Part 2

Commercial Transaction Documents

Overview

This part covers the following topics:

- Commercial documents
- Banking documents
- Transportation and insurance documents

Objectives

By the end of this part, you will be able to:

- Identify documents used in international trade
- Distinguish between the similar documents with different names and functions
- Analize the application of these documents in different transactions of international trade

Scenario: Quality of Shipping Documents

An African Company wants to sell lightweight working boots into European Union. The boot has been developed by the local manufacturer.
At present it is supplying the local army and all agricultural cooperatives.
Agents take care of the sales in neighbouring countries and the national salesmanager has been made responsible for export. A quality certificate is asked by the buyer in Europe and the supplier just prepared a quality statement on their own letterheaded paper.
During delivery it was realised that the necessery shipping documents requested by the European customer, were missing and some were ill- prepared.
Do you see the weak points in this approach?
Think about the product, their present export experience, the responsible manager, their market experience.

Introduction

Foreign trade documents are important for the exporter or importer establishments, in terms of preparing according to the preferred qualities aware of customs, exportation and importation regulations and prevention of all the sides, led by exporters/importers, being wronged.

The documents incomplete, faulty or not given to the authorities on time may give rise to some risks in the products' delivery or during collection of the product costs.

In this part, the necessary bank, delivery and commercial documents will be studied and preparation of these documents will be described with examples.

Documents Used in International Trade

It is a fact of modern life that people and cargo generally don't cross national borders without extensive documentation. In the worst case, cargo is stranded, partway to its destination, unable to move for lack of the right documents. As the cargo sits, it incurs storage charges, deterioration and spoilage as its owner's frustration mounts. Such a scenario must be avoided if profitable trade is to be conducted. It can be avoided if the trader has a good working knowledge of trade documentation.

Are the documents currently used in international trade necessary or only a formality?

Most international trade documents can be placed into the following categories:

- Commercial documents
- Banking documents
- Transportation and insurance documents

The Purposes of Documents

The general purpose of all categories of international trade documents is to facilitate, control, and keep track of international cargo movements.

Below, the different categories of international trade documents will be discussed in detail.

Commercial Documents

Commercial documents are those that move between the buyer and the seller. The ones to be discussed here are the following:

- Request for quotation
- Quotation
- Pro forma invoice
- Terms and conditions of sale
- Purchase order
- Order acceptance and confirmation
- Sales contract
- Commercial invoice

Request for Quotation

Buyers and sellers can exchange any number of letters, telephone calls, and fax and E-mail messages as the initial steps of an international transaction. This will normally lead to a **Request for Quotation**. This can be a simple fax or other form of message.

What is Request for Quotation?

A request for a quotation is simply a letter, telephone call, fax, or e-mail message between buyers and sellers used as the initial step in a trade transaction.

A Request for a Quotation

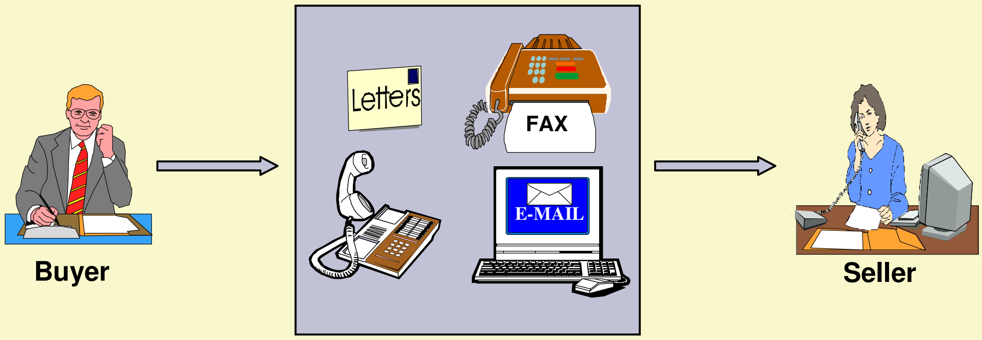


Figure 1: A Request for a Quotation

An example of a “request for a quotation” letter can be found below.

Dear Sirs:

Please send me your quotation for 50 Farm Best lawn tractors, Model number 307H.
Please quote C&F, Athens. Payment will be by 90 day letter of credit.

Sincerely,
Istanbul, MCN Trading Company

Figure 2: An example of a “Request for Quotation” Letter

Quotation

> **Important Points Regarding Quotation**
>
> The quotation should be as specific as possible, to avoid misunderstandings. It is normally signed, and of course it is now possible to send E-mail messages with signature on them.

The exporter would logically follow with a **Quotation**, which is basically the price for which he/she can supply the goods with the specified shipping and payment terms (although you are free to propose alternate terms). All the costs, and his/her profit or commission, must be included. The quotation should reference the number on the request, if there was one, and include a date until which it is valid.

Quotation

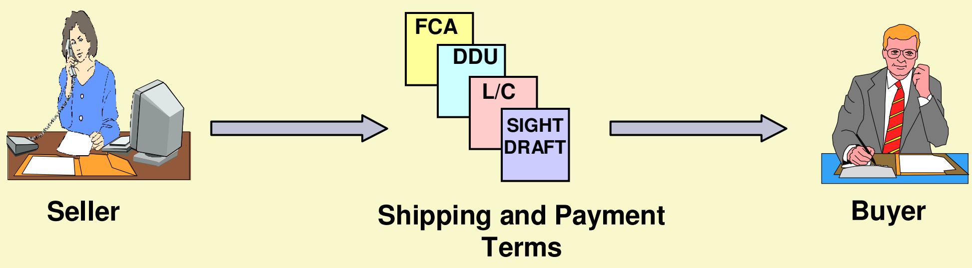


Figure 3: Quotation

What is the difference between a request for a quotation and a quotation?

You can see an example of Quotation.

A TRADE INTERNATIONAL
Camlı Cad. 260/2 Istanbul

QUOTATION No. 21

This quotation is valid for 30 days from the date hereon: March 8, 2001.

Shipper: A Trade International, Camlı Cad. No:260/2 Istanbul

Consignee: EximCo., Street 5, 724 Tirane Albania

50 tractors, Farm Model 3 as shown in their catalogue dated January 2, 2001, packed for export by the manufacturer	US$42,100
Inland freight Ankara to the Port of Istanbul	I ,000
Forwarding and freight to Albania	5,125
Total CFR Albania	US$48,225

Marine insurance to be arranged by the Consignee.

Payment by 90-day irrevocable letter of credit from a first-class International bank.

Shipment to be made within 60 days after receipt of the letter of credit

Figure 4: A Quotation Document

Pro Forma Invoice

> **A Pro Forma Invoice**
>
> It is more formal document. The difference from commercial invoice, is only the statement "Pro Forma" at the top side.

Sometimes an importer will want a more formal document that will help him/her get an import permit or foreign exchange authorization and/or to open a letter of credit; she may go one step farther and ask for a **Pro Forma Invoice**. This looks like a regular commercial invoice, except that it says "PRO FORMA" at the top. These words mean that the document in hand isn't the actual commercial invoice but is almost exactly what the real invoice will look like.

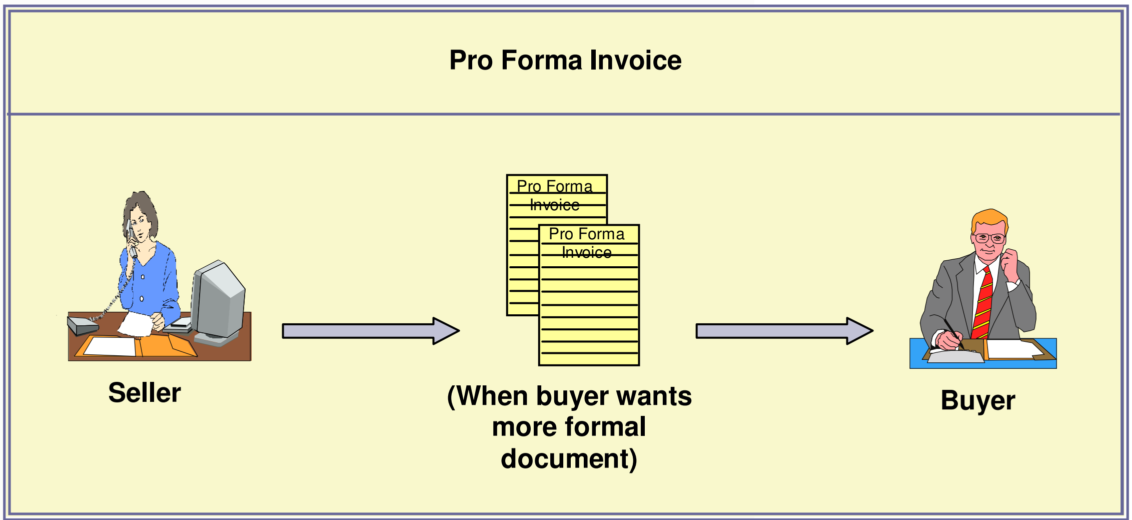


Figure 5: Pro Forma Invoice

> **Why do you think an importer would want more formal document? What are the advantages for him/her?**

Terms and Conditions of Sale

Sometimes quotations and pro forma invoices are accompanied by other documents known as **Standard Terms and Conditions of Sale.** These give important information - such as "All shipments are made F.O.B. İstanbul Turkey" - that is not shown on quotations or pro forma invoices. This information is somewhat similar to the 'fine print' you read when you open a bank account or receive a credit card.

Terms and Conditions of Sale

Terms and Conditions of Sale include information that is not on a quotation or pro forma invoice and it is similar to the fine print used on the documents necessary when opening a bank account or receiving a credit card.

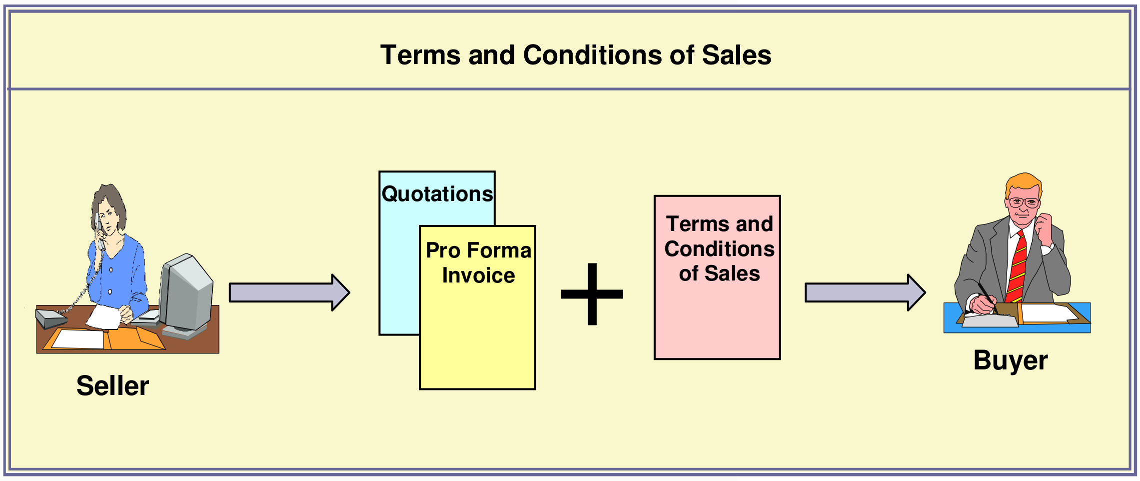


Figure 6: Terms and Conditions of Sale

What kind of benefits does the extra information on the Terms and Conditions of Sale give the buyer and seller?

Purchase Order

> **An Important Point About Purchase Order**
>
> Note that it shows how to mark the boxes and specifies payment by sight draft, documentary against payment, and is signed.

If the importer is satisfied with the quotation and/or pro forma invoice, he/she may place an order. This can be a simple oral or written statement such as "We hereby order as per your pro forma invoice number 627." More often there are additional details - for example, "We hereby order 100 dozen Model R bicycle pumps, C.I.F. Romania, to be shipped by ocean no later than January I, 2001, with payment by irrevocable letter of credit." An order can include other conditions such as documents that should be provided and even what should be said on the documents.

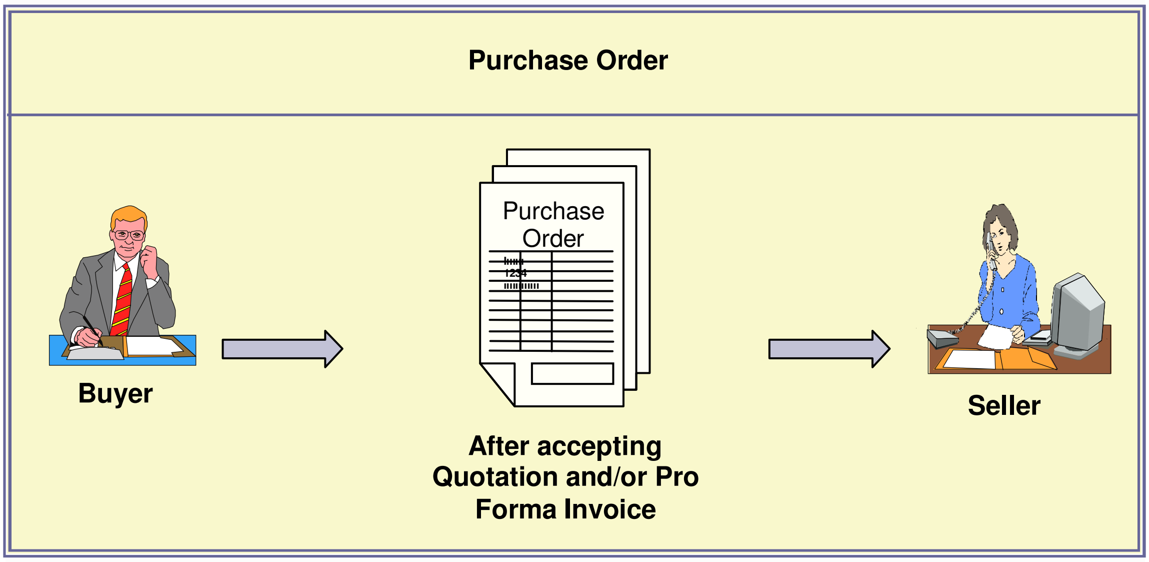


Figure 7: A Purchase Order

Order Acceptance and Confirmation

The exporter should reply with a simple statement such as, "We accept your Purchase Order No. 291/91, dated May 2, 2001". In international trade, an order and an unconditional acceptance make a contract that theoretically can be enforced by either the contracting parties.

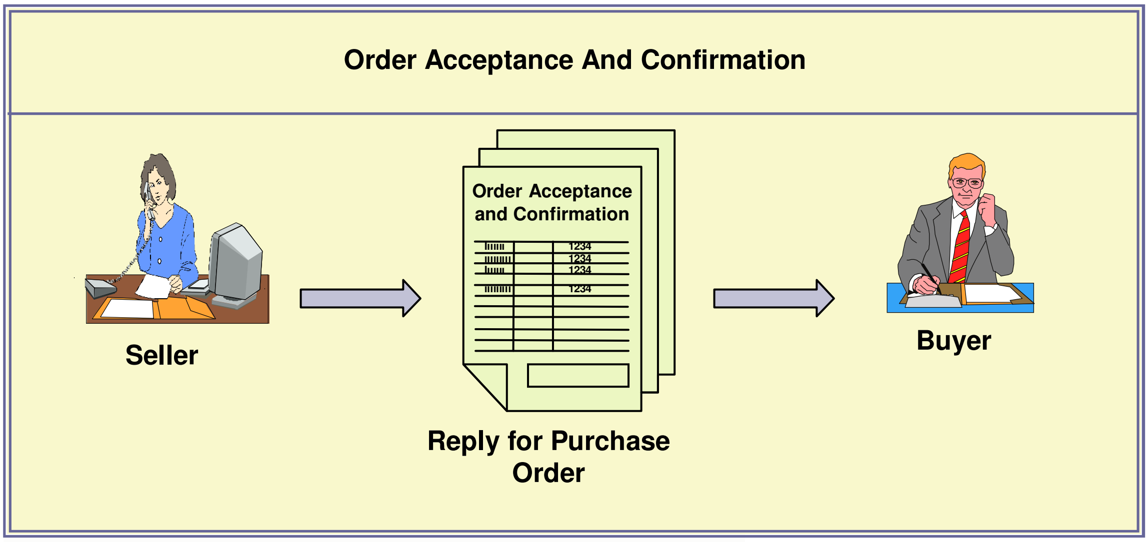


Figure 8: Order Acceptance and Confirmation

Sales Contract

In some cases, importers order informally, by telephone, although this system has been partly replaced by fax and E-mail. The exporter then sends an order confirmation, which the importer signs and returns. This procedure creates a **Contract of Sale**.

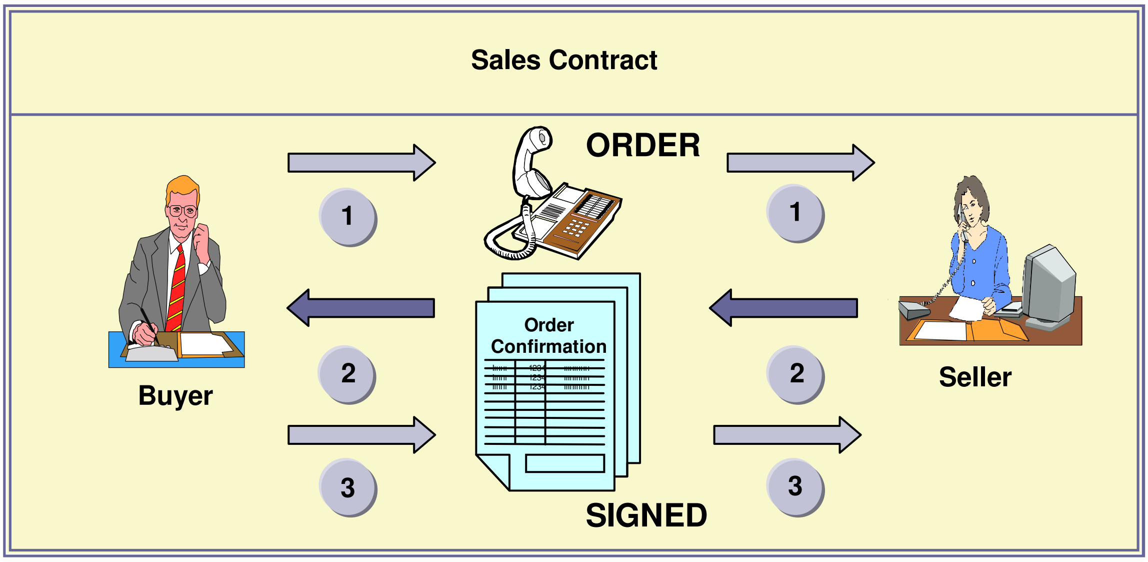


Figure 9: The Sales Contract

Commercial Invoice

Be Carefull!

The invoice should be in English or accompanied by an accurate translation.

An Invoice is a document that provides information about the terms and conditions of a sales transaction. A number of different types of invoices are used in international trade. A **Commercial Invoice** is used for most purposes. It is simply a document prepared by the seller on its own form that sets forth the names of the parties, the type of merchandise sold, the price, and other information the seller deems relevant.

Typically this includes the port of entry for the goods, the time and place of the sale, and a description of the goods including the name of the goods, the grade or quality level of the goods, and the quantity by weight or measure. It may include incidental charges such as sales commissions, insurance, freight, and packaging. If the sale involves rebates or drawbacks, these might be listed on the commercial invoice. Most, but not all, nations' customs services accept a commercial invoice as evidence of the nature and value of the cargo for customs purposes.

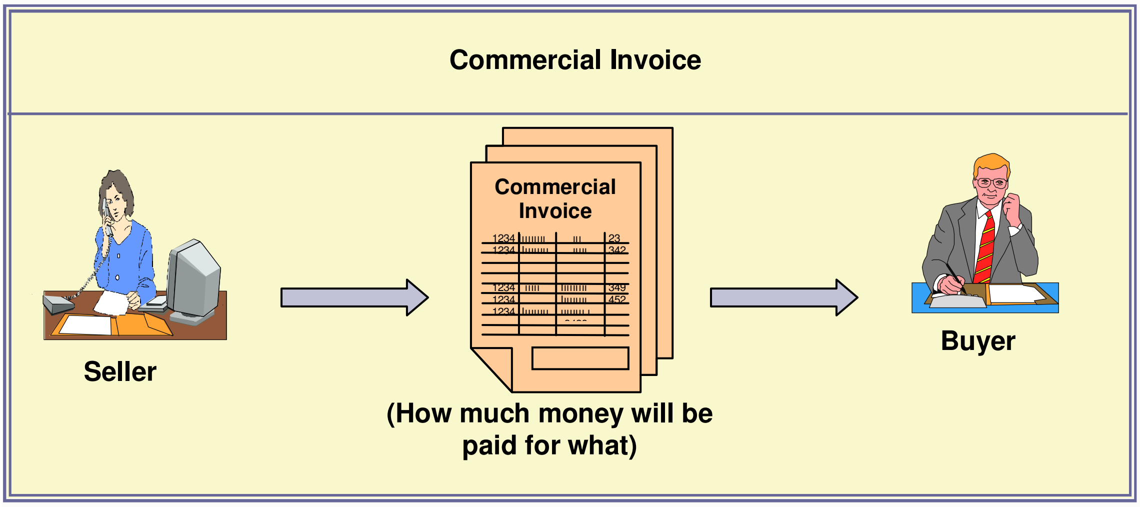


Figure 10: Commercial Invoice

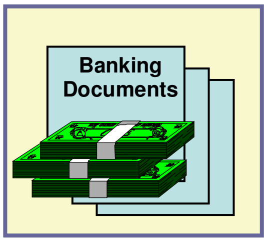
What does a commercial invoice give evidence of? If this document is not used what type of problems could be encountered?

Table 1: The Contents of Invoice

The invoice must provide the following information;

- Final destination of the merchandise
- If merchandise is sold or agreed to be sold, the time, place, and names of buyer and seller; if consigned, the time and origin of shipment, and names of shipper and receiver
- A detailed description of the merchandise, including the name and quality of each item, marks used in domestic trade in the country of origin, and marks and numbers on the export packing
- The quantities in weights and measures
- The kind of currency
- The country of origin

Banking Documents



The processes of paying and getting paid require relatively few documents. Cash in advance may be as simple as the importer sending the exporter a check or depositing it in his/her bank account. It is rarely more complicated than filling out a simple form to buy a bank draft or to order an airmail or cable transfer. Consignment, open-account, and credit card transactions are equally uncomplicated.

With payment by Bill of Exchange (sight or time draft), the exporter must complete a form to instruct his/her bank to prepare the draft and send it to the importer's bank. A Letter of Credit sale is somewhat more complex than other forms of international payment; the application for a Letter of Credit must be completed by the importer and given to the opening bank. There are at least four documents involved; these are as follows:

- Application for letter of credit
- Letter of credit
- Advice of letter of credit
- Drafts (drawn on a bank for payment)

More details regarding the above documents can be found in the Payment unit of this book.

What are the reasons for and advantages of using banking documents in international trade?

Transportation and Insurance Documents

The transportation documents that will be mentioned in this section include:

- Packing List
- Bill of Lading
- Shipper's Letter of Instructions
- Delivery Order and Freight Release
- Airwaybill
- Certificate of Origin
- Customs Invoice
- Consular Invoice
- Rebilling Invoice
- Inspection Certificate

The purpose of most of these documents is to keep track of merchandise as it passes from one hand to another and to make sure it isn't delivered to someone who is not supposed to receive it.

Packing List

The **Packing List** provides information about what is supposed to be included in the particular shipment and may specify which package or container contains each item to simplify the unpacking and warehousing of the cargo. If a box is missing, one can determine from the packing list which one it is and what it contains. Or, if one should need to find something specific in a shipment, the packing list should indicate which box it is in.

Packing List

Packing list gives information about what is supposed to be included in a particular shipment and simplify unpacking and warehousing.

Bill of Lading

The **Bill of Lading** is a document that a transport company possesses acknowledging that it has received the goods, and serves as a title for the purpose of transportation. It is primarily a receipt for goods delivered to a carrier.

What is Bill of Lading?

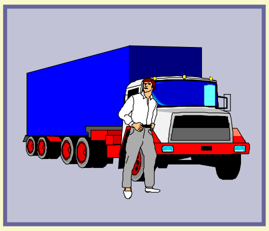
A Bill of Lading is a contract between a carrier and shipper for the transportation of goods, it is a receipt issued by a carrier to a shipper for the goods received for transportation, and evidence of the title to the goods in case of dispute.

? What advantages does the Bill of Lading provide for the buyer and the seller?

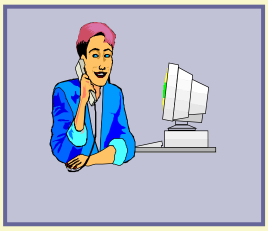
A Bill of Lading is foremost a contract among three parties to provide the transportation of cargo. It is important to use the correct terms in the Bill of Lading in order to avoid misunderstandings that could lead to litigation.

Parties to Bill of Lading

Consignor (sellers, agents, brokers or forwarders)



Carrier (transportation company itself or another company)



Consignee (buyer, seller, bank,agent or anyone entitled to delivery on arrival)

Figure 11: Parties to Bill of Lading

The party delivering the goods to the carrier is called the **consignor**. The consignor is usually the seller but can also be any one of a variety of agents, brokers, forwarders or others.

The party accepting legal responsibility to provide transportation is the **carrier**. The carrier may be the transportation company itself but it also may be an entity assuming the legal responsibility of a carrier but arranging actual transportation by another company.

The third party to a Bill of Lading is the party entitled to receive the cargo, called the **consignee**. This may be the buyer, the seller, a bank, an agent or anyone entitled to delivery on arrival. The consignee may or may not be changed after the B/L is issued.

What type of relationship is there among the consignor, carrier and consignee in the Bill of Lading process?

Table 2: The Contents Bill of Lading Source (1997, Consumers Union)

The Bill of Lading must tell;

- The points of origin and destination
- The name, address, and telephone number of the carrier that should be contacted in relation to the transportation of the shipment
- The agreed date or period of time for pickup of the shipment and the agreed date or period of time for the delivery of the shipment
- The maximum amount required to be paid at the time of delivery to obtain delivery of the shipment when the transportation is to be performed on a COD basis and
- Evidence of any insurance coverage sold to or procured for the shipper including the amount of the premium for such insurance

Three Functions of Bill of Lading

- **As a receipt:** shipped on board in apparent good order and condition
- **As contract of carriage**: contract itself made before bill of lading is issued
- **As evidence of title:** gives the right to possession the key to warehouse

There are several kinds of bill of lading. They are straight bill of lading, order bill of lading and through bill of lading, etc.

Straight Bill of Lading

The Bill of Lading, which names one specific consignee to whom delivery must be made, is the **Straight Bill of Lading**. The carrier is responsible for making certain that it delivers the goods to the right consignee named on the Straight Bill of Lading and should obtain proof in the form of a **delivery receipt** signed by the consignee or its agent. A Straight Bill of Lading is also called a **direct consignment** because the shipment must be delivered directly to the named consignee.

What is Straight Bill of Lading?

In a straight bill of lading, the title to the goods is conferred directly to a party named in the letter of credit (usually the importer), as such the title to the goods is not transferable to another party by endorsement. In other words, the bill of lading is not negotiable.

Straight Bill of Lading
Non-Negotiable Bill of Lading

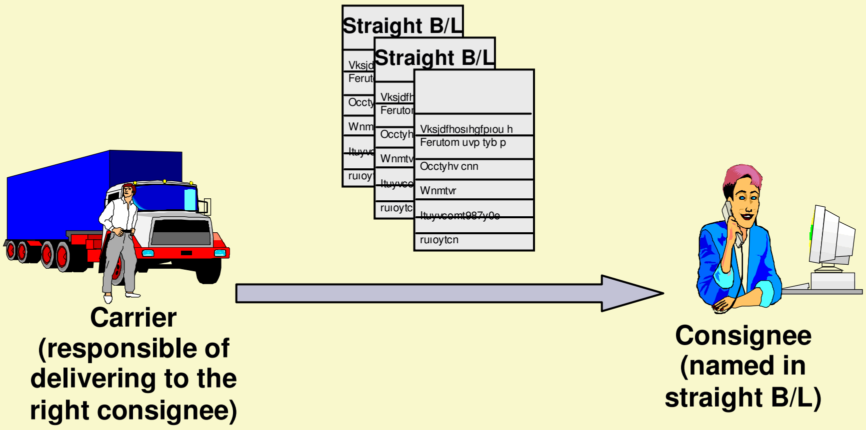


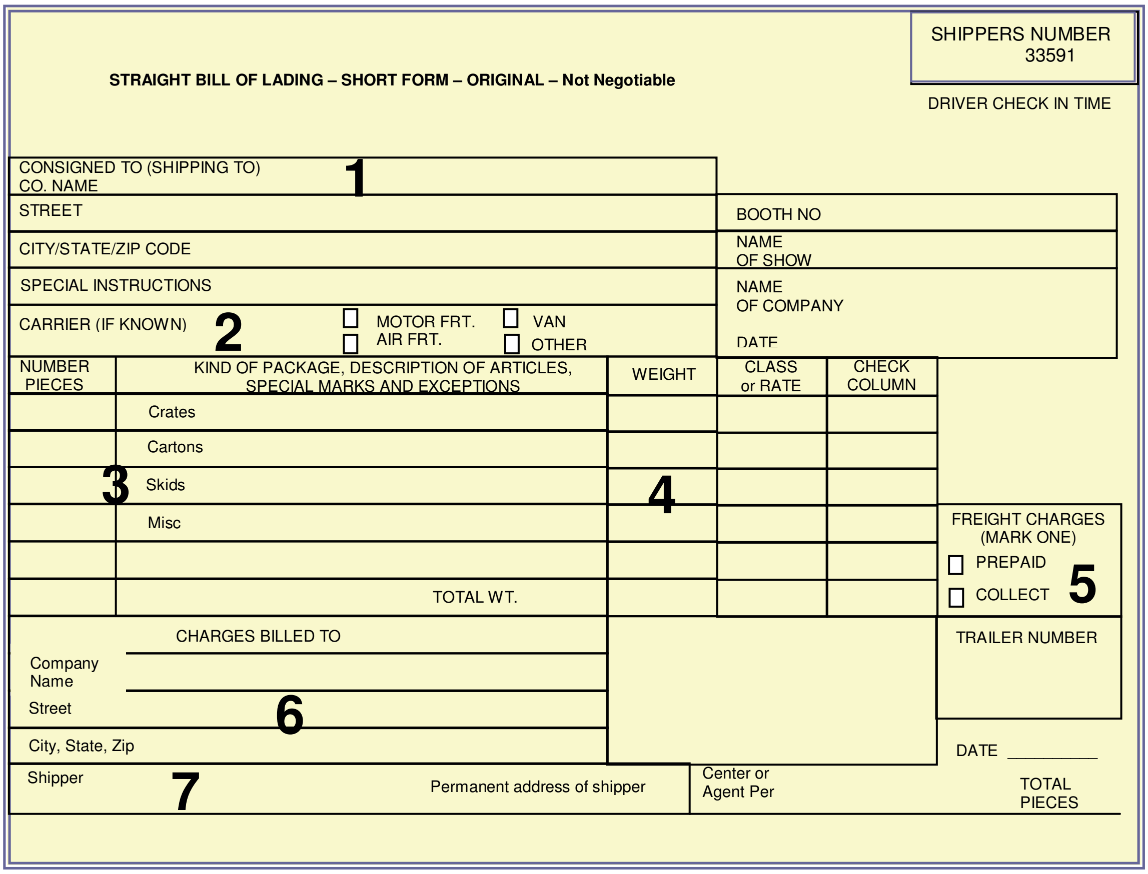
Figure 12: A Straight Bill of Lading

In which situations is the Straight Bill of Lading preferred?

"Straight bill of lading" shall contain the following requirements:

- The bill shall be printed on white paper eight and one-half (8 1/2) inches wide by eleven (11) inches long;
- The bill shall have prominently stamped upon its face the words, "not negotiable";
- Nothing herein shall be construed to prohibit the insertion in a straight bill of lading of other terms or conditions not inconsistent with the provisions of this act; but it shall be unlawful to insert in such bill any term or conditions contrary to or inconsistent with such provisions.

There is no need for the consignee to present the bill of lading in order to obtain delivery under a straight bill of lading shipment. Below, there is a sample drayage bill of lading and information how to fill it in.



SHIPPERS NUMBER
33591

STRAIGHT BILL OF LADING – SHORT FORM – ORIGINAL – Not Negotiable

DRIVER CHECK IN TIME

CONSIGNED TO (SHIPPING TO) CO. NAME **1**

STREET

CITY/STATE/ZIP CODE

SPECIAL INSTRUCTIONS

CARRIER (IF KNOWN) **2** ☐ MOTOR FRT. ☐ AIR FRT. ☐ VAN ☐ OTHER

BOOTH NO

NAME OF SHOW

NAME OF COMPANY

DATE

NUMBER PIECES	KIND OF PACKAGE, DESCRIPTION OF ARTICLES, SPECIAL MARKS AND EXCEPTIONS	WEIGHT	CLASS or RATE	CHECK COLUMN
	Crates			
	Cartons			
3	Skids	**4**		
	Misc			
	TOTAL WT.			

FREIGHT CHARGES (MARK ONE)
☐ PREPAID
☐ COLLECT **5**

CHARGES BILLED TO
Company Name
Street **6**
City, State, Zip

TRAILER NUMBER

DATE ________

Shipper **7** Permanent address of shipper

Center or Agent Per

TOTAL PIECES

Figure 13: A Document of Straight Bill of Lading (http://www.showtrans.com/bl.htm)

1. Fill in the name of the company, the shipment it is consigned to and its address along with any special instructions for the carrier.
2. **Very Important**: Fill in the carrier name and mark the appropriate blank for the type of carrier. If no name is specified the drayage contractor will give the shipment to a carrier of their choice, and since the exporting company has not made any prior arrangements with that carrier regarding billing, special instructions and discount amount, the shipment might not be done as wished. Therefore, costs may be higher than with the carrier intended.
3. List the number of pieces by type and total the column. Give a description of each piece where relevant, such as writing "large" after the word "cartons".
4. Fill in the estimated weight for each description and total the column. Remember, your drayage billing will be based on the inbound weight, so this can be a reasonable estimate. Your carrier might use this weight for billing freight, unless your shipment is moving by dimensional weight.
5. Indicate how freight charges are to be paid by marking the appropriate space. Mark "prepaid" if there is an established account with the carrier and expect to be billed.
6. Give the name, address and contact person of the company to be billed for the freight charges.
7. Sign the form and fill in a permanent address.

(http:// www.showtrans.com/bl.htm)

Order Bill of Lading

> **Order Bill of Lading**
>
> Shippers frequently consign shipments to themselves, on order bills of lading so that delivery is made only upon the shipper's order; the person or firm to be notified upon arrival or the shipment at destination must be designated.

A second type of Bill of Lading is the **Order Bill of Lading**. The Order Bill of Lading is negotiable; it enables a shipper to collect for a shipment before it reaches its destination (this is done by sending the original Bill of Lading, with a draft drawn on the consignee through a bank). When the consignee receives the lading indicating that payment has been made, the lading will be surrendered to the carrier's agent, and the carrier will then ship the goods to the consignee, and the Bill of Lading will be surrendered to the carrier.

Order Bill of Lading
Negotiable Bill of Lading

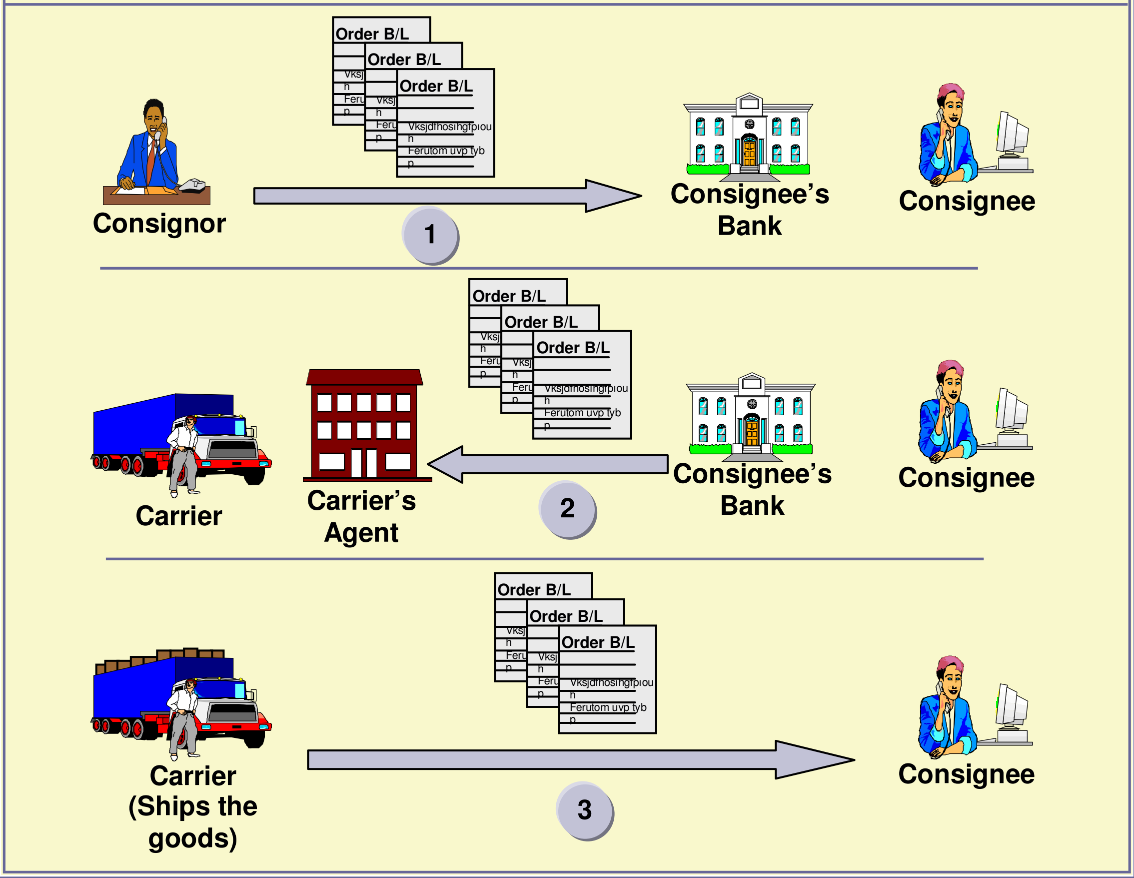


Figure 14: Order Bill of Lading

Bearer Bill of Lading

If the original consignee endorses the B/L over to a third party and gives the original to that third party, the third party and no other may claim the cargo upon presentation of the endorsed order bill of lading to the carrier. If the original consignee merely endorses the Order Bill of Lading without naming a new consignee, the Bill of Lading becomes a **Bearer Bill of Lading** and anyone who presents the original to the carrier may claim the cargo.

Why would the seller prefer to use a Bearer Bill of Lading? From what risks does this method protect the seller?

An Order Bill of Lading can be used to help protect the shipper from the nonpayment of goods. The shipper can ship the cargo to him/herself as consignee and only endorse the shipment over to the buyer when the payment is made. If the payment is never made, the shipper retains possession and title to the goods. In this case the shipper is originally both the consignor and the consignee.

Through Bill of Lading

Often a number of carriers are involved, each providing transport for one leg of a journey. These carriers may have an agreement between themselves or there may be an agreement made by a freight forwarder, for a single B/L to contract for all transportation. Such a B/L will cover the journey from the port of origin to each intermediate carrier in turn, all the way to the destination. This B/L is called a **Through Bill of Lading**. A Through Bill of Lading can be either a Straight or Order Bill of Lading.

Through Bill of Lading

Carriers may wish to offer a through bill of lading to areas they don't serve. This may be accomplished by hauling the cargo partway, and then transferring the cargo to a carrier that serves the final destination.

This is done by means of an ongoing contract with another carrier to complete the journey. Such a contract, between carriers, to combine their lines in order to offer service to destinations that one or the other doesn't serve, is called an **Interline Agreement.**

Taking Exception

The process of noting damage or discrepancies on the B/L is called **Taking Exception**. Before a B/L is issued, a representative of the carrier will inspect the shipment for damage to make certain that the contents of the shipment are represented correctly. If no apparent damage can be noted and the contents of the shipment match the Bill of Lading, a **Clean Bill of Lading** will be issued. If any damage can be seen or if the contents are not what were represented, a notation will be made and the document is then called a **Foul Bill of Lading**. If no exceptions are noted on the B/L, it is assumed to be a clean B/L.

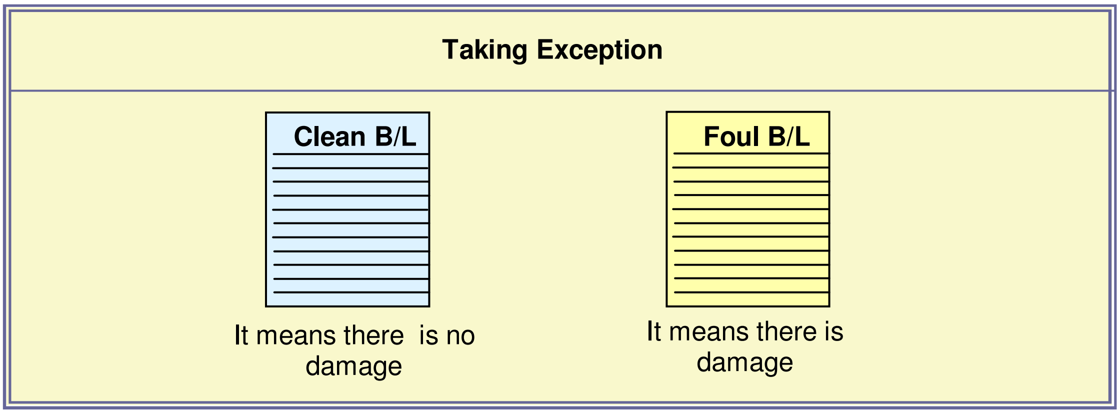


Figure 15: Taking Exception

Received, On Board and Shipped Bill of Lading

A B/L will note the location of the cargo as of its issuance. If the B/L is marked **received**, the cargo has been delivered to the carrier but not yet loaded on the conveyance. If it is marked **on board**, the cargo has been loaded on the conveyance but the conveyance has not yet begun its journey. An On Board Bill of Lading is the most common type. If the B/L is marked **shipped**, the conveyance has left the point of origin with the cargo on board. If a Letter of Credit is to be paid conditionally on the issuance of a B/L, a shipped B/L is the safest for the purchaser.

Why is the Bill of Lading marked received, on board or shipped? In a trade process why is this the easiness way to mark it?

Shipper's Letter of Instruction

As stated previously, the seller's first opportunity to convey their understanding of the agreement is through a commercial invoice. A second chance occurs with a Letter of Instruction. A Shipper's Letter of Instruction may be presented in a variety of forms. The freight forwarder may provide his/her own forms. If they don't, a standard Shipper's Letter of Instruction form may be purchased from one of the many stationers who publish such forms. If a routine procedure has been established, an in-house printed form or letter designed according to the normal terms and conditions of sale of the products would be used.

A shipper can and should make its instructions to the freight forwarder as specific as possible. The more details specified by the shipper, the less room for misunderstanding and unexpected expenses. A shipper gives instructions to the freight forwarder in the form of a document known as a **shipper's letter of instructions**. This document may also be called a **shipping instruction blank** or **shipper's instructions**.

A Note About Shipper's Letter of Instruction

To avoid misunderstandings you should give the instructions as specific as possible.

Shipper's Letter of Instruction

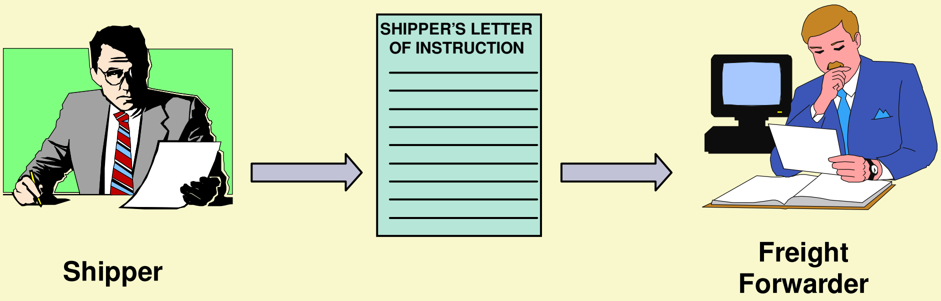


Figure 16: A Shipper's Letter of Instruction

If a shipper deals directly with an inland carrier, it provides a document known as **Delivery Instructions** that indicates where and when the shipment is to be picked up and where, when and to whom it is to be delivered.

? What are the advantages and risks of a Shipper's Letter of Instruction for the buyer and seller?

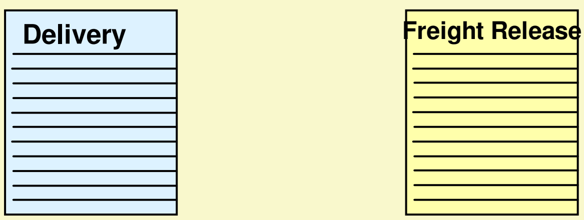
Delivery Order and Freight Release

A written order by the shipper that names the party to whom delivery is to be made is called a **Delivery Order** if for an inland carrier, and a **Pier Release** if for an ocean carrier.

When all freight charges are paid, the carrier will issue a **Freight release** or **Freight Bill Receipt** that is evidence that the carrier has no further lien on the cargo for transportation costs. If freight is to be paid by the shipper, a freight release might be one of the requirements for payment under a letter of credit.

? What are the general functions of the documents that are used in a trade process?

Delivery Order and Freight Release



If it is a **Delivery Order** it is for an inland carrier, if it is for an ocean carrier it is a **Pier Release**

It is evidence that the carrier has no further lien on the cargo for transportation costs

Figure 17: Delivery Order and Freight Release

Airwaybill

Air cargo operations use a document similar to the B/L called an **Airwaybill.**

Certificate of Origin

Why do we need Certificate of Origin? Please give us examples from your experiences.

The customs services of various countries require certain types of imported cargo to have documentation certifying either that the cargo is from a particular country or that it meets the rules of origin for imports into that country. A document that satisfies these requirements is a **Certificate of Origin.** A certificate of origin might also certify that a certain amount of the value of the product was added in a particular country for customs purposes.

Customs Invoice

What is the difference between customs, consular and the commercial invoice?

Most , but not all, nations' customs services accept a commercial invoice as evidence of the nature and value of tha cargo for customs purposes.

Some country's customs services ask that invoice be prepared on their standardized form. This form is called a **Customs Invoice.**

Consular Invoice

Other countries will not accept an invoice prepared by the shipper and require that their consulate abroad issue an invoice for customs purposes. The theory here is that the consulate is in a better position to know the value of products originating in the country where the shipment originated and they can not trust the shipper.In reality, this is often a way for the consulate to collect a fee for a useless bit of work. Such an invoice is called a **Consular Invoice**.

Rebilling Invoice

Why do we use rebilling invoice? Please indicate the points for usage.

Another type of invoice is a **Rebilling Invoice**. This is prepared to substitute for the original invoice if the shipment is to be divided, the consignee is to be changed or any other change is made since the original invoice was issued.

Inspection Certificate

What kind of problems you think we could have at the destination point if we do not have an Inspection Certificate?

In the sales contract the parties may agree that the goods are to be of a certain grade or quality. It would be a problem if the goods arrived and a dispute arose as to whether or not they met the agreed standard, so, often, the parties agree to have an independent party or government employee inspect the goods and give written assurance that they meet the standards.

The document prepared by this inspector is called an **Inspection Certificate.** If an inspection certificate is issued by agreement of the parties, it is determinative as to the quality of the goods.

Case Study: The Malayan Fishing Company

A Malayan Fishing Company, specialized in frozen shrimps has understood that there are marketing opportunities for their type of shrimps in Europe. Limited buying power in the homemarket has let to cut-throat margins, so the company needs immediate export business and profits.

There was no specific consignee named in the market but they ıssued a straight Bill of Lading and conveyed the cargo to the carrier. The cargo was loaded on the first available vessel to leave for Europe. A representative of the carrier had an inspection on the cargo and found out that there was a damage on few cartons and after the inspection a clean bill of lading was issued.

The commercial invoice, the packing list and the certificate of origin accompanied the goods. Later on, rebilling invoice was prepared as the shipment was to be divided and sent to different countries in Europe.

Upon arrival of goods to one of the buyers, he asked for a quality inspection certificate or he said he would do it himself and buy the goods in open- account terms.The Malayan Company had no other choice but accept this payment terms as they had no inspection certificate which is a must in European countries.

Other buyers got their goods as well and paid at open- account terms basis.This has been a good trial business for the Malayan Company but not a profitable one.

Questions

1. Do you see anything wrong with the preparation of the B/L?
2. What do you think about the issuance of clean Bill of Lading?
3. Why did the buyer ask for an inspection certificate?
4. What do you think about the banking documents in this case?
5. What are your comments about the overall performance of the Malayan Company?

Summary

There is an old expression: “Trade moves on paper”. Some day this may change to, “Trade moves electronically”, but this is only beginning to happen internationally. What we are seeing is electronic transfer of documents, through fax and the internet, but they still must be created and studied pretty much like in the old days.

Fortunately, many of the prerequisite documents, like those between airlines and the airports they fly into and out of, are never seen by the importer or the exporter. Also, most shipments are reasonably uncomplicated. If you send rubber bands from United States to England, by airfreight on open-account terms, documents won’t be much of a problem. On the other hand, if you want to ship repeating rifles to Singapure, by seafreight on a letter of credit, you would better be prepared for reams of paper.

Key Terms

- Airwaybill
- Banking Documents
- Bill of Lading
- Carrier
- Certificate of Origin
- Clean Bill of Lading
- Commercial Documents
- Commercial Invoice
- Consignee
- Consignor
- Consular Invoice
- Customs Invoice
- Delivery Instruction
- Delivery Order and Freight Release
- Freight Bill Receipt
- Foul Bill of Lading
- Inspection Certificate
- Order Acceptance and Confirmation
- Order Bill of Lading
- Packing List
- Pier Release
- Pro Forma Invoice
- Purchase Order
- Quotation
- Rebilling Invoice
- Request for Quotation
- Sales Contract
- Shipper’s Letter of Instruction
- Straight Bill of Lading
- Terms and Conditions of Sale
- Through Bill of Lading
- Transport and Insurance Documents

Progress Check

1. A Bill of Lading is basically a contract among three parties to provide the transportation of cargo. Name the 3 parties involved:

   a. Consignor – agent – carrier
   b. Consignor – carrier – consignee
   c. Carrier – consignee – agent
   d. Consignee – distributor – consignor
   e. Consignor – agent - carrier

2. Before a Bill of Lading is issued, a representative of the carrier will inspect the shipment for damage to make certain that the contents of the shipment are as requested. If no damage can be noted and the contents of the shipment match the B/L, what kind of B/L will be issued?

   a. Straight B/L
   b. Order B/L
   c. Clean B/L
   d. Normal B/L
   e. Through B/L

3. The party to a B/L who is entitled to receive the cargo may be a buyer, the seller, a bank, an agent, etc. What do we call this party?
   a. Consignee
   b. Consignor
   c. Carrier
   d. Agent
   e. Distributor

4. If there are a number of carriers each providing transport for one leg of a journey and they have agreed for a single B/L to contract for all transportation then what kind of B/L will be issued?

a. Clean B/L
b. Through B/L
c. Order B/L
d. Straight B/L
e. Normal B/L

5. If the cargo has been loaded on the conveyance but the conveyance has not yet begun its journey, how is the B/L marked?

a. Shipped
b. Taking exception
c. Received
d. On board
e. Air waybill

6. If any damage can be seen or if the contents are not what was represented, a notation will be made and the document is then called:

a. Taking exception
b. Interline agreement
c. Clean B/L
d. Foul B/L
e. Order B/L

7. The document, similar to the B/L, used in air cargo operations is called a:

- **a.** Air B/L
- **b.** Packing list
- **c.** Airwaybill
- **d.** Manifest
- **e.** Order list

8. Some country's customs services ask that an invoice be prepared on their standardized form. This form is called a:

- **a.** Commercial invoice
- **b.** Special customs invoice
- **c.** Consular invoice
- **d.** Pro forma invoice
- **e.** Rebilling invoice

9. If an invoice is prepared to substitute for the original invoice due to shipment being divided or the consignee is to be changed or any other change is made since the original invoice was issued, this type of invoice is called a:

- **a.** Rebilling invoice
- **b.** Pro forma invoice
- **c.** Consular invoice
- **d.** Special customs invoice
- **e.** Commercial invoice

10. A written order by the shipper that names the party to whom delivery is to be made for an inland carrier, is called:

a. Delivery instructions
b. Inspection certificate
c. Packing list
d. Pier release
e. Delivery order