



INDIAN INSTITUTE OF MATERIALS MANAGEMENT

Post Graduate Diploma in Materials Management Graduate Diploma in Materials Management

Dec 2018

PAPER No. 7

INTERNATIONAL TRADE

Date: 24.12.2018
Time: 10.00 a.m to 1.00 p.m.

Max. Marks: 100
Duration: 3 Hrs.

Instructions:

1. From Part A – answer all questions (compulsory). Each sub question carries 1 mark.
2. From Part B – Answer any 3 questions out of 5 questions. Each sub-question carries 16 marks.
3. Part C is a case study (compulsory) with questions. Read the case study carefully and answer the questions.
4. Please read the instructions given in the answer sheet.

Total: 32 Marks
Total: 48 Marks
Total: 20 Marks

Part – A

32 Marks

(Attempt all questions. Each sub question carries 1 mark.)

Q.1. Select appropriate answer

1. Exim policy is brought out by

- (a) Customs (b) DGFT (c) RBI (d) World bank

2. Tax levied on imports of goods is called as

- (a) Tariffs (b) Excise duty (c) Income tax (d) value added tax

3. Agency responsible for controlling the flow of goods and personnel in / out of the country

- (a) RBI (b) Customs (c) CBI (d) Enforcement directorate

4. Person who proposed “theory of relative advantage” to explain model of free foreign trade

- (a) Charles Rick (b) Edwin Brant (c) Norman (d) Heckscher-Ohlin

5. The World Trade Organization (WTO) was established to overcome the deficiencies of

- (a) World Bank (b) United Nations (c) GATT (d) Asian Development bank

6. ASEAN is an

- (a) Economic Block (b) A Part of WTO (c) A Country (d) None of the above

7. Single Currency Peg System is a system to determine the

- (a) Customs duty (b) Balance of Trade (c) Insurance (d) Exchange Rate

8. FEMA was established as a replacement for

- (a) Exim policy (b) Export promotion (c) FERA (d) IMF

Q. 2 Give Full Forms

- (1) TRIPS (2) NAFTA (3) EOU (4)IMF
(5) UNCTAD (6) EHTP (7)URC (8) INCOTERMS

Q. 3 Mention True Or False

1. INCOTERMS is issued by the International Chamber of Commerce
2. G-7 is not a trade block
3. Marine insurance is an instrument used to cover the risks encountered for goods in transit
4. Exim policy is announced by the government once in every 5 years
5. Advance payment for goods minimizes the risk for the buyer
6. Exchange rate of the currency of a country is influenced by the balance of payments position
7. Shipping bill is a document used in the import of goods
8. Composite currency peg is a method of determining the exchange rate

Q.4. Match the following

COLUMN A		COLUMN B	
Sr.No.		Sr. No.	
1	Advance License	A	Import
2	Special Drawing Rights (SDR)	B	Imports more than export
3	Signed Original Bill of Lading	C	UCP 600
4	Negative BOP	D	Export document for some countries
5	Letter of credit	E	Stabilization of exchange rate
6	Consular invoice	F	Incoterms
7	Economic offence	G	Export Promotion
8	Delivered Duty Paid	H	FEMA

PART-B

Write any three (3) of the following questions 16 marks each (48 Marks)

- Q.5** Write in detail, all the activities that form part of the importation cycle. Describe each of them.
- Q.6** What are the four risks faced in international trade. Explain each of the risks
Explain the various payment terms used and the risks associated with each of them
- Q.7** (a) Explain the role of Export promotion councils and the services rendered by them
(b) Explain the activities of Export Credit Guarantee Corporation
- Q. 8** What do you understand by INCOTERMS. How does incoterms help in international trade
Which are the incoterms – 2010. Explain each of them
- Q. 9** Name some of the factors affecting the exchange rate with an explanation for each of them

PART- C
(Compulsory)

20 marks

Q 10. Read the case study carefully and answer the questions given at the end

M/s WG Electronics is a firm engaged in the manufacture of electronic equipment. The equipment is marketed and sold in India and abroad. The product has a good reputation and is sought after by customers.

WG electronics need to import components for the equipment manufactured by them. Off late the widely fluctuating currencies have made the cost of inputs to vary significantly and this has eroded the profit margin especially in the overseas market. They would like to broad base the sourcing to get competitive prices and reduce the risk in these transactions

The management of WG electronics are interested in penetrating new markets, especially in foreign countries. They have had bad experiences with some of the foreign customers in the past due to which they are hesitant to venture into new countries. Being a small company with limited resources they are unable to chalk out a proper strategy for expanding the market.

You have been requested by the organization to give suggestions on the modus operandi that can be adopted by G Electronics in the following areas

Questions:

1. What are your suggestions for identification of new markets and who will of help to them to identify the risks and opportunities?**(7 Marks)**
2. Identify the risks related to import with special reference to payment terms. What method do you suggest to WG electronics to mitigate the FE variations of their import?**(6 Marks)**
3. What are the options available to EG Electronics to mitigate the risk while handling new customers and safeguard the payment and the goods **(7 Marks)**
