



## ASSIGNMENT MEMORANDUM

**SUBJECT : EXPORT ADMINISTRATION 2 (EA2)  
EXPORT ADMINISTRATION 2 (EA201)**

**ASSIGNMENT : 2<sup>ND</sup> SEMESTER 2011**

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### QUESTION 1 [65]

#### TASKS

1.1 *Bullet/paragraph type answer of approximately 270 words (Learner Guide pp. 14-15)*

##### **The marketing/sales function**

- Receive an enquiry, conduct a feasibility study, calculate an appropriate price and prepare a quotation.
- Liaise with the production division on the customer's requirements.
- Establish a possible dispatch date for the goods.
- Investigate the creditworthiness of the importer and negotiate the method of payment to be quoted.
- Forward the quotation to the prospective buyer and follow it up in due course.
- Receive and acknowledge receipt of the customer's order, check it against the quotation/pro-forma invoice and, where appropriate, issue a contract of sale.
- Prepare and issue an internal works order.
- Confirm the date of dispatch with the client, agent or distributor, and keep him/her informed of any changes of plan.
- Hand the order over to the shipping department to arrange delivery. **(9)**

##### **The shipping/administration function**

- Liaise with the export sales staff, checking that the order complies with import/export controls.
- They also check with the export sales staff, the client's requirements in respect of the forwarding arrangements.
- Decide on the most appropriate method of transport if this has not already been specified.

- Issue instructions with regard to packing and marking, if these have not already been given.
- Book space with the carrier(s) or issue instructions to the freight forwarder to do this.
- Arrange inspection, with SGS for example, if required.
- Customs clear the goods out of South Africa, if the forwarder is not handling this.
- Arrange marine insurance cover for the goods, if necessary.
- Obtain any foreign documentary requirements, such as a certificate of origin, health certificate, phytosanitary certificate, and so forth.
- Complete any additional documentation required and, after the goods have been shipped, collate and cross-check all documents.
- Pass the documents to the accounts division so that payment can be collected. **(11)**

**1.2 *Bullet/paragraph type answer of approximately 230 words (Learner Guide pp. 21-22)***

**Packing, marking and numbering**

- The export company is responsible for packing the merchandise so that it can withstand the normal hazards of the journey, and in accordance with the custom of the trade and the L/C, where applicable.
- For LCL, groupage and breakbulk consignments, the export shipping marks and numbers are vital for the correct identification of the shipment.
- Where relevant, the exporter should provide a packing list for each box, indicating its contents.
- A packing specification in respect of the whole consignment, indicating the weights and dimensions of each pack for freight purposes, should also be provided.
- In the case of FCL consignments, a buyer may stipulate specific markings on each box and/or pallet to facilitate identification for storage in a warehouse. **(5)**

**Booking cargo space**

- If production is going according to plan, the shipping department can now 'book firm' the provisionally booked cargo space with the relevant carrier.
- Who books the space depends on whose responsibility it is to do so under the relevant Incoterm.
- If it is the buyer's duty to arrange transport, the export company should advise him/her of the dates on which the goods will be ready for shipment.
- If it is the export company's responsibility to arrange transport, the shipping department or its freight forwarder should book the space with the appropriate carrier(s).
- If the shipping department uses a freight forwarder to prepare documentation and arrange transport, it is essential for the forwarder to be thoroughly briefed.

- If a letter of credit is involved, the export company should provide the freight forwarder with a copy of the L/C and any amendments to it.
- Details of transport should, at this stage, be forwarded to the foreign buyer so that s/he is aware of the anticipated date of shipment and can estimate the date of arrival of the goods. **(7)**

#### **Arranging marine/cargo insurance cover**

- The specified delivery term will determine which party is responsible for insuring the goods.
- However, there may be excellent reasons for the export company to insure even when its risk liability is not obvious or not contractually required. **(2)**

#### **Preparation of documents for export**

- As many of the documents as possible should be prepared in advance of shipment so that problems related to documentation can be resolved before the goods are dispatched.
- Every document prepared or received must be carefully checked and verified.
- Once the shipping department is satisfied that every document is in order and that all are present, it must forward the original documents and copies, in accordance with the buyer's requirements and the method of payment agreed upon, to the buyer or the buyer's bank.
- In case of an L/C, the stipulated documents are submitted to the exporter's bank or nominated bank.
- Where goods are being airfreighted, the relevant documents must be prepared in advance of shipment so that a complete set can be sent under cover of the air waybill in the 'Captain's Bag' on the aircraft.
- This approach is customary and enables the importer to clear the goods as soon as they arrive in the importing country. **(6)**

### **1.3 *Bullet/paragraph type answer of approximately 550 words (Learner Guide pp. 130-132)***

- The company prepares a forwarder's instruction indicating the preferred vessel, and sends this to the freight forwarder.
- The freight forwarder books container space for the cargo on the vessel and obtains from the shipping line the relevant stack dates.
- The freight forwarder instructs a road haulier to organise the delivery of the empty container to the company's premises for packing, and thereafter, transportation of the full container to the terminal at Cape Town harbour.
- To ensure that Condiment Delights meets the Cape Town terminal's stack date, the freight forwarder informs it of the stack dates and of the date on which the empty container will be delivered to its premises.
- The company packs the goods for FCL export and prepares the commercial invoice and then completes the F178 which it lodges with the bank for attestation.
- The bank retains one copy of the F178 and returns the original and remaining copies to the company.

- The export company sends the commercial invoice, the original and copies of the F178 and any other documents which may be required for the export of the foodstuffs to the freight forwarder.
- The freight forwarder completes the single administrative document SAD500 and electronically transmits it to the customs authorities.
- The freight forwarder then obtains an authenticated SARS export release notification as proof that the consignment has been customs cleared.
- The freight forwarder issues the container terminal order (CTO) for the delivery of the container to Condiment Delights' premises and transportation back to the terminal.
- The container is delivered to the company's premises on due date and staff pack the goods into the container, seal it and note the seal number.
- The seal is supplied by the shipping line and is usually handed over by the truck driver.
- If the shipping line's packing declaration is supplied with the container, the person in charge of packing the container must complete it.
- The export company informs the freight forwarder of the container and seal number.
- The container is collected and dispatched to the port terminal in Cape Town.
- Meanwhile, the freight forwarder prepares the bill of lading and presents this, in the applicable number of originals and copies, to the shipping line.
- At the same time, one copy of the authorised SARS export release notification is also presented.
- When the ship docks, loading starts immediately and the shipping line's port agent informs the shipping line's office of the date and time the container was loaded on board the vessel.
- The freight forwarder prepares the export cargo dues order, submits it to NPA within 72 hours after the vessel has completed working and pays the applicable charges.
- The shipping line's office stamps and signs the bills of lading and prepares the 'freight and charges account' (for terminal handling charges and freight).
- The bill of lading, signed and annotated with the shipped on board date, and the 'freight and charges account' are made available at the shipping line's office for collection by the freight forwarder.
- The freight forwarder collects the bills of lading and the 'freight and charges account', checks the latter and accepts it for his/her own account.
- S/he then raises an invoice and submits it to the export company together with the bills of lading and originals and/or copies of all other relevant documents.
- Condiment Delights now completes whatever additional documents are required by the buyer or importing country and which are not arranged by the freight forwarder.
- The company sends the shipping and commercial documents directly to the importer.
- The importer uses these documents to clear the goods through customs for import and to take delivery of the goods from the shipping line.

- The forward exchange contract taken out by the company will stipulate the date on which payment must be received.
- When payment has been received, the proceeds will be converted at the exchange rate reflected in the forward exchange contract.
- Before the company closes the file on the transaction, it should ensure that all documents providing proof of export are on record.
- These documents would comprise an authenticated copy of the SARS export release notification, a copy of the F178 and the bill of lading, the commercial invoice and any other essential paperwork. **(25)**

**QUESTION 2****[25]****2.1 *Bullet/paragraph type answer of approximately 275 words (Learner Guide pp. 147-148)*****Subrogation**

- Subrogate means 'to take the place of another'.
- If an exporter claims from an insurer, s/he may not claim from/sue a third party as this would mean to be compensated twice which would constitute a breach of indemnity.
- Instead, after settling the claim, the insurance company takes the place of the assured in respect of any legal action taken against other parties to offset the loss which it has been forced to bear in compensating the assured.
- It is the responsibility of the assured to give notice to the party causing the loss/damage within a specified time limit.
- It is also the responsibility of the assured to minimise losses and closely cooperate with the insurer in this regard.
- If the insurance company recovers more from the culprit party than was originally paid to the assured, it must credit the latter with the surplus less the expenses of the recovery.
- When an insurance company compensates an assured for total or partial loss of the goods, it becomes entitled to any salvage right or residual value in the event of its being able to dispose of any salvageable or recovered goods.
- The insurer is entitled to require that the assured take action against third parties in his/her own name but at the expense of the insurer.
- When settling claims, underwriters normally require a letter of subrogation, that is, the assured's rights in respect of the loss or title to property are transferred to the insurer.
- A letter of subrogation is also a formal consent to the underwriter to sue in the name of the assured for recovery against third parties. **(10)**

**2.2 *Bullet/paragraph type answer of approximately 105 words (Learner Guide pp. 156-157)*****Risks Covered**

The type of risks covered as set out in each set of clauses. **(1)**

### **Exclusions**

Loss, damage or expenses attributable to:

- Willful misconduct of the assured.
- Ordinary leakage, ordinary loss in weight or volume and ordinary wear and tear of the goods.
- Inherent vice and delay.
- Insufficiency or unsuitability of packing or preparation of the goods insured and unseaworthiness or unfitness of the vessel, container or conveyance.
- War, civil war, revolution, rebellion, insurrection or any hostile act by or against a belligerent power.
- Strikes, locked-out workmen, riots and civil commotions.
- Insolvency or financial default of owners or operators of the vessel.
- Radioactive contamination arising from, for example, nuclear fuel or nuclear waste, or any weapon of war employing atomic or nuclear fission. **(8)**

### **Duration**

The Institute Cargo Clauses (A), (B) and (C) provide cover for the goods from the time they leave the warehouse at the place named in the policy until they reach the buyer's warehouse at the named destination, or until 60 days after discharge of the goods from the vessel at the port of destination. **(1)**

### **Claims**

This heading specifies the conditions and circumstances under which claims will be considered by the insurer. **(1)**

### **Benefit of Insurance**

The Institute Cargo Clauses (A), (B), (C) and (Air) exclude the use of the insurance policy to benefit the bailees; this provision is necessary to protect the insurer's rights of subrogation against these parties. **(1)**

### **Minimising Losses**

The assured is required to take all reasonable measures to minimise losses and to safeguard the underwriter's subrogation rights against third parties. The assured will be reimbursed for any expenses incurred in complying with these duties. **(1)**

### **Avoidance of Delay**

The assured party is required to act promptly in respect of all circumstances within its control. **(1)**

### **Law and Practice**

Unless specified otherwise, the insurance contract will be subject to English law and usage. **(1)**

**PRESENTATION [10]**