

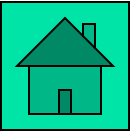


Chapter 5: Prices of Goods



Contents

- Introduction
- Six Main Trade Terms in Incoterms
- Other Trade Terms in Incoterms



1. Introduction

- Structure of Unit Price
- Functions of Price Terms
- Nature of Delivery
- History of Inco Terms
- Classification of Inco Terms



1.1 Structure of Unit Price

■ **Usu. refers to the unit price, which is made up of the following parts:**

➤ a name of currency

➤ a unit price

➤ a measuring unit

➤ **trade term** (a name of destination or shipping place)

● Example: USD 500 per M/T CIF Boston





Price of Goods

- **Trade Terms (Price Terms)**
 - Refer to using a brief English concept or abbreviation to indicate the **formation of the unit price** and determine the **responsibilities, expenses and risks** borne by two parties as well as **the time of the passing of the property in the goods.**



1.2 Functions of Price Terms

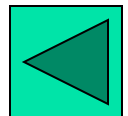
- **Structure of Price of Goods**
- **Rights and Obligations**
- **Transfer of Risks**
- **Place of Delivery**





1.2.1 Rights and Obligations

- Carry out customs formalities
- Obtain the import or export license
- Charter a ship or book shipping space
- Take out insurance
- Ask for inspection
- Pay all kinds of charges and expenses, such as freight, loading and unloading expenses, insurance premium, warehouse charges, duties and taxes, et





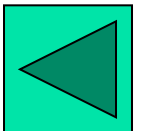
1.3 Nature of Delivery

- **Symbolic Delivery**

It refers to the fact that when making payment, the buyer must buy all sets of shipping documents, and then take the delivery of goods with documents. It is also called the payment against documents.

- **Actual Delivery**

It refers to the fact that the buyer makes payment to obtain the goods, or it is called the payment against delivery.



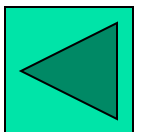
3 International Trade Usages:

| Name | Issued by | time | trade terms |
|--|--|----------------|---|
| Warsaw-Oxford Rules 1932 | International Law Institute | In 1928 | CIF |
| Revised American Foreign Trade Definitions 1990 | Nine American commercial groups | In 1919 | Ex Point of Origin, FOB(6 variations), FAS , C&F, CIF, Ex Dock |
| International Rules for the Interpretation of Trade Terms | International Chamber of Commerce | In 1936 | 11 trade terms |



1.4 History of INCOTERMS

- INCOTERMS (**I**nternational **C**ommercial **T**erms) was drawn in 1936
- It was amended in 1953, 1967, 1976, 1980, 1990, 2000 and 2010.





Main features of the Incoterm[®] 2010 rules

- **1. Two new Incoterms rules — DAT and DAP— have replaced the Incoterms 2000 rules DAF, DES, DEQ and DDU**
 - The number of Incoterms rules has been reduced from 13 to 11.

Main features of the Incoterm[®] 2010 rules

2. Classification of the 11 Incoterms[®] 2010 rules

Rules for any mode or modes of Transport

| | |
|-----|--------------------------------|
| EXW | Ex works |
| FCA | Free carrier |
| CPT | Carriage paid to |
| CIP | Carriage and insurance paid to |
| DAT | Delivered at terminal |
| DAP | Delivered at place |
| DDP | Delivered duty paid |

Rules for sea and inland waterway Transport

| | |
|-----|----------------------------|
| FAS | Free alongside ship |
| FOB | Free on board |
| CFR | Cost and freight |
| CIF | Cost insurance and freight |



Classification of INCOTerms 2000

| Group E | Group F | Group C | Group D |
|----------------|----------------|----------------|----------------|
| EXW | FAS | CFR | DAF |
| | FOB | CIF | DES |
| | FCA | CPT | DEQ |
| | | CIP | DDU |
| | | | DDP |



Main features of the Incoterm[®] 2010 rules

- **3. Rules for domestic and international trade**
 - “Consequently, the subtitle of the Incoterms[®] 2010 rules formally recognize that they are available for application to both international and domestic sale contracts.”

for sea and inland waterway transport

2. Six Main Trade Terms



- **FOB** (Free on Board)
- **CFR** (Cost and Freight)
- **CIF** (Cost, Insurance and Freight)
- **FCA** (Free Carrier)
- **CPT** (Carriage Paid to)
- **CIP** (Carriage and Insurance Paid to)

for any mode or modes of Transport

Comparison



2. Six Main Trade Terms

- **Two Critical points**
 - ① **point for division of risk- point of delivery**
 - ② **point for division of costs**



2. Six Main Trade Terms

2.1 FOB: Free on Board (insert named Port of Shipment)

- “Free on Board” means that the seller delivers the goods **on board the vessel** nominated by the buyer at the named port of shipment or **procures the goods already so delivered**. The risk of loss of or damage to the goods passes when the goods are on board the vessel, and the buyer bears all costs from that moment onwards.
- Only be used for sea and inland waterway transport.



Free on Board (insert named Port of Shipment)

■ Seller's Obligations:

- Deliver the goods on board the vessel at the named port of shipment
- Give the buyer sufficient shipping advice
- Obtain any export license or other official authorization, and carry out customs clearance for the export of the goods.



Free on Board (insert named Port of Shipment)

■ **Seller's Obligations:**

- Bear all risks of, losses of, or damage to the goods until such time, as they have been placed **on board the vessel** at the named port of shipment.
- Provide the shipment document, such as commercial invoice, clean on Board B/L, etc.



Free on Board (insert named Port of Shipment)

■ **Buyer's Obligations:**

- Chart the vessel or book the shipping space and bear the expense for the carriage of the goods.
- Give the seller sufficient notice of the vessel name, loading port and required delivery time.
- obtain any import license or other official authorization, carry out customs clearance for the importation of the goods, etc.

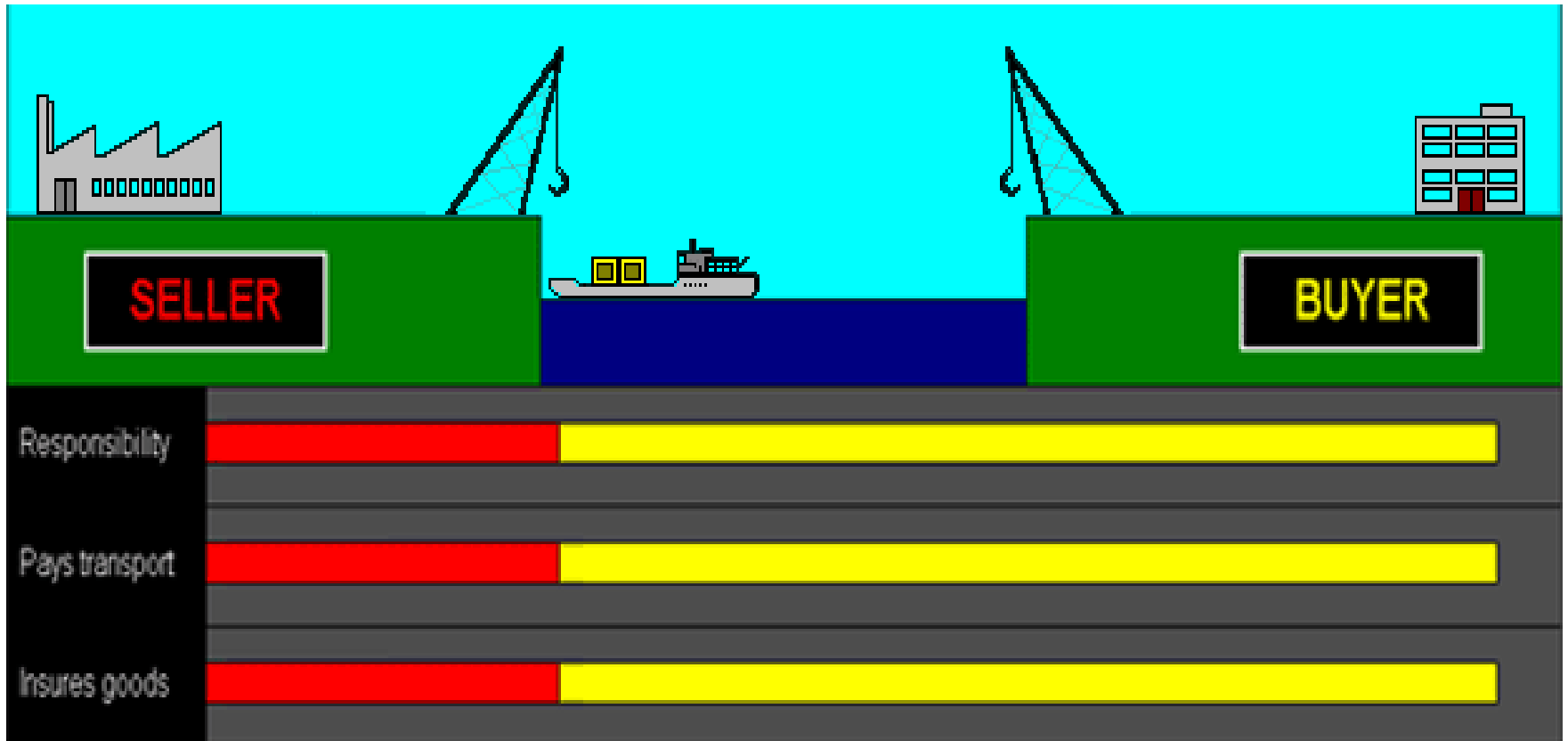


Free on Board (insert named Port of Shipment)

■ **Buyer's Obligations:**

- Bear all risks of, losses of, or damage to the goods from the time they have been placed on board the vessel at the named port of shipment.
- Take delivery of the goods stipulated in the contract.
- Pay the price as provided in the contract.

FOB: Free on Board (insert named port of shipment)





Free on Board (insert named Port of Shipment)

■ Other Points:

- ① Link-up of vessel and goods
- ② Expense for loading the goods on board the vessel
- ③ Special interpretation of FOB in some American countries.



Free on Board (insertnamed Port of Shipment)

① **Link-up of vessel and goods**

- In case the vessel arrives at the named port early or fails to arrive on time, the buyer shall bear all risks of, losses of, or damage to the goods, vice versa.



Free on Board (insertnamed Port of Shipment)

① **Link-up of vessel and goods**

- It is necessary to point out that the FOB trade terms, the buyer may **entrust** it to the seller to charter a ship or book shipping space **on behalf of him**, but the freight and risks shall be borne by **the buyer**.



Free on Board (insert named Port of Shipment)

② Expense for loading the goods on board the vessel

- Most commonly used variations of FOB
 - FOB liner terms
 - FOB under tackle
 - FOB stowed (FOBS)
 - FOB trimmed (FOBT)



Variations of FOB

■ FOB Liner Terms:

- **Liner:** A liner is a vessel with regular sailings and arrivals on a stated schedule between specific ports.
- Means that the loading expenses is borne by the party who pays the freight, i.e., the buyer, just as the goods are transported by the liner.



Variations of FOB

■ FOB Under Tackle:

- Means that the seller delivers the goods to the place which may be reached by the tackle. The buyer shall bear the loading expense from the time the goods are slung up.



Variations of FOB

- **FOB Stowed (FOBS):**

- Means that the seller shall be responsible for loading the goods into the hold and bear the loading expense, including the stowing expense.



Variations of FOB

■ FOB Trimmed (FOBT):


- Means that the seller shall be responsible for loading the goods into the hold and bear the loading expense, including the trimming expense.



Free on Board (insert named Port of Shipment)

③ **Special interpretation of FOB in some American countries.**

- Difference between FOB and FOB Vessel
- Export license, customs clearance, etc.
 - Such as the United States of America, Canada and some countries in Latin America



Case Study

- One company imports cargoes under FOB trade terms. When the cargoes are unloaded at the port of destination, it is found that two packages are broken, cargoes inside are damaged by water. After verification, it is found that when the cargoes were loaded into the ship, two packages fell on the deck because the hook was not firm, so the cargoes were damaged by water during the transportation.
- Questions: can the import company ask for compensation for loss to the seller?

Case Study

- **One company exports frozen turkeys under FOB trade terms. After the conclusion of contract, the exporter receives buyer's telex, it is said that the buyer had some difficulties in chartering a ship, so he entrusts the exporter to charter a ship and all the relative expenses will be borne by the buyer. For convenience of the contract fulfillment, the exporter accepts the request. But during the time of shipment the exporter can't charter the suitable ship at the named port of shipment, and the buyer doesn't agree to change the port of shipment. Therefore, the cargoes are not loaded into the ship till the expiration of the time of shipment. At that time the sales season is soon finished, the buyer notifies the exporter that he will revoke the contract because the seller doesn't fulfill his obligations to deliver the goods within the stipulated time of shipment.**
- **Question: How should the export deal with this case?**



2: Six Main Trade Terms

2.2 CFR: Cost and Freight (insert named Port of Destination)

- “Cost and Freight” means that the seller delivers the goods **on board the vessel** or procures the goods already so delivered. The risk of loss of or damage to the goods passes when the goods are on board the vessel. The seller must contract for and pay the **costs and freight** necessary to bring the goods to the **named port of destination**.
- Only be used for sea and inland waterway transport.

CFR – detailed responsibilities

Seller's responsibilities

Deliver goods and load on board the vessel

Make a contract of carriage

Clear goods for export

Pay for main carriage to named port of discharge

Buyer's responsibilities

Pays unloading fees where not included in cost of main carriage

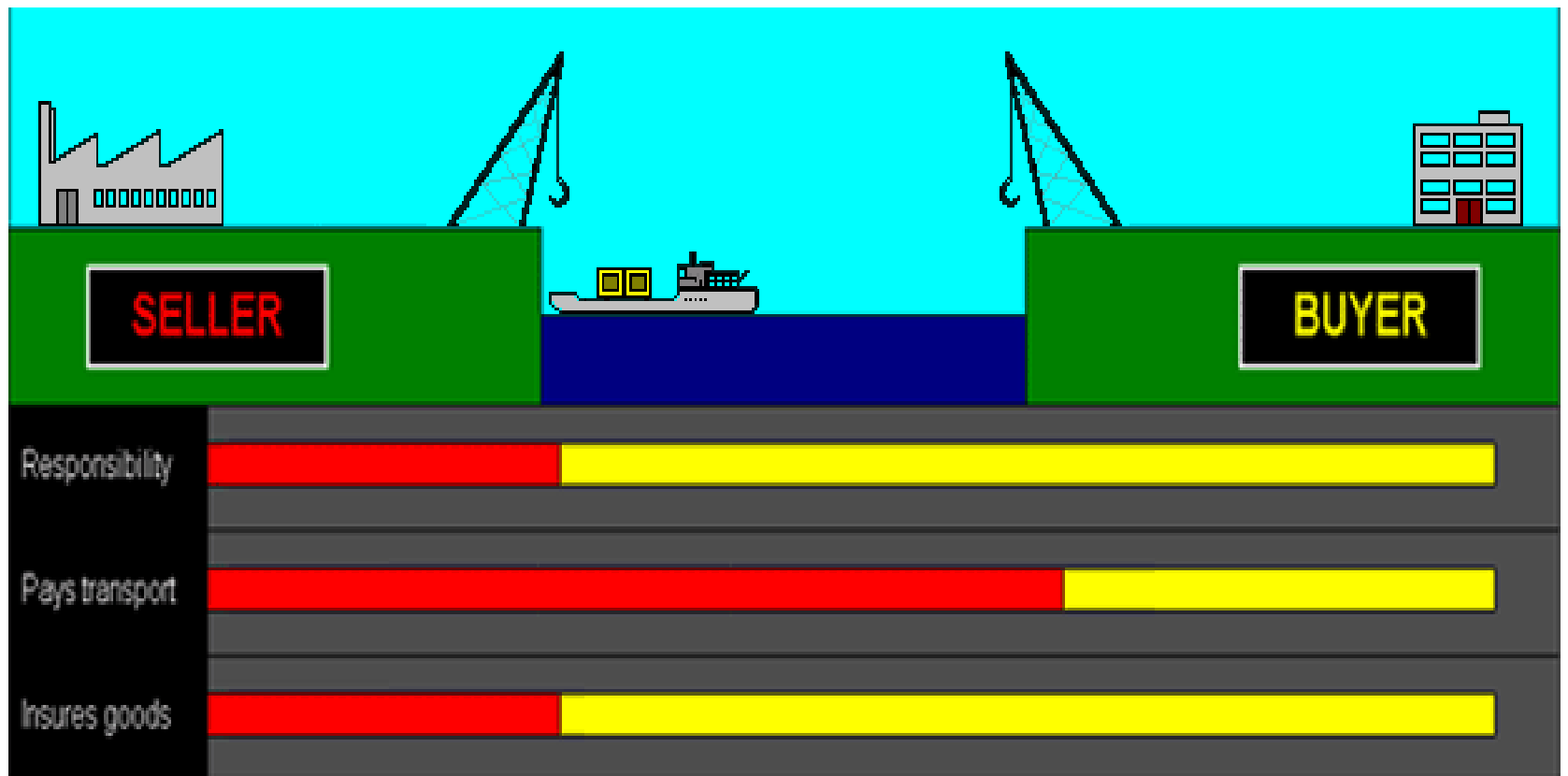
Clears for import and pays duty if applicable

all costs and charges relating to the goods while in transit until their arrival at the port of destination,

Risk passes
port of departure.

Risk is with buyer once the goods are on board the vessel at the

CFR: Cost and Freight (named port of destination)





CFR: Cost and Freight

■ Other Points:

- ① Duties of chartering a ship or booking shipping space
- ② Notice to the buyer
- ③ Bearing unloading expenses



CFR: Cost and Freight

② Notice to the buyer (shipping advice)

- “Give the buyer **sufficient notice** that the goods have been delivered on board the vessel.....”
- “Provide the buyer upon request, with the necessary information for **procuring insurance.**”



CFR: Cost and Freight

② **Notice to the buyer (shipping advice)**

➤ **Sale of Goods Act, 1893 (British)**

- “the seller must give such notice to the buyer as may enable him to insure them during their sea transit, and, if the seller fails to do so, the goods shall be deemed to be **at his risk** during such sea transit. .”



CFR: Cost and Freight

③ Bearing Unloading Expenses

➤ Variations of CFR

- CFR Liner Terms
- CFR Ex Ship's Hold
- CFR Ex Tackle
- CFR Landed



Variations of CFR

■ CFR Liner Terms

- Means that the unloading expenses are borne by the party who pays freight, i.e., the seller.



Variations of CFR

■ **CFR Ex Ship's Hold**

- Means that the buyer shall bear the expenses for slinging up the goods from the hold to the dock.



Variations of CFR

■ CFR Ex Tackle

- Means that the seller shall bear the expenses for slinging up the goods from the hold to the place which may be reached by the tackle (onto the dock or lighter) .



Variations of CFR

■ **CFR Landed**

- Means that the seller shall bear the expenses for unloading the goods from the ship onto the dock at the port of destination.



2: Six Main Trade Terms

2.3 CIF: Cost, Insurance and Freight (insert named Port of Destination)

- “Cost, Insurance and Freight” means that the seller delivers the goods **on board the vessel** or procures the goods already so delivered. The risk of loss of or damage to the goods passes when the goods are on board the vessel.
- The seller must contract for and pay **the costs and freight** necessary to bring the goods to the named port of destination.
- The seller also **contracts for insurance cover** against the **buyer's** risk of loss of or damage to the goods during the carriage.
- Only be used for sea and inland waterway transport.

CIF – detailed responsibilities

Seller's responsibilities

Deliver goods and load on board the vessel

Make a contract of carriage and insurance

Clear goods for export

Pay for main carriage to named port of discharge, and for marine insurance

Risk passes
port of departure.

Buyer's responsibilities

Pays unloading fees where not included in cost of main carriage

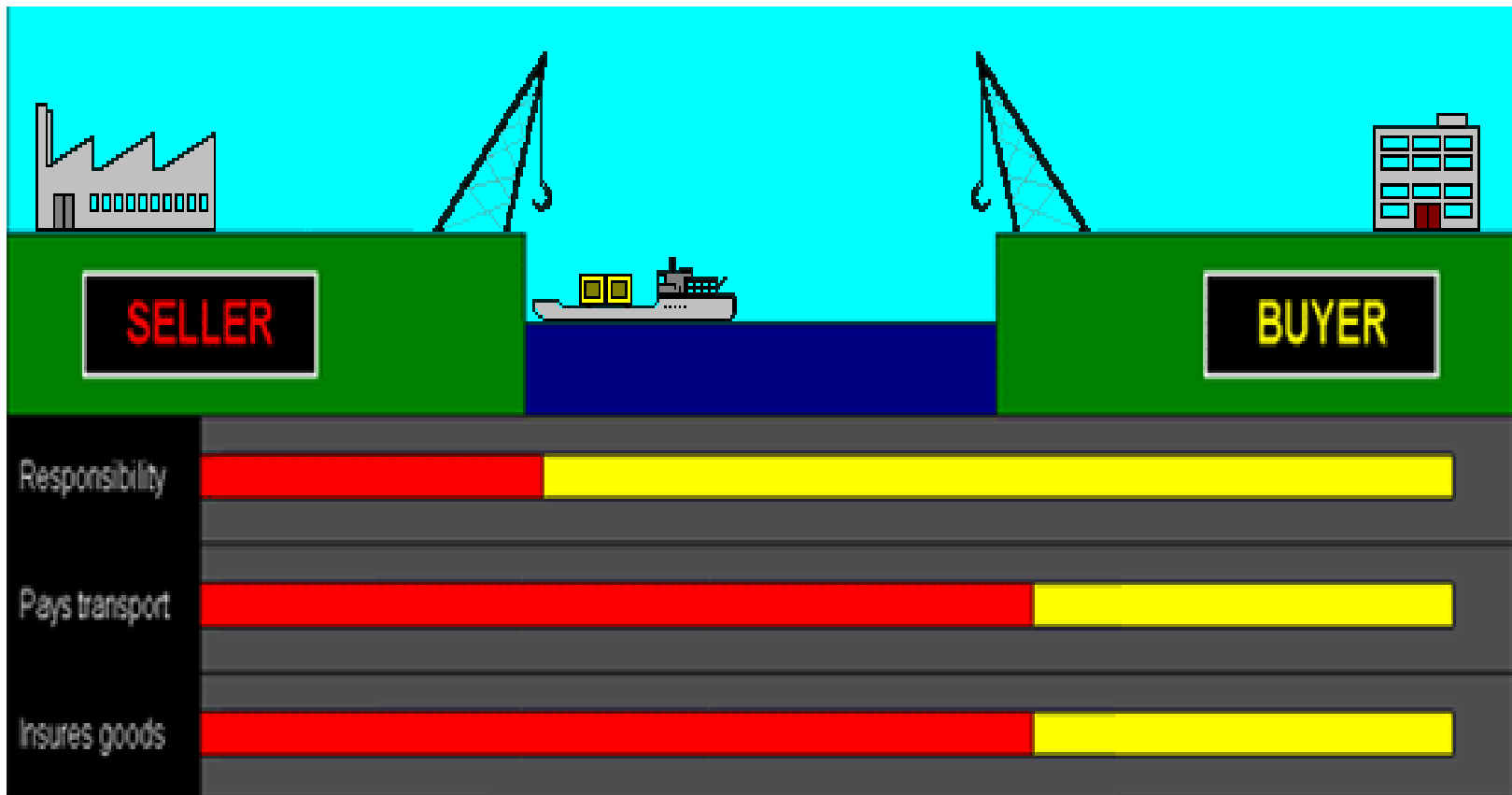
Clears for import and pays duty if applicable

all costs and charges relating to the goods while in transit until their arrival at the port of destination,

Risk is with buyer once the goods are on board the vessel at the



CIF: Cost Insurance and Freight (named port of destination)





CIF: Cost, Insurance and Freight

■ **Other Points:**

- ① Duty of insurance
- ② Document transaction
- ③ Division of costs and risks
- ④ Bearing unloading expenses



CIF: Cost, Insurance and Freight

1. Duty of Insurance

- The seller must obtain, at its own expense, cargo insurance complying at least with the **minimum cover** provided by Clauses (C) of the **Institute Cargo Clauses** or any similar clauses.
- When required by the buyer, the seller shall provide at the buyer's expense any **additional cover**, such as cover as provided by Clauses (A) or (B) of the Institute Cargo Clauses or any similar clauses.



CIF: Cost, Insurance and Freight

1. Duty of Insurance

- The minimum insurance shall cover the price provided in the contract plus **ten percent** (i. e., 110%) and shall be provided in the currency of the contract.



CIF: Cost, Insurance and Freight

2. Document Transaction (Symbolic Delivery)

- The seller fulfils his duty of delivery of the goods against **documents**, and the buyer pays against documents as well.



CIF: Cost, Insurance and Freight

3. Division of Costs and Risks

- The “C” terms are distinguished from all other terms
- **Two “Critical” points**
 - 1. Division of costs:** refers to the port of destination
 - 2. Division of risks:** refers to on board the vessel at the port of departure.



CIF: Cost, Insurance and Freight

4. Bearing Unloading Expenses

- Variations of CIF
 - CIF Liner Terms
 - CIF Ex Ship's Hold
 - CIF Ex Tackle
 - CIF Landed



Variations of CIF

■ **CIF Liner Terms**

- Means that the unloading expenses are borne by the party who pays freight, i.e., the seller.



Variations of CIF

■ **CIF Ex Ship's Hold**

- Means that the buyer shall bear the expenses for slinging up the goods from the hold to the dock.



Variations of CIF

■ **CIF Ex Tackle**

- Means that the seller shall bear the expenses for slinging up the goods from the hold to the place which may be reached by the tackle (onto the dock or lighter) .



Variations of CIF

■ **CIF Landed**

- Means that the seller shall bear the expenses for unloading the goods from the ship onto the dock at the port of destination.



Summary

| Trade terms | risks | formalities | | costs | |
|--------------------|------------------------------|------------------------|---------------------------|----------------|---------------------|
| | After on board vessel | Charting a ship | Covering insurance | Freight | Ins. premium |
| FOB | Buyer | Buyer | Buyer | Buyer | Buyer |
| CFR | Buyer | Seller | Buyer | Seller | Buyer |
| CIF | Buyer | Seller | Seller | Seller | Seller |



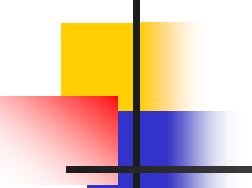
Application of FOB、 CFR、 CIF

Exportation ?

Importation ?

Comparison

| | |
|-----------|--|
| S. | 1) modes of trans. 2) points for del. 3) division of risks 4) char. Of del. 5) exp. Formalities, imp. formalities |
| D. | 1) obligations 2) costs |



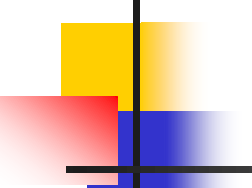
Case Study

- A contract to sell grain used a CFR term. The grain was officially certified as Grade One at the time of being delivered on board at the port of shipment. After making the shipment, the seller gave the buyer timely notice. However, due to the long voyage, some grain went bad. At the destination, the grain could only be sold as “Grade 3”. Consequently, the buyer claimed compensation for the damage.
- Questions: should the seller pay?



Case Study

- A Chinese import and export company concluded a Sale Contract with a German firm on October 5, 2012, selling a batch of certain commodity. The contract was based on CIF Hamburg at USD 2500 per metric ton; The Chinese company delivered the goods in compliance with the contract and obtained a clean on board B/L. During transportation, however, 100 metric tons of the goods got lost because of rough sea. Upon arrival of the goods, the price of the contracted goods went down quickly. The buyer refused to take delivery of the goods and effect payment and claimed damages from the seller.
- Question: (1) Is the buyer's refusal reasonable? Why?
- (2) How should the buyer to deal with the loss?



Case Study

- Under a CIF contract, the goods had been loaded on board the vessel according to the terms of the contract. Then the vessel departed. An hour later, the vessel struck a rock and sank. The next day the seller's bank presented the shipping documents, insurance policy and invoices to the buyer, and demanded payment.
- Questions (1) Knowing that he will not receive the goods, should the buyer pay?
- (2) Which party would have to take the loss?



Case Study

- A Shanghai company signed a CIF contract to sell Christmas goods to a British company. The USD1 million contract stipulated: "The seller guarantees that the goods arrive at the port of destination by December 1, 2010. If the carriage is late, the buyer can cancel the purchase, and get the refund for the payment." So the shipment was made. Unfortunately, due to mechanical problems, the vessel arrived at the destination a few hours late. The buyer refused to accept the goods. As a result, the goods had to be sold on the spot, and the seller lost USD700,000.
- Please comment on this case.



2: Six Main Trade Terms

2.4 FCA: Free Carrier (... named place)

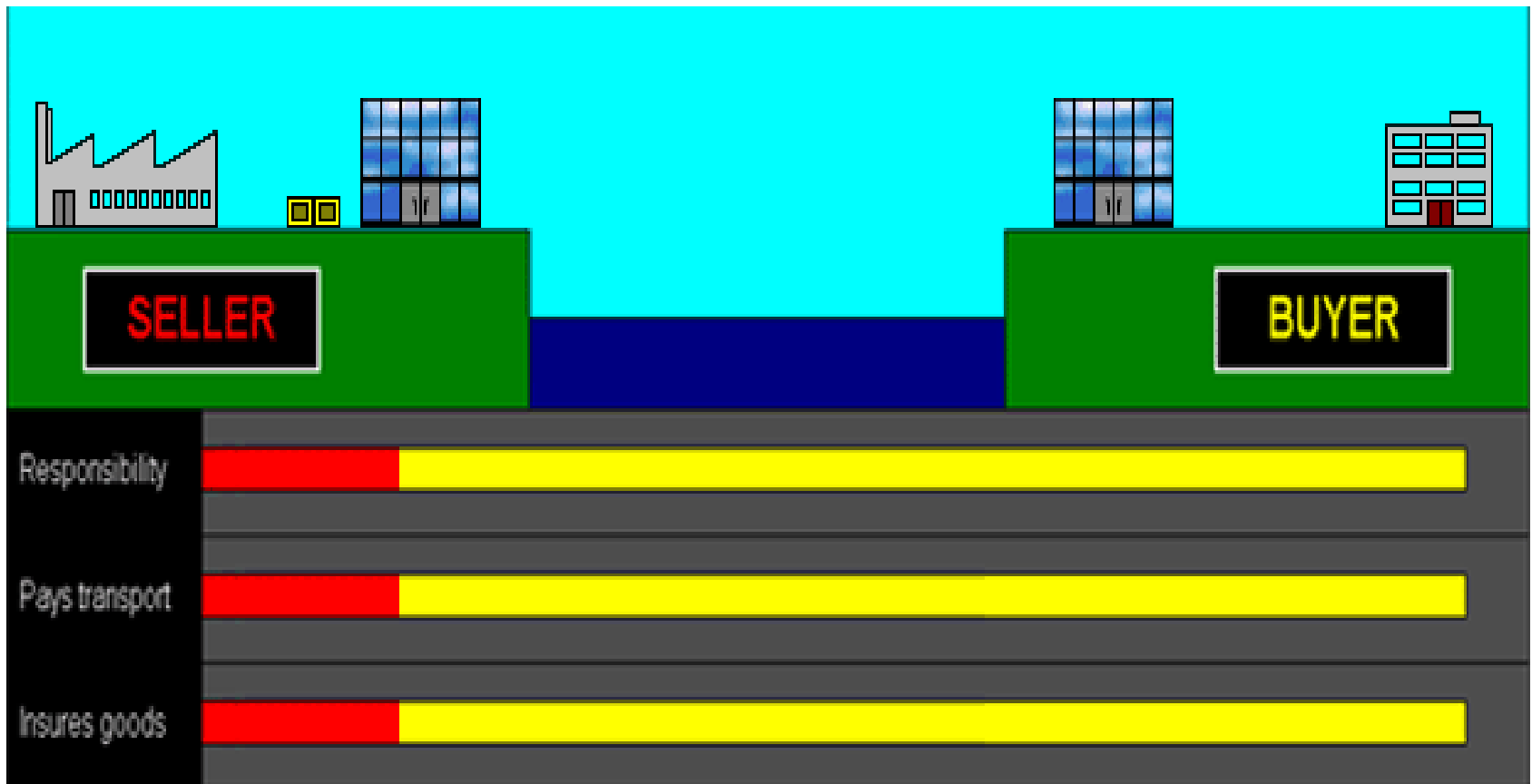
- means that the seller fulfils his obligation to deliver when he has handed over the goods, cleared for export, **into the custody of the carrier** named by the buyer at the named place or point.
- The risks of, losses of or damage to the goods is transferred from the seller to the buyer at that time



FCA: Free Carrier (insert named place)

- FCA is suitable for **all modes of transport**, particularly for “multi-model” transport.
- FCA has the basic principle as **FOB** except that the seller fulfils his obligations when he delivers the goods into the custody of the carrier at the named point.

FCA: Free Carrier (insert named place)





FCA: Free Carrier (... named place)

■ Other Points:

- 1.** Carrier
- 2.** Delivery place
- 3.** Loading or Unloading obligations



FCA: Free Carrier (... named place)

1. Carrier

① "Carrier" means any person who, in a contract of carriage, undertakes to perform or to procure the performance of transport by rail, road, air, sea, inland waterway or by a combination of such modes.

① **Actual carrier**

② **Contracting carrier (freight forwarder)**



FCA: Free Carrier (... named place)

1. Carrier

- ② If the buyer nominates a **person** other than a carrier to receive the goods, the seller is deemed to have fulfilled his obligation to deliver the goods when they are delivered to that person.



FCA: Free Carrier (... named place)

2. Delivery Place

- If no **precise point** is indicated by the buyer, the seller may choose within the place or range stipulated where the carrier shall take the goods into his charge.



FCA: Free Carrier (insert named place)

3. Loading or Unloading Obligations

- Impact of the chosen place of delivery on the obligations of loading the goods at that place.
 - If delivery occurs at the seller's premises, the seller is responsible for **loading**.
 - If delivery occurs at any other place, the seller is not responsible for **unloading**.

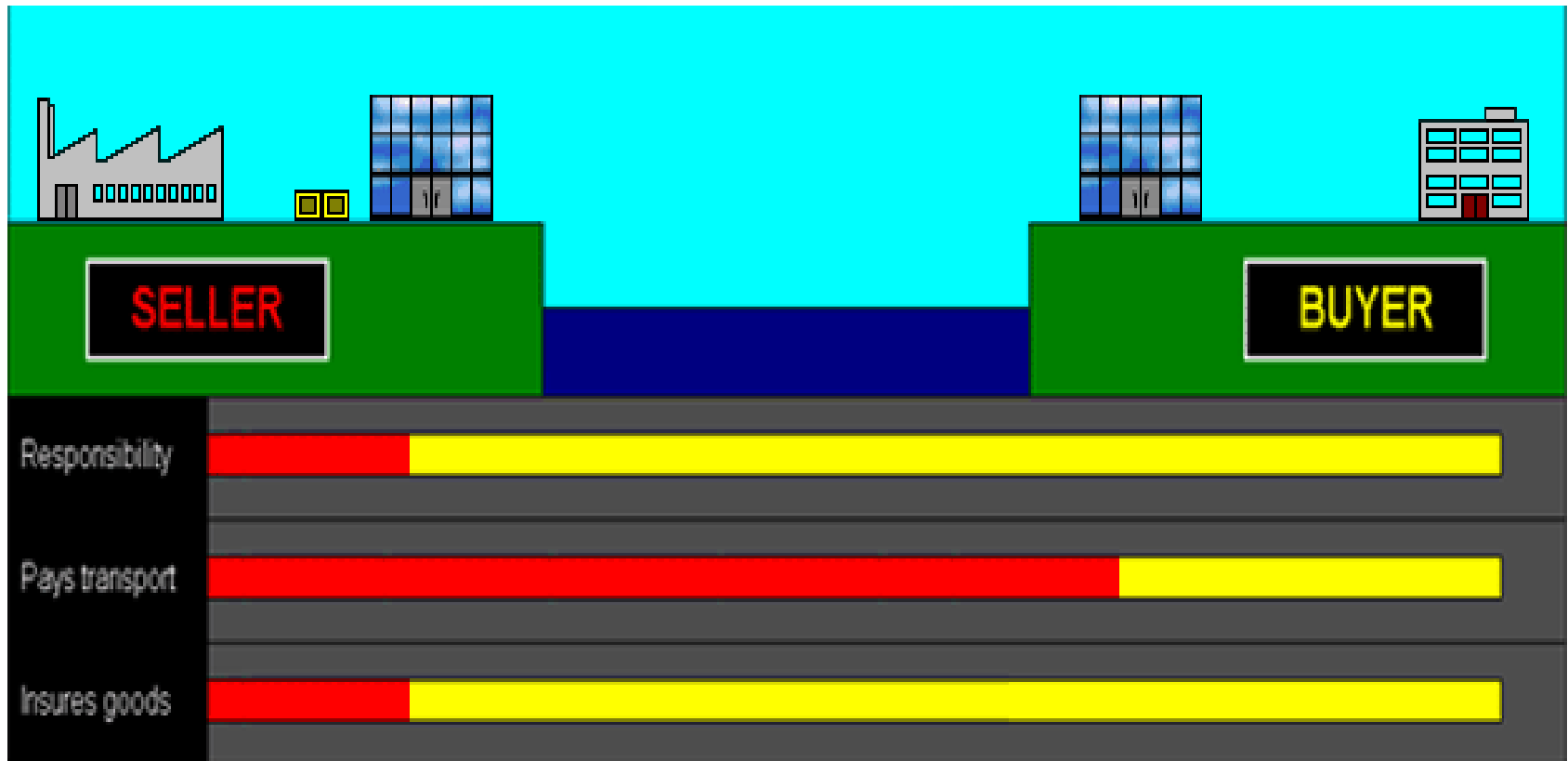


2: Six Main Trade Terms

2.5 CPT: Carriage Paid To (insert named place of destination)

- Means that the seller pays the freight for the carriage of the goods to the named destination
- The risk of, loss of, or damage to the goods, as well as any additional costs, is transferred from the seller to the buyer **when the goods have been delivered into the custody of the carrier.**

CPT: Carriage Paid To (insert named place of destination)





CPT: Carriage Paid To (... named place of destination)

Other Points:

- ① This term may be used for any mode of transport including multimodal transport.
- ② The CPT term requires the seller to clear the goods for export.
- ③ If subsequent carriers are used for the carriage to the agreed destination, the risk passes when the goods have been delivered to **the first carrier**.

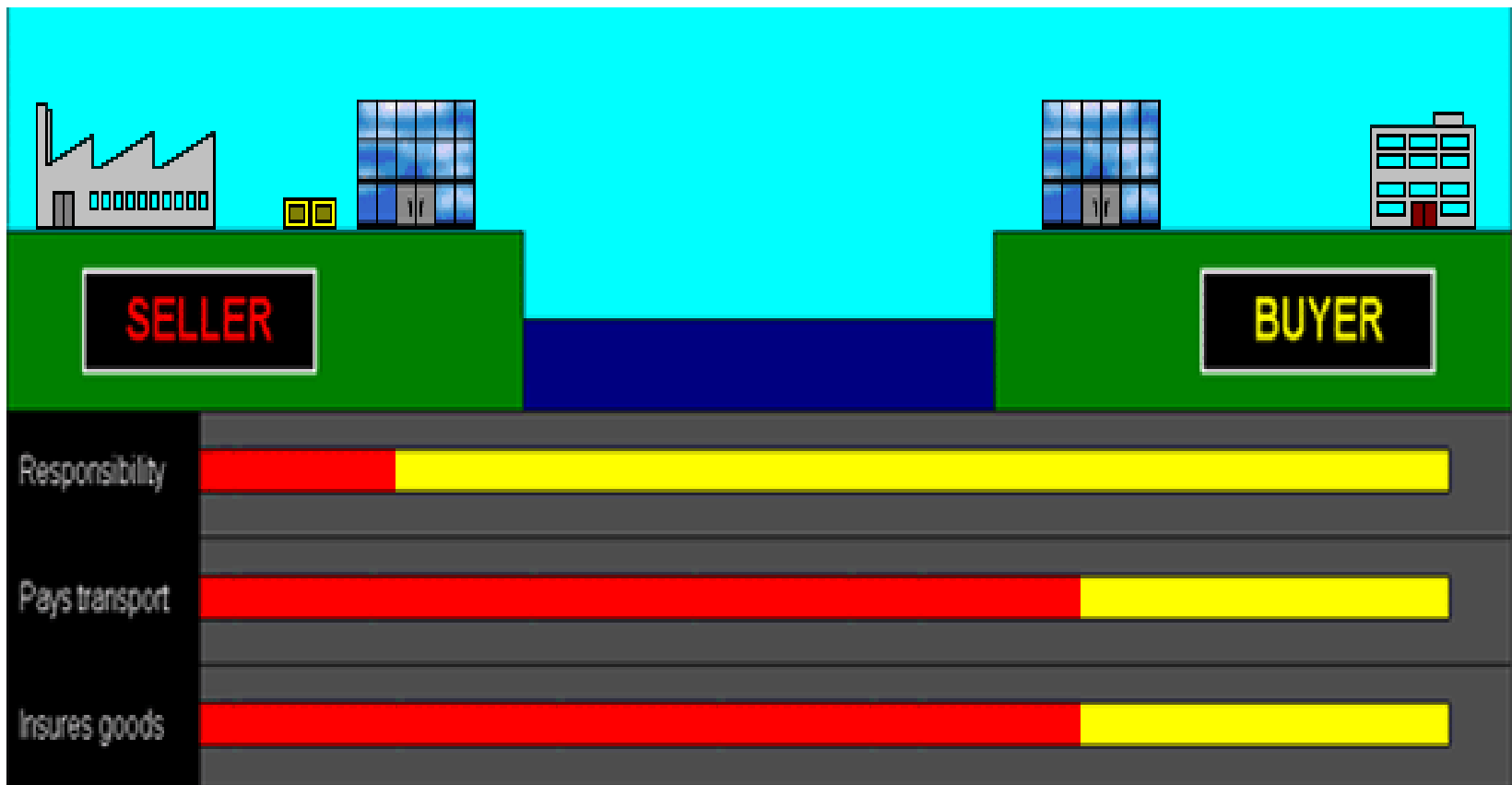


2: Six Main Trade Terms

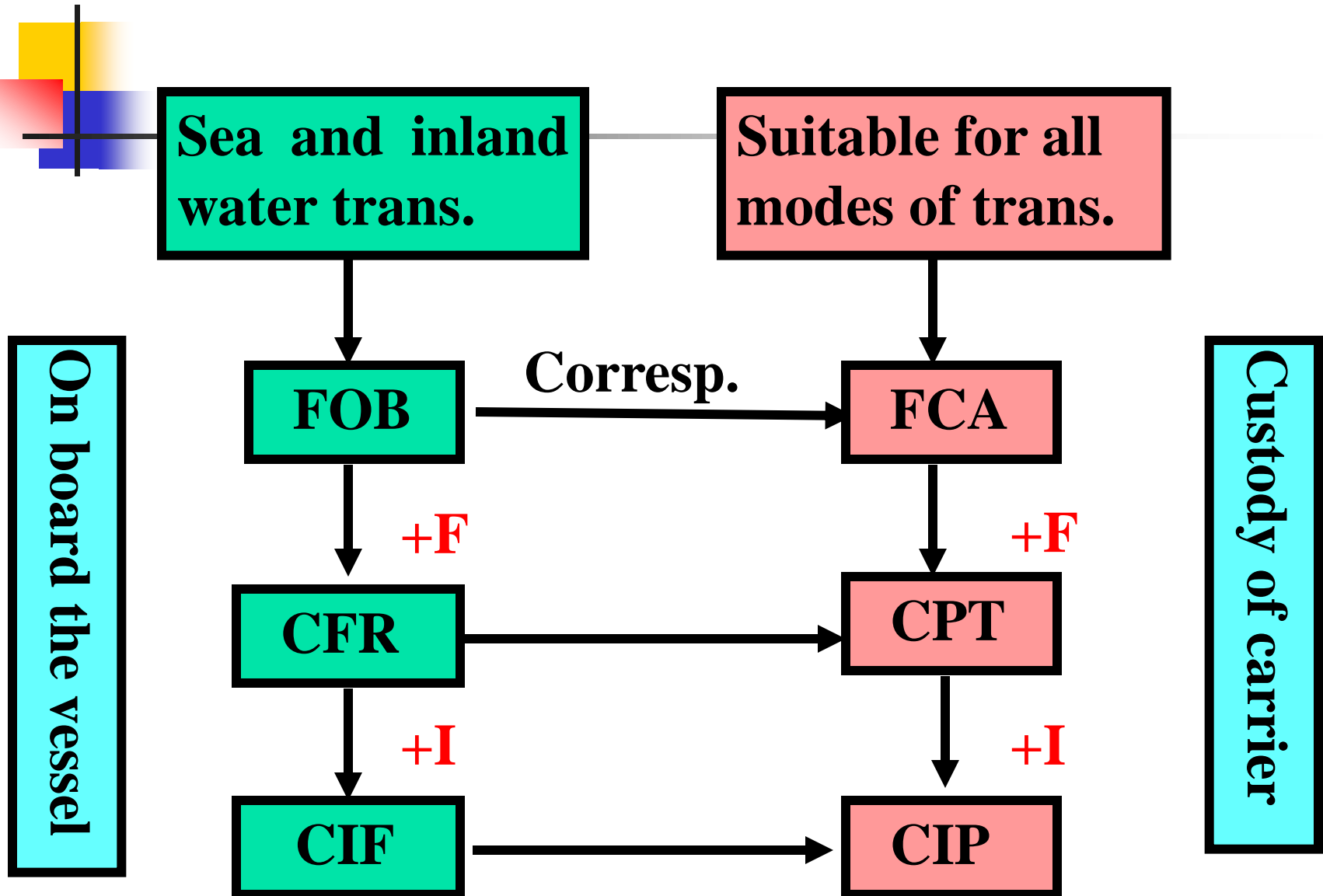
2.6 CIP: Carriage and Insurance Paid To (... named place of destination)

- Means that the seller has the same obligations as under **CPT** but with the addition that the seller has to procure **cargo insurance against the buyer's** risk of, loss of, or damage to the goods during the carriage.
- Insurance Obligation: same as CIF

CIP: Carriage and Insurance Paid To (insert named place of destination)



Relationships between 6 main trade terms





Comparison between FOB, CFR, CIF and FCA, CPT, CIP

| | |
|-----------|--|
| S. | 1) the basic principle of division of the duty |
| D. | 1) mode of transportation 2) place of risk transfer 3) Loading and unloading expenses 4) Shipping documents |



3: Other Five Trade Terms

3.1 EXW - EX WORKS (insert named place of delivery)

- ① means that the seller's **only responsibility** is make the goods available at his premises.
- ② The buyer bears all costs and risks involved in taking the goods from the seller's premises to the desired destination.
- ③ In particular, he is **not responsible for loading the goods on the vehicle** provided by the buyer or **for clearing the goods for export**, unless otherwise agreed.



EXW – detailed responsibilities

Seller's responsibilities

Make goods available at the factory or depot for collection by the buyer.

Buyer's responsibilities

Load goods onto vehicle

Clear goods for export

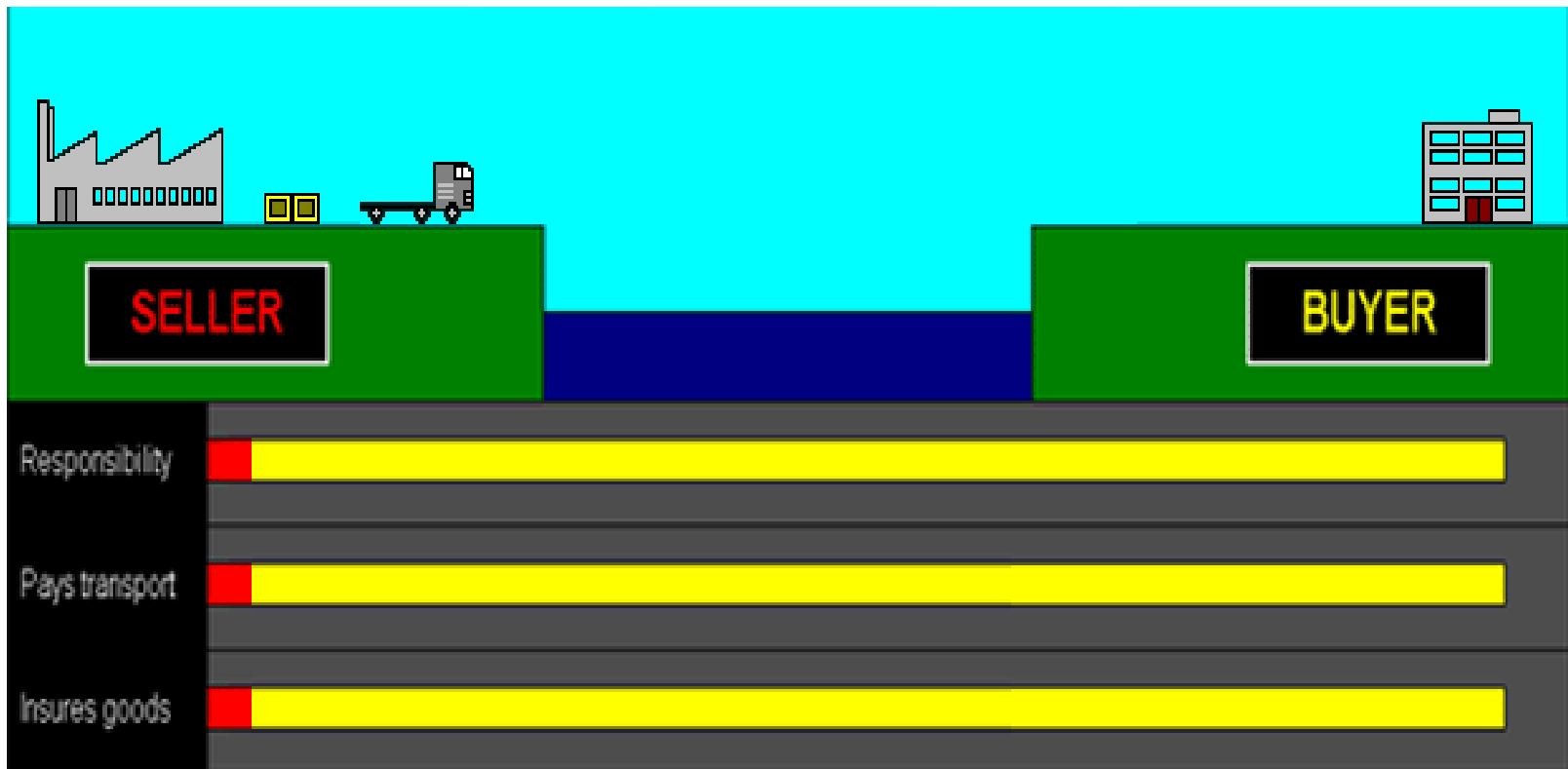
Provide any special packaging that may be necessary for the journey to the final destination

Risk transfer
available.

All risk is with the buyer once the goods have been made



EXW - EX WORKS (insert named place)





3: Other Five Trade Terms

3.2 FAS - Free Alongside Ship (insert named port of shipment)

- ① Means that the seller fulfils his obligation to deliver **when the goods have been placed alongside the vessel on the quay or a barge** at the named port of shipment.
- ② The buyer has to bear all costs and risks of loss of or damage to the goods from that moment.



FAS – detailed responsibilities

Seller's responsibilities

Deliver goods to the berth or quay alongside the ship prior to main carriage.

Clear goods for export

Buyer's responsibilities

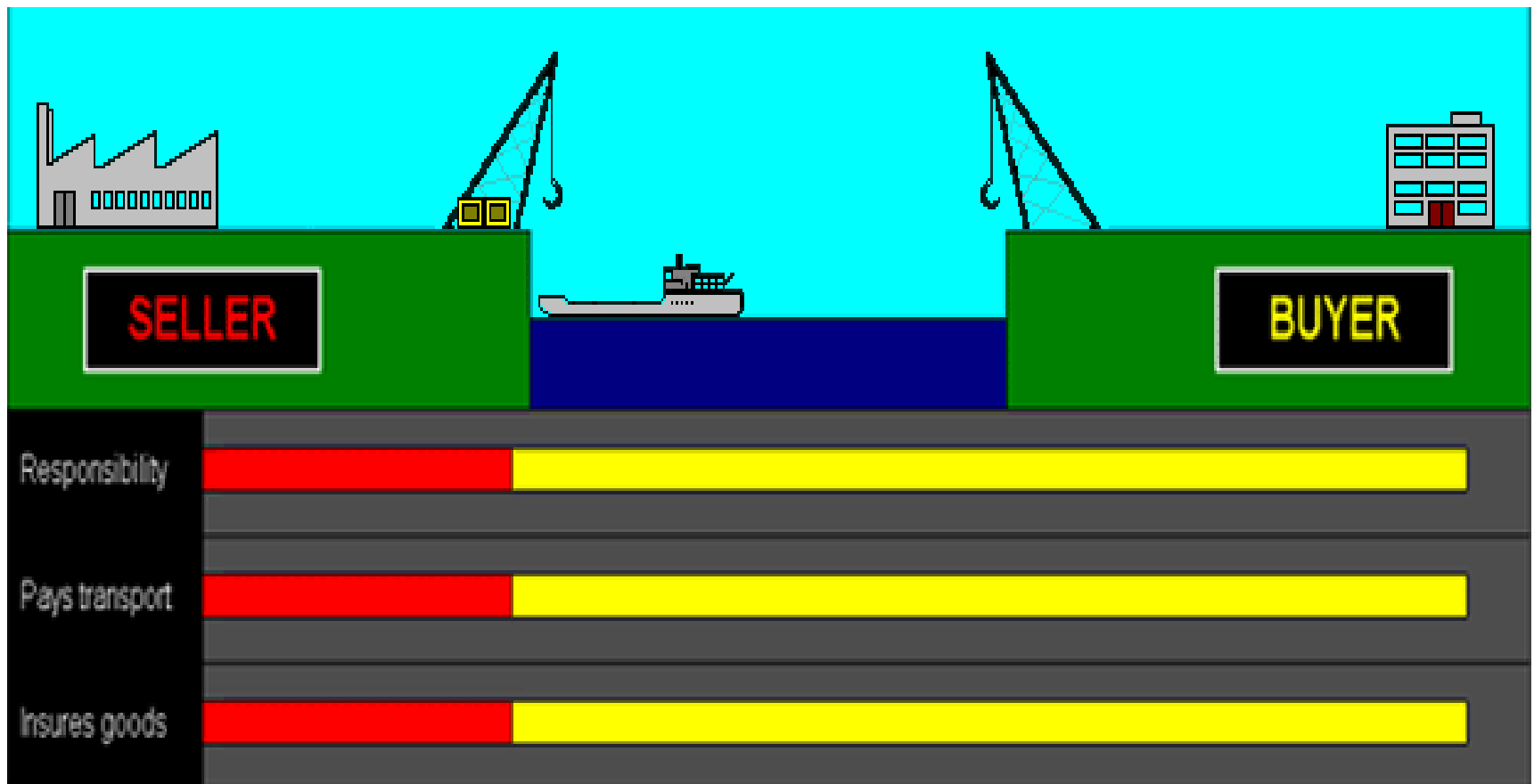
Load goods onto ship

Transport goods from port of despatch
To final destination, bearing all costs
Including any import duty.

Risk transfer Buyer assumes risk when goods are delivered alongside named Ship at a named areas within a named port.



FAS - Free Alongside Ship (insert named port of shipment)



3.3 DAT- Delivered At Terminal (insert named terminal at port or place of destination)

- “Delivered at Terminal” means that the seller delivers when the goods, once **unloaded from the arriving means of transport**, are **placed at the disposal of the buyer at a named terminal** at the named port or place of destination.
- “**Terminal**” includes any place, whether covered or not, such as a quay, warehouse, container yard or road, rail or air cargo terminal.
- The seller bears all risks involved in bringing the goods to and **unloading them** at the terminal at the named port or place of destination.



DAT – detailed responsibilities

Seller's responsibilities

Delivers at a named terminal, contracts at its own expense for the carriage of the goods

Clears goods for export

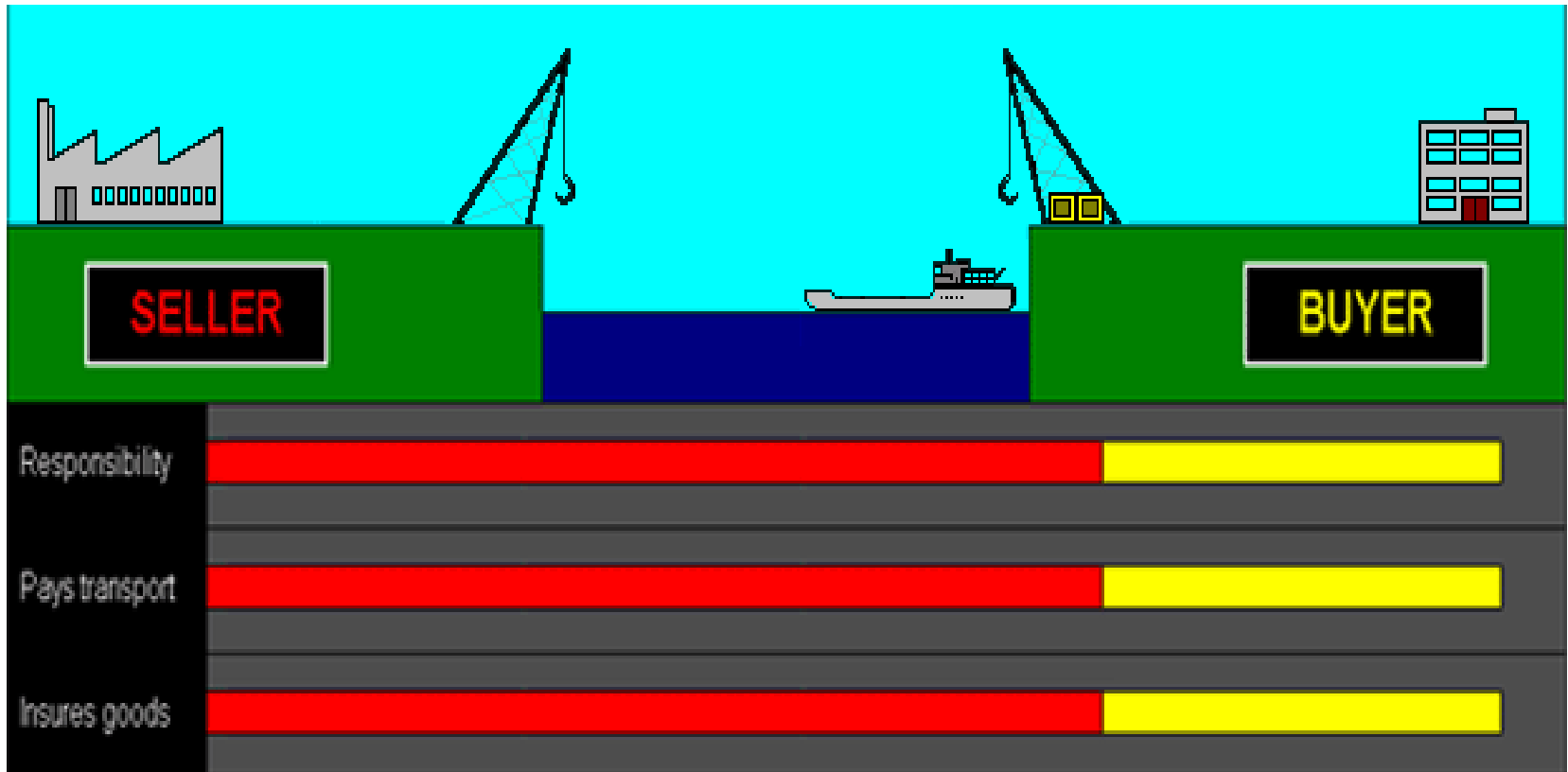
Buyer's responsibilities

Clear for import and pay duty if applicable

Risk transfer Buyer assumes risk when goods have been delivered at named terminal



DAT- Delivered At Terminal (insert named terminal at port or place of destination)





3: Other Five Trade Terms

3.4 DAP-Delivered At Place (insert named place of destination)

- “Delivered at Place” means that the seller delivers when the goods are placed **at the disposal of the buyer** on the arriving means of transport **ready for unloading** at the named place of destination. The seller bears all risks involved in bringing the goods to the **named place**.



DAP – detailed responsibilities

Seller's responsibilities

Arrange and bear all costs for transport of goods to the named place.

However the seller does not clear the goods for import or pay any import duties.

Buyer's responsibilities

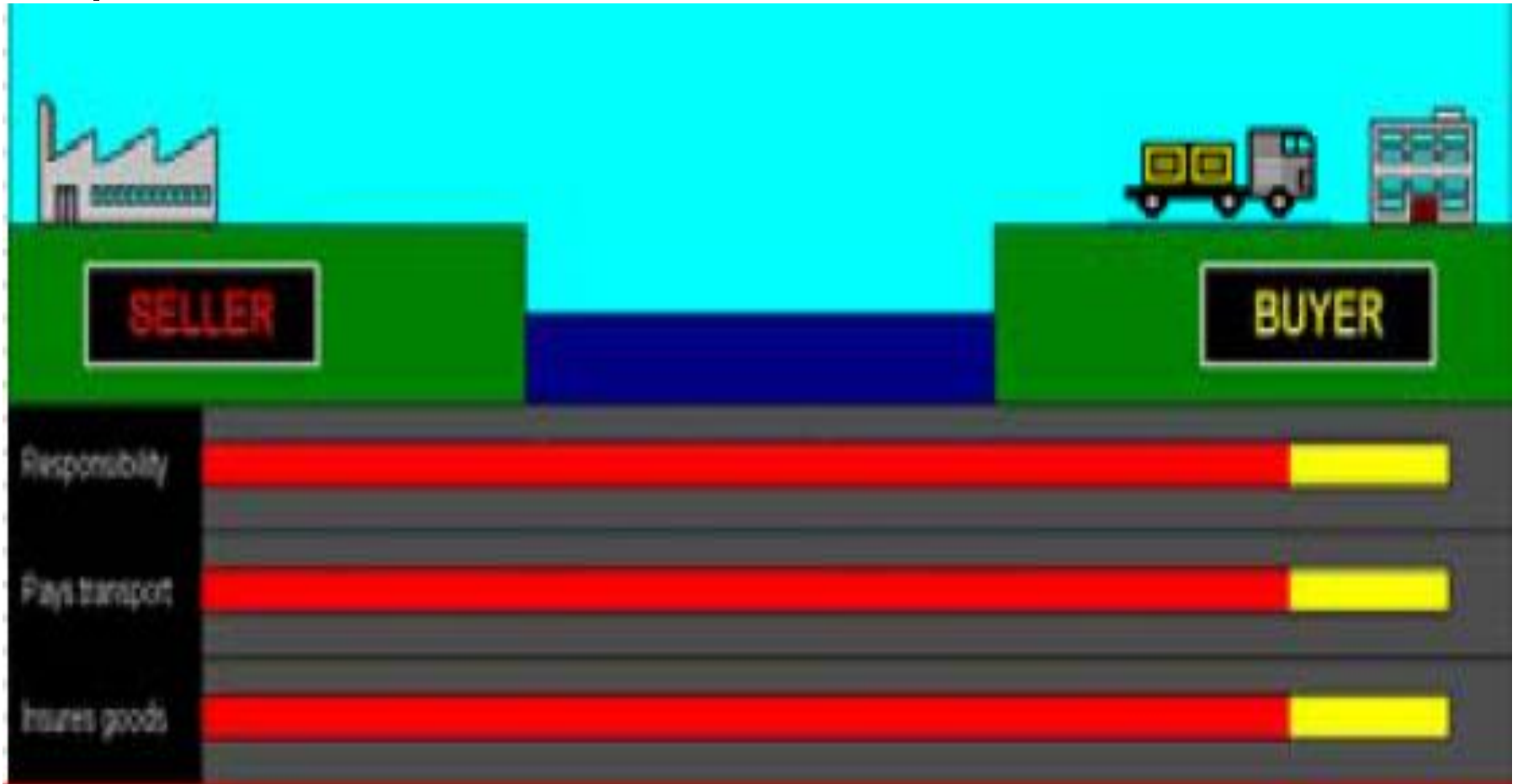
Clear goods for import and pay any applicable duty.

Unload the goods.

Risk transfer Buyer assumes risk when goods have been delivered to the named place.



DAP-Delivered At Place (insert named place of destination)





3: Other Five Trade Terms

3.5 DDP - Delivered Duty Paid (insert named place of destination)

- “Delivered Duty Paid” means that the seller delivers the goods when the goods are placed **at the disposal of the buyer, cleared for import** on the arriving means of transport ready for unloading **at the named place of destination**. The seller bears all the costs and risks involved in bringing the goods to the place of destination and has an obligation to **clear the goods not only for export but also for import**, to pay any duty for both export and import and to carry out all customs formalities.



DDP – detailed responsibilities

Seller's responsibilities

Arrange and bear all costs for transport of goods to the named place.

Clears goods for import and pays any applicable duty.

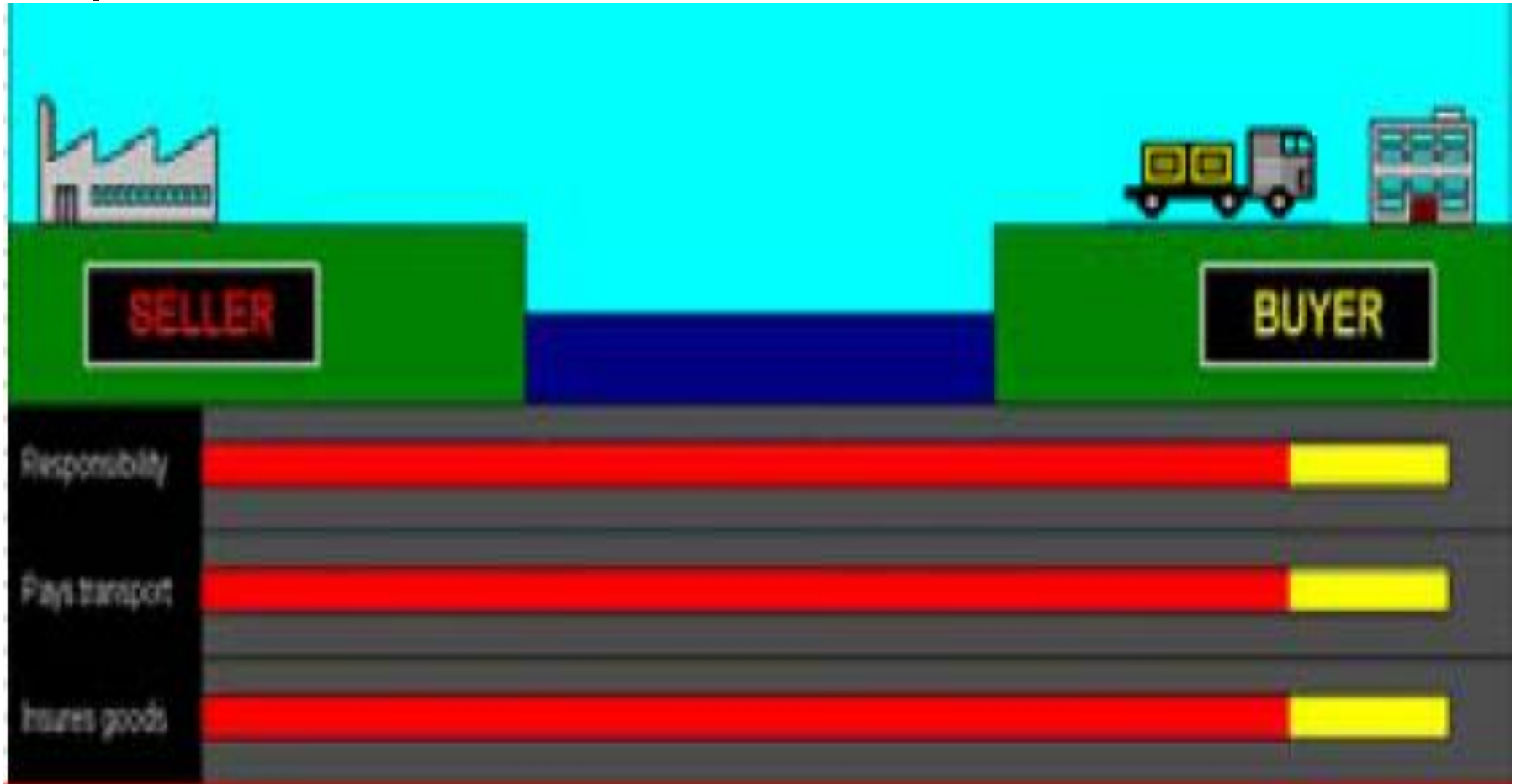
Risk transfer Buyer assumes risk when goods have been delivered to the named place.

Buyer's responsibilities

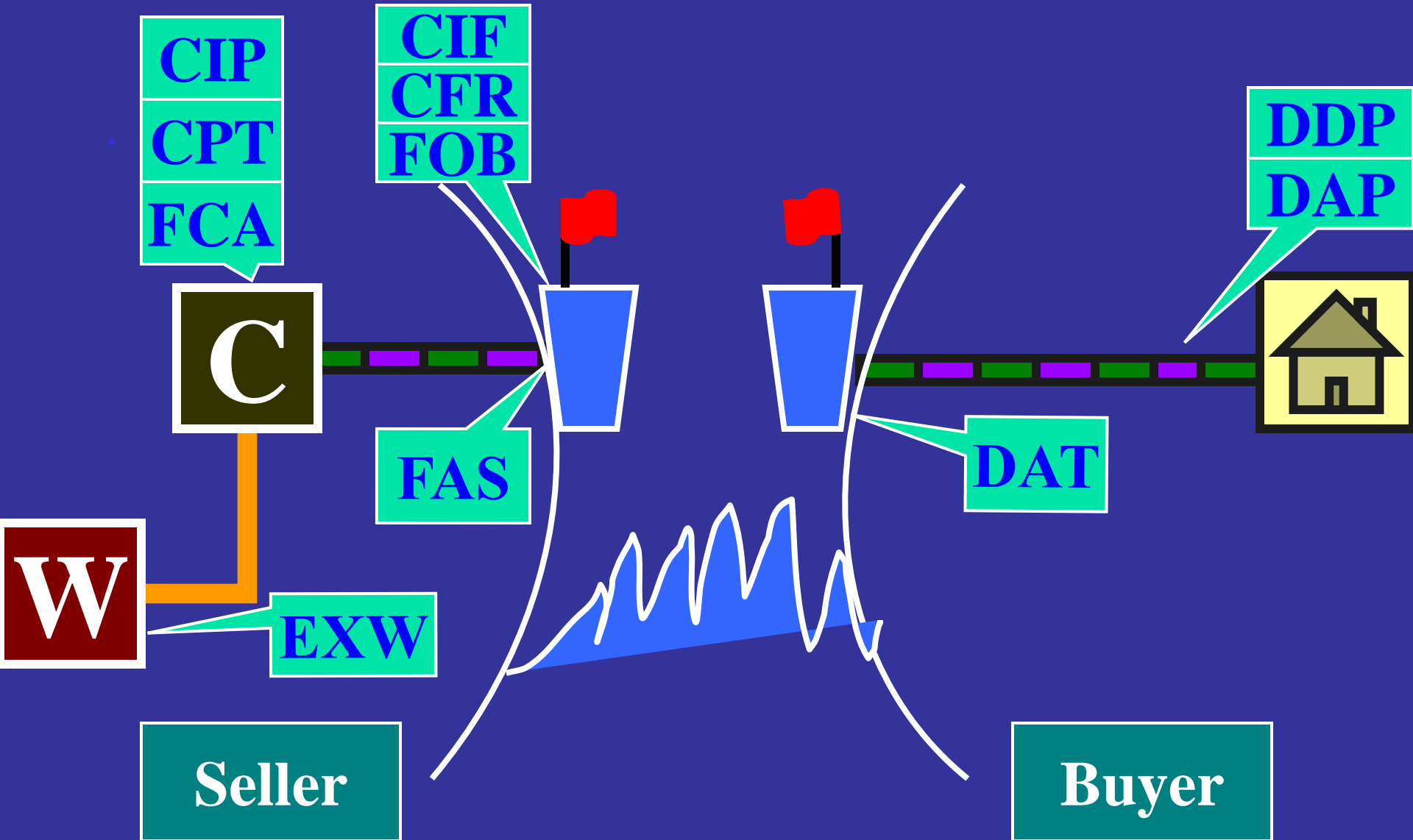
Unload the goods.



DDP-Delivered Duty Paid (insert named place of destination)



11 Trade Terms





Summary of Trade Terms

(一) **E group (Departure)**

(二) **F group (Main Carriage Unpaid)** .

(三) **C group (Main Carriage Paid)** .

■ **Two critical points**

(四) **D group (Arrival)** .

Shipment contract



4: Commission & Discount

■ Commission

- The amount paid by a principal to an agent for their role in the completion of a transaction involving the sale of goods or services.
- Example: \$1,000 per set CIFC 2% London



4: Commission & Discount

- **Discount (Allowance, Rebate)**
 - A reduction from the full or standard amount of a price or debt.
 - **Example:**
 - ① US\$2,000 per set CIF Singapore less 2% discount



Suppose you are an **exporter** and your business place is **in China**; you judge if the following statements are correct or not and give your reasons.

- 1) Offer 1,000 bales of Cotton Price Goods at USD 150 per bale FOB New York.
- 2) We accept your offer for 500 paper cases of Chinese Black Tea at USD 400 per case CIF Shanghai.
- 3) Your order for Bitter Apricot Kernels at USD 15 per kilo CPT Liverpool has already been delivered.
- 4) We appreciate your quotation for DD Raincoats at USD 100 per dozen CIP Guangzhou, but the price is rather on the high side.
- 5) Your counter-offer for Fairy Brand Leather Shoes at CAND 50 per pair CFRC2 Vancouver has been well received.



Suppose you are an **exporter** and your business place is **in China**; you judge if the following statements are correct or not and give your reasons.

- 6) We shall execute as soon as possible your order for 1,000 sets of Flying Fish Typewriters at USD 30 per set FCA Beijing.
- 7) We confirm having sold to you 2,000 dozen Pillow Cases at French Francs 50 per dozen FOB Marserrles.
- 8) Referring to your enquiry of July 15, we quote as follows: Sharp Vacuum Cleaner 500 sets USD 120 per set.
- 9) We offer Chinese Tin Plate DDP Shanghai Reply here July 10th.
- 10) Our Sales Confirmation No. 9405 for 1,000 Sewing Machines at USD 45 CIF Hong Kong is being airmailed today.



Multiple choices

1. There are mainly _____ sets of international rules related to the interpretation of trade terms.
A. two B. three C. four D. five
2. There are altogether _____ terms defined by the *Incoterms 2010*.
A. 6 B. 9 C. 11 D. 13
3. Among all the incoterms _____ imposes the minimum obligation and cost to the seller.
A. EXW B. CIF C. DAP D. DDP
4. Among all the incoterms _____ imposes the minimum obligation and cost to the buyer.
A. CIF B. FOB C. DDP D. EXW



Multiple choices

5. According to *the Incoterms 2010* under FCA the risk of goods will be transferred from the seller to the buyer _____

A. when the goods are placed at the disposal of the buyer.

B. when the goods are delivered to the named place in the exporting country.

C. when the goods are given to the nominated carrier.

D. when the goods are loaded on the vehicle of a carrier.

6. The term CIF should be followed by _____.

A. named port of shipment

B. named places of destination

C. named ship's rail

D. named port of destination



Multiple choices

7. FOB and CFR share one thing that_____.
- A. risk is transferred when the goods are loaded on board the vessel
 - B. they can be used in any mode of transport
 - C. the seller will be responsible for the unloading at the port of destination
 - D. none of the above
8. According to the *Incoterms 2010* under CIF if the goods get loose from the hook and fall into the sea during the loading stage, _____should hold liable for the loss.
- A. the buyer
 - B. the seller
 - C. the carrier
 - D. both the seller and buyer



Multiple choices

9. The *Incoterms 2010* requires the buyer to handle the import customs clearance except under_____.

A. EXW B. FCA C. DAT D. DDP

10. Under_____ term it is especially important for the seller to provide shipment notice to the buyer.

A. CIF B. FOB C. FAS D. CFR



True or false statements

1. ___ The EXW term indicates an actual delivery.
2. ___ If the sales contract contains provisions contrasting to the definition of the *Incoterms* used, as far as the provisions are legally recognized by relevant laws and regulations, they will be valid.
3. ___ FOB is a shipment contract term, indicating actual delivery.
4. ___ FCA and CPT have one thing in common that the seller delivers when the goods are handed over to the first carrier nominated by the buyer.



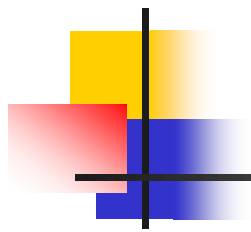
True or false statements

- 5. ___ Both DAT and DAP should be followed by named places of destination.**
- 6. ___ Since under CFR the risk will be transferred when the goods are loaded on board the vessel, the seller will not hold any responsibility if the buyer finds the goods not in conformity with the contracted specifications.**
- 7. ___ All the terms starting with a "C" require the seller to bear the main costs of carriage and risk during the transport.**



True or false statements

8. ___ According to the *Incoterms 2010* under DAP the buyer is not responsible for unloading the goods from the arriving vehicle at the place of destination.
9. ___ Under CIF the seller has to purchase insurance, therefore he has to bear the risk during the ocean transport.
10. ___ All the terms starting with a “D” are arrival contract terms and they all indicate actual delivery.



THE END

