the ship issues a mate's receipt. It contains the details regarding name of the vessel, berth, date of shipment, description of package etc. The port superintendent on receipt of port dues hands over the mate's receipt to the C & F agent.



INTERNATIONAL BUSINESS

✓ **Payment of Freight and Insurance of Bill of Lading :**

After loading the goods on ship the exporter goes to the office of the shipping company. There he surrenders the mate's receipt and in return the shipping company office issues him a Bill of Lading, which is prepared in triplicate: one copy for the exporter, one copy for the captain of the ship and one copy is for the importer.



INTERNATIONAL BUSINESS

✓ Preparation of Invoice :

After sending the goods an invoice of despatched goods is prepared. The invoice states the quantity of goods sent and the amount to be paid by the importer. The C & F agent gets it duly attested by the custom.



INTERNATIONAL BUSINESS

✓ Securing Payment :

After the shipment of goods the exporter informs the importer and then the exporter must send some important documents to the importer to claim the title of goods.



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The common documents are:

- **Certified copy of Invoice,**
- **Bill of Lading**
- **Packing List**
- **Insurance Policy,**
- **Certificate of origin,**
- **Letter of Credit.**



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The exporter sends these documents through his / her banker with the instruction that these documents must be delivered to the importer only when he accepts a bill of exchange.



INTERNATIONAL BUSINESS

The importer may accept a bill of exchange of two types:

✓ **Documents against sight (draft) :**

In this case, the documents are handed over only against payment.

✓ **Documents against acceptance :**

In this case, the documents are handed over when the importer accepts the bill of exchange & agrees to make payment in a specific period of time.



INTERNATIONAL BUSINESS

In case of sight, the importer releases the payment immediately and the exporter's bank receives the payment through the importers bank and it is credited to the exporters account.

After receiving the payments for export, the exporter needs to get a bank certificate which says that the necessary documents have been negotiated and payment is received in accordance with the exchange control regulations.



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IMPORT TRADE



INTERNATIONAL BUSINESS

MEANING AND OBJECTIVES

- Import trade refers to buying goods and services from another country. Generally countries prefer to import goods that domestic country is not able to produce as efficiently as foreign country is able to.
- They may also import the raw material, machinery or technology which is not available in your country.



OBJECTIVES OF IMPORT

✓ To speed up Industrialisation :

Developing countries import scarce raw materials, capital goods and advanced technology required for industrial growth.

✓ To meet Consumer Demand :

The goods which are in demand but are not available in country are imported

For example India import petroleum to meet high demand.



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✓ To improve Standard of Living :

To enjoy high standard of living elite consumers in home country import wide variety of high quality products from foreign market.

✓ To overcome Natural Calamities :

Drought, flood, earthquake may create famine situation. At this stage the countries import food grain and other essential commodities for survival.



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✓ To ensure National Defence :

Countries like India import defence equipments for its armed forces, navy and airforce to ensure its sovereignty and integrity.



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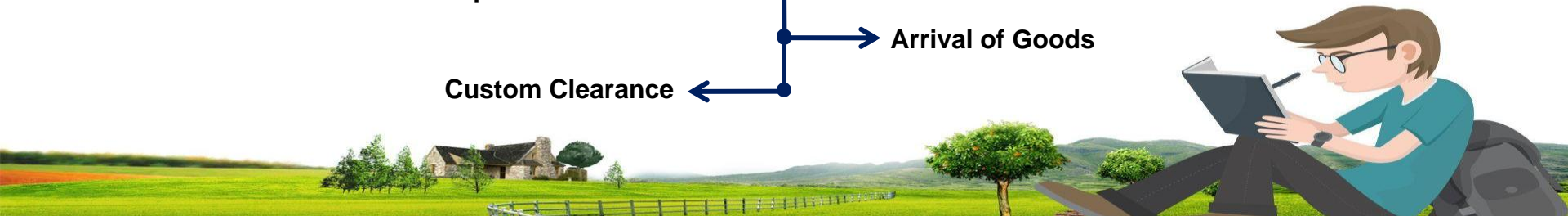
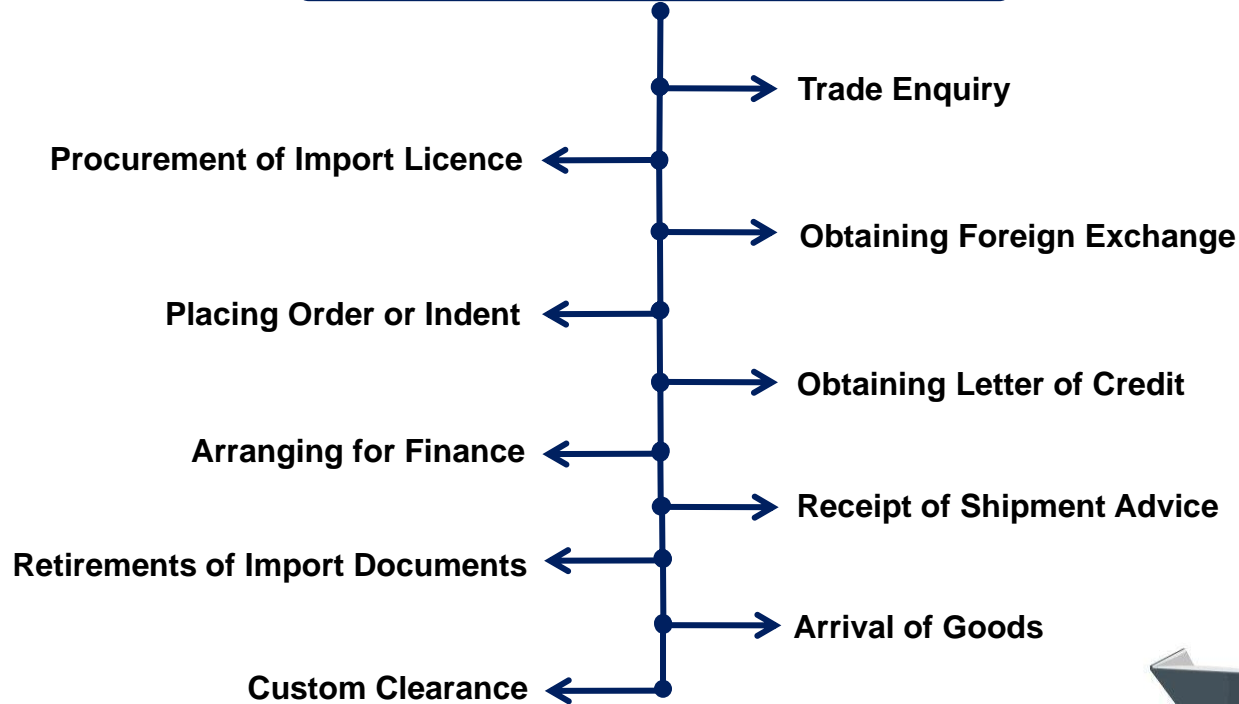
INTERNATIONAL BUSINESS

IMPORT PROCEDURE



INTERNATIONAL BUSINESS

IMPORT PROCEDURE



INTERNATIONAL BUSINESS

Steps involved in import procedure are:

✓ Trade Enquiry :

The import procedure begins when the importer conducts inquiry and collects information about the countries and exporter who can supply the required goods.

Importers can get the enquiry from the trade directories and trade association also after identifying the suitable exporter who can supply the goods.

The importer sends a trade enquiry form to get in detail the information regarding the price, quantity, quality etc. which the exporter can supply. The exporter replies the trade enquiry by filling the proforma invoice.



INTERNATIONAL BUSINESS

✓ Procurement of Import Licence :

There are certain goods which can be imported freely but for some goods there is a necessity to obtain import licence.

For this, the importer can get information from EXIM (Export Import Policy). If goods are under the licencing category then the importer must apply for and get registered with Directorate General Foreign Trade (DGFT) or Regional Import-Export Licensing Authority and obtain IEC number.



INTERNATIONAL BUSINESS

✓ Obtaining Foreign Exchange :

In India, all foreign exchange transactions are regulated by exchange control department of Reserve Bank of India. Every importer must obtain the sanction of foreign exchange for this.

The importer has to give an application to a bank authorised by RBI to issue foreign exchange. Along with the application the importer must submit the copy of import licence also.

After verifying all the details, the bank sanctions the necessary foreign exchange for import transactions.



✓ **Placing Order or Indent :**

After obtaining the licence and sanction of foreign exchange, the importer places an import order or indent to supply the specific products.

The import order contains information regarding the price, quantity, quality, weight, size, grade, packaging, shipment etc.



✓ Obtaining Letter of Credit :

Letter of credit is issued by the importer's bank in favour of the exporter. In this letter, the bank undertakes guarantee for making payment on behalf of the importer.

The importer approaches his bank and instructs the bank to issue a letter of credit in favour of the exporter. The importer also instructs the bank about the documents to be collected from the exporter before making Payment.



INTERNATIONAL BUSINESS

Before issuing the letter of credit, the issuing bank takes the advice of other banks to know about the financial soundness of the importer and if the issuing bank gets a positive response from other banks, then only it issues a letter of credit on behalf of the importer.



INTERNATIONAL BUSINESS

✓ Arranging for Finance :

The importer should make in advance the arrangement for payment. Advance arrangement is done to avoid high penalties to be paid on imported goods lying uncleared at the port.



INTERNATIONAL BUSINESS

✓ Receipt of Shipment Advice :

After loading the goods on the vessel, the exporter despatches the shipment advice to the importer.

This advice contains information regarding shipment such as invoice number, bill of lading or airways bill number, number date and name of vessel through which the goods are coming etc.



INTERNATIONAL BUSINESS

✓ Retirements of Import Documents :

After shipment of goods, the exporter submits various important documents to his banker. Generally these documents are letter of credit, bill of lading, packing list, certificate of origin, marine insurance, bill of exchange etc.

Bill of exchange can be of two types, i.e., Bill of Exchange (Sight / Draft) or Bill of Exchange for acceptance.



INTERNATIONAL BUSINESS

✓ Arrival of Goods :

Goods are shipped by the exporter as per the specifications of the importer. When goods reach the importer's country then the captain of the ship informs the dock officer and instructs him to receive the goods and record the details about the goods on the document called import general manifest.

This document gives details about imported goods. After the arrival of goods, the dock authorities inform the importer about it. The importer prepares a document called Bill of Entry which contains details about the imported goods and submits this document to the custom officers to get custom clearance.



INTERNATIONAL BUSINESS

✓ Custom Clearance :

The custom officer examines the Bill of Entry carefully and assesses the custom duty to be paid by the importer and after assessing the duty amount, the Bill of Entry is given to the appraiser officer who does the inspection of goods and verifies the details given in Bill of Entry.

If the appraiser officer is satisfied with the information given in the Bill of Entry then he returns the Bill of Entry to the importer for making payment of custom duty.



INTERNATIONAL BUSINESS

After this the importer presents the Bill of Entry to the dock superintendent for physical examination of the goods. After the examination by dock superintendent the Bill of Entry is presented to the port manager who accepts payment of custom duty and issues the release order.

On presentation of release order the importer can take the delivery of goods. In case the importer fails to pay import duty then goods are transferred to a bonded warehouse. The importer can take the delivery from bonded warehouse only after paying the required duty.



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EXPORT DOCUMENTS



❖ PRINCIPAL EXPORT DOCUMENTS

✓ Commercial Invoice

This document contains the details of goods supplied by the exporter. The common contents of this document are names of buyers and sellers, quantity and price of product, date of selling, marks made on packings etc. This document is necessary for taking clearance from the Excise Commissioner, Custom Authority, Export Inspection Agency etc.



INTERNATIONAL BUSINESS

✓ Packing List

This list contains the date of packing, order number, corresponding invoice number, bill of lading number, details of shipping, date of sailing, details of goods in each pack etc.



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✓ Bill Of Lading

It is a very important transport document. It is issued by the shipping company when the exporter surrenders Mates Receipt. The Bill of Lading is considered an important document due to the following reasons:



INTERNATIONAL BUSINESS

I. A Receipt of Goods.

It is an acknowledgement given by the shipping company, whereby the shipping company takes responsibility of giving delivery of goods in the importers country.



II. A Document of Title to Goods.

The Bill of Lading gives the ownership right of goods to the person who is holding it. The captain of the ship gives delivery to the importer in the importer's country only when he presents a copy of the Bill of Lading because it is a proof he has the title to goods or he is the owner of the goods.



III. A Contract of Affreightment.

Bill of Lading contains the details about the payment of freight charges-whether freight will be paid by the exporter or importer or whether freight will be paid in advance or after goods reach the importer's country etc. Terms and conditions of freight are clearly stated on Bill of Lading that is why it serves as a contract of affreightment.



INTERNATIONAL BUSINESS

✓ SPECIMEN OF BILL OF LADING

BILL OF LADING

Shipped in apparent goods condition and order by Pace Enterprise at Mumbai in the Rebel Ranger's whereof Arun Kapoor is the master for the Present Voyage the 1000 cases of goods marked PE-01 to be delivered in good order and conditions subject to the terms and conditions stated overleaf at the port of Chicago to Shanks and Co. or their agents upon their paying the freight for the said goods with the primage and average.

Stamp

For G.P.R. Shipping Co.

Sd/

Dated:



INTERNATIONAL BUSINESS

✓ Airway Bill

This document is the same as Bill of Lading with only one difference that it is issued by airway company and not by shipping company. When goods are transported through airways then instead of Bill of Lading the exporter gets Airway Bill.



INTERNATIONAL BUSINESS

✓ Certificate Of Inspection

This certificate is issued by the export inspection agency. This certifies that the export consignment has been inspected as per the specification of Quality Control and Inspection Act.



INTERNATIONAL BUSINESS

✓ Certificate Of Origin

This certificate is issued by the chamber of commerce or by Export Promotion Council or by a government department. This document certifies that the goods to be exported are originally from the home country only or exporters country only.



INTERNATIONAL BUSINESS

✓ Bill Of Exchange

This is a document relating to the payment for the goods supplied. According to Negotiable Instruments Act, A Bill of Exchange is an instrument in writing containing an unconditional order signed by the maker, directing a certain person to pay a certain amount of money only to or to the order of a person or to the bearer of the instrument."

In case of external trade, the exporter draws a bill of exchange on the importer asking him to make payment to the specified bank.



❖ AUXILIARY EXPORT DOCUMENTS

✓ **Proforma Invoice:**

It is an offer made by the exporter to the importer. In this, he specifies the details of goods he will be able to supply to importer. This document contains details like quantity, price, quality of goods etc.



INTERNATIONAL BUSINESS

✓ **Intimation of Inspection:**

This document is given by the exporter to Export Inspection Agency. This is to inform the agency to send an inspector for inspection of goods to be exported.

✓ **Shipping Instructions :**

This document is prepared by the exporter for instructing the shipping company about the goods to be exported in their ship.



INTERNATIONAL BUSINESS

✓ Insurance Declaration :

This document is prepared by the exporter who wants to take insurance policy. In this document, he makes a declaration relating to insurance policy.

✓ Shipping Order :

This document is issued by the shipping company. It gives confirmation to the exporter about the booking of space on board the ship.



INTERNATIONAL BUSINESS

✓ Mate's Receipt :

Mate's Receipt is issued by the captain or chief officer of the ship. This receipt is an acknowledgement that goods are boarded on the ship.

This receipt states the conditions of the goods. If goods are in good condition and these are packed properly then a clean Mate's Receipt is issued by the captain but if he is not satisfied about the packing or conditions of the goods then he will issue a foul Mate's Receipt. The exporter must insist on clean Mate's Receipt only.



INTERNATIONAL BUSINESS

✓ **Application for Certificate of Origin :**

This application is prepared by the exporter and submitted to the chamber of commerce for obtaining the certificate of origin.

✓ **Letter to Banks for Collection of Documents :**

This document is sent by exporter to banks. It contains instructions regarding the shipping documents to be collected.



INTERNATIONAL BUSINESS

SPECIMEN OF THE MATE'S RECEIPT

MATE'S RECEIPT Shivam & Shyam STEAMSHIP CO. LTD.			
Port of Mumbai		Dated: December 29, 20 xx	
Received in good order and condition on board the Yen Vee for delivery at Chicago subject to the conditions of the Bill of Lading of this line			
Marks	Quantity	Goods	Remarks
Robert & CO. CHICAGO	200 Cases of 80 kg each	Readymade Garments	
Name of the Shippers, Crosswood Trading Co.		For Shivam & Shyam Steamship Co. Ltd. Sd/ MATE OFFICER	



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BUSINESS STUDIES

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INTERNATIONAL BUSINESS

IMPORT DOCUMENTS



INTERNATIONAL BUSINESS

✓ Bill Of Entry

This document is prepared by the importer when he gets information about the arrival of goods at port. This document contains the details of goods such as number, quantity, price, weight etc. so that the custom duty can be calculated. There are three types of Bill of Entry:



INTERNATIONAL BUSINESS

- **Bill of Entry for Home Consumption.**

This Bill of Entry is prepared when the importer is paying the customs duty for the whole lot of goods and taking the delivery of all the goods. This Bill of Entry is white in colour.

- **Bill of Entry for Warehousing.**

This Bill of Entry is prepared when the importer does not pay the duty on imported goods and would like to transfer the goods in bonded warehouse. This is yellow in colour.



INTERNATIONAL BUSINESS

- **Ex - Bond Bill of Entry.**

This Bill of Entry is prepared when the importer wants to get delivery of goods from the Bonded warehouse. This is green in colour.



INTERNATIONAL BUSINESS

SPECIMEN OF THE BILL OF ENTRY

BILL OF ENTRY											
Vessel		Master or Agent		Port of Shipment		Port of Destination		Import's name & Address			
Packages		Quantity		Description of each class of Goods	Real Value as per Sea Customs Act		Value on which duty is assessed			Duty	
Number	Marks	Unit	Amount		Rate	Amount	Tariff Rate	Add Value Rate	Amount	Rate	Amount
<p>1. We hereby declare the particulars given above to be true.</p> <p>2. This bill of entry is presented under and subject to the collector's notice dated for the purpose of Sec. 37 of the Sea Customs Act. It is expressly agreed that it shall be deemed to be delivered on the date on which the order for import entry is passed and the bill of entry shall in fact be so deemed to be delivered.</p>										Total Value ₹ _____	
										Total Duty ₹ _____	

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INTERNATIONAL BUSINESS

**IMPORTANT TERMS USED IN
EXTERNAL TRADE**



INTERNATIONAL BUSINESS

➤ Important terms used in external trade are:

✓ **Free on Board (FoB) :**

Under the FoB contract the exporter is liable and bears the risk till the delivery of goods on the ship. After this, importer has to bear all the costs and risk of loss damage from this point onwards.



INTERNATIONAL BUSINESS

✓ Cost and Freight (C&F) :

Under C & F contract the exporters are expected to pay the cost and freight to bring the goods to the port of destination in the importer's country. After it importer bears the risk of loss or damage to goods.



INTERNATIONAL BUSINESS

✓ Cost, Insurance and Freight (CI & F) :

Under CI & F contract the exporter has to bear the cost and freight till the importer's port. Along with these expenses, the exporter has to take a marine insurance policy also. After the destination port, the importer bears the risk of loss or damage to goods.



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INTERNATIONAL BUSINESS

**WORLD TRADE
ORGANISATION (WTO)**



INTERNATIONAL BUSINESS

✓ World Trade Organisation

The World Trade Organisation is the only global international organisation which deals with the rules and regulations of trade between different nations. It was established on 1st Jan. 1995.



NATURE OF WORLD TRADE ORGANISATION

- ✓ WTO deals with the trade between nations at global level.
- ✓ It contains contracts signed by governments to bind the governments to keep their trade policies within agreed limits.
- ✓ It operates with a purpose of liberalising trade and free flow of goods and services in the international market.
- ✓ WTO settles disputes through some neutral procedure.
- ✓ Its main function is to ensure that trade flows as smoothly and freely as possible.



OBJECTIVES OF WTO

- ❖ Major objectives of WTO are:
 - ✓ Promotes international peace
 - ✓ Settles disputes among member nations
 - ✓ Makes international trade very smooth by framing common rules and regulations
 - ✓ Helps in economic growth of developing countries by giving them preferential treatment
 - ✓ Free trade helps in providing quality products and improving standard of living of people

