



**INDIAN INSTITUTE OF MATERIALS MANAGEMENT**  
**Graduate Diploma in Materials Management**  
**Post Graduate Diploma in Materials Management -3 years**  
**PAPER No. 7**

**DEC 2019**

**INTERNATIONAL TRADE**

**Date: 23.12.2019**  
**Time: 10.00 am to 1.00 pm**

**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. 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**

**[8 marks]**

1. Which country is not part of the G-7 group  
(a) Canada                      (b) United Kingdom                      (c) India                      (d) Germany
2. Export promotion councils help industries in the following areas of export  
(a) Marketing                      (b) Export Logistics                      (c) Liaison with Govt.                      (d) All of them
3. Factor affecting exchange of a currency is  
(a) BOP                      (b) Bank rate                      (c) Government rate                      (d) All of them
4. Which of the following is an export promotion scheme  
(a) Advance license                      (b) Duty drawback                      (c) EPCG scheme                      (d) All of them
5. Which of the organization is a forerunner for World Trade Organization  
(a) World Bank                      (b) United Nations                      (c) GATT                      (d) ADB
6. Which of the following is not an INCOTERM  
(a) FOB                      (b) CIF                      (c) EXW                      (d) COD
7. SDR (Special Drawing Rights) is a currency that is  
(a) Right of Nations                      (b) Basket of currency                      (c) Loan issued by IMF                      (d) None of the above
8. Foreign Exchange Management Act has been introduced to  
(a) Ease FE transaction                      (b) Ease foreign trade                      (c) regulate FE market                      (d) All of them

**Q. 2 Give Full Forms**

**[8 marks]**

- (1) LUT    (2) ECGC    (3) DTA    (4) EOU    (5) HAWB    (6) ASEAN    (7) CHA    (8) FDI

**Q. 3 Mention True or False**

**[8 marks]**

1. Advance payment is a secure way of payment for the buyer
2. A Bill of Entry is a document used to indicate the import of goods by the buyer
3. Export promotion councils appraises the government about the problems of the exporters
4. Balance of payment is the sum of all the transactions of one country with the rest of the world
5. International Product Life Cycle theory was proposed by Raymond Vernon
6. Single currency peg is a method of determining the exchange rate of a currency
7. IDA (international Development Association) was set up to provide soft loans
8. EPCG scheme is a scheme for import of raw materials

**Q.4. Match the following****[8 marks]**

COLUMN A		COLUMN B	
Sr.No.		Sr. No.	
1	Delivered Duty Unpaid	A	Protection against unforeseen transit loss
2	SAARC	B	Product life cycle theory
3	Crawling peg regime	C	Regional trade blocks
4	Marine insurance	D	Adam Smith
5	Standardized product	E	Exchange rate determination system
6	Tariffs	F	Incoterm
7	EHTP	G	Government intervention
8	Theory of absolute advantage	H	Export promotion scheme

**PART-B****Write any three (3) of the following questions 16 marks each****[48 Marks]****Q.5 (a) Explain in brief The International Product Life cycle theory [8 marks]**(b)What do you understand by INCOTERMS? Explain its role in international contracts. **[8 marks]****Q.6 (a) What are the documents required for customs clearance? [8 marks]**(b) What is the role of FEMA? What are its objectives? **[8 marks]****Q.7 (a) What is the role of Export Promotion Councils? [8 marks]**(b)What is the role of Export Credit Guarantee Corporation? **[8 marks]****Q. 8 Explain the fourteen-point guide for vendor selection. [16 marks]****Q. 9 What are the factors affecting exchange rate?] 16 marks]****PART- C  
(Compulsory)****[ 20 marks]****Q 10. Read the case study carefully and answer the questions given at the end (5 marks each)**

Mr. Khan was the head of supply chain in the company M/s ABC limited. An analysis of the current situation revealed the following scenario. His company made products that had a good share of imported items. He had a limited number of vendors for each of the items due to which he was not able to reduce his cost. The important task of Mr. Khan was to identify new vendors.

The second issue noticed by him was the fluctuations in foreign currencies due to which his procurement cost was fluctuating. There was a necessity for Mr. Khan to reduce the fluctuations and the risks in payment. This he was confident would help him to keep his procurement cost fluctuations within reasonable limits

While working on the strategies to reduce the cost of procurement, Mr. Khan came across methods to reduce the duties which will help him to further reduce the cost of some of his inputs. Some of his suppliers were interested in the products that were manufactured by M/s ABC limited

This opened up a new area for M/s ABC limited. They were at a loss to identify the potential market for their products and to also expand into other countries which will help them to increase their exports and earn foreign exchange.

**Questions:**

1. What is the method Mr. Khan must follow to identify new vendors?
2. What are payment risks that need to be addressed and methods available to reduce the risks?
3. Suggest some export incentive schemes what will help M/s ABC limited reduce the cost of procurement
4. Which agency do you think they should approach who will help them in identifying the export market?

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