

THE INSTITUTE OF COMMERCIAL MANAGEMENT

SUBJECT SYLLABUS



INTERNATIONAL TRADE AND PAYMENTS II

**Pre-requisites** International Trade and Payments I

**Main Aim(s) of the Unit:**

This module covers the key areas of international trade and payments and evaluates ways to reduce the various risks that are common to all international trade. By evaluating individual buyer's risks, the student is able to understand the most appropriate and practical methods of payment in trade. It addresses this technical but vital business topic using a step by step guide approach to the life cycle of a representative export from initiation through to completion.

**Main Topics of Study:**

**The Rules of the Game**

- The Law of Comparative Costs
- How Did International Trade Begin?
- The Benefits of International Trade
- The Structure of International Trade
- Economic, Commercial & Political Factors
- Countertrade
- Trading With Eastern Europe
- Multinational Companies & Direct Investment
- International Organisations Seeking to Facilitate World Trade
- Regional Organisations Seeking Liberalisation

**Country & Buyer Risk**

- Country Risk
- Balance of Payments
- The International Monetary Fund & the World Bank
- Political Risk
- Buyer Risk
- Credit Insurance

**The Quotation**

- Delivery Terms
- Calculation of the Quoted Export Price
- Profit Margin, Pricing Policy & Delivery Terms
- Credit Terms
- Foreign Exchange Pricing

**Foreign Exchange**

- Convertibility of Currencies
- Quoting in Currency
- The Exchange Risk
- Understanding Rates of Exchange
- Forward Exchange Contracts
- Forward Exchange Rates
- Calculating Forward Exchange Rates
- Closing Out Forward Contracts
- Pure Currency Options
- The Wider Picture
- Avoiding the Spread
- Euro-Currency Markets
- Tender to Contract Cover

**Agreeing a Method of Payment**

- Risks Associated with the Country or the Buyer
- The Role of the Credit Controller
- Types of Methods of Payment
- Methods of Remittance

**Documentary Collections**

The Bill of Exchange  
Uniform Rules for Collection

**Documentary Credits - Obtaining the Credit**

The Definition of a Letter of Credit  
Opening a Documentary Credit  
The Main Categories of Documentary Credits  
Types of Documentary Credit  
Documentary Credits as the Exporter Sees Them

**Documentary Credits - Securing Payment**

Examination of a Credit on Receipt  
Amending Letters of Credit  
The Doctrine of Strict Compliance  
Discrepancies in Presentations  
The Pre-Presentation Examination  
Action in the Event of Discrepancies

**Banker's Guarantees (Bonds) & Indemnities**

Guarantees Issued by Local Banks  
The Exporter's Liability to the Bank  
Indemnities Securing the Release of Goods  
Bank Guarantees in Support of Loan or Overdraft Facilities  
Custom Clearance Guarantees

**Finance for International Trade**

Bank Finance to Establish Export Markets - Overdrafts & Loans  
Bank Finance from Contract to Payment - Overdrafts & Loans  
Credit Insurance Cover  
Bills of Exchange  
Forfaiting  
Factoring  
Other Sources of Finance  
Finance for Imports

**Other Trading Methods**

Consignment Trading  
Joint Ventures Overseas  
Pick-A-Back Schemes & Group Selling  
Royalty Agreements & Licensing

**Learning Outcomes for the Unit****At the end of this Unit, students will be able to:**

1. Use cost data for the planning, monitoring and control of a business
2. Recommend, for any market, optimum mixes of trade finance
3. Identify and explain country and buyer risks in any export plan
4. Discuss methods to avoid trading losses arising from business conducted in foreign currencies
5. Critically assess methods of finance in international trade
6. Analyse and select appropriate procedures to secure payment for goods or services
7. Analyse current issues in international trade, including trade policy and different models of international trade

The numbers below show which of the above module learning outcomes are related to particular cognitive and key skills.

Knowledge & Understanding	1,7
Analysis	4-7
Synthesis/Creativity	-
Evaluation	2-7
Interactive & Group Skills	0
Self-appraisal/ Reflection on Practice	-
Planning and Management of Learning	1-7
Problem Solving	1,2,5-7
Communication & Presentation	-
Other skills (please specify):	-

**Learning and teaching methods/strategies used to enable the achievement of learning outcomes:**

Learning takes place on a number of levels through lectures, class discussion including problem review and analysis. Formal lectures provide a foundation of information on which the student builds through directed learning and self managed learning outside of the class. The students are actively encouraged to form study groups to discuss course material which fosters a greater depth learning experience.

**Assessment methods weighting which enable students to demonstrate the learning outcomes for the Unit:**

3 Hour Examination 100%

**Indicative Reading for this Unit:**

**Main Text:**

Principles of International Trade & Payments - Peter Briggs (Blackwell Publishing)

**Alternative Text and Further Reading:**

Trade Finance: Payments & Services - D B Cox (Northwick Publishers)

Multi-National Finance – Buckley (Prentice Hall)

Exchange Rates & International Finance – Dufey & Giddy

**Guideline for Teaching and Learning Time (10 hrs per credit)**

**Lectures / Seminars / Tutorials / Workshops: 50 hours**

Tutorial support includes feedback on assignments and may vary by college according to local needs and wishes.

**Directed learning: 50 hours**

Advance reading and preparation / Class preparation / Background reading / Group study / Portfolio / Diary etc

**Self managed learning: 100 hours**

Working through the course text and completing assignments as required will take up the bulk of the learning time. In addition students are expected to engage with the tutor and other students and to undertake further reading using the web and/or libraries.