



ASSIGNMENT 1ST SEMESTER	:	FINANCE AND PAYMENTS 1 (FP1)
		FINANCE AND PAYMENTS 2 (FP201)
STUDY UNITS COVERED	:	2 - 6
DUE DATE	:	3:00 p.m. 20 MARCH 2012
TOTAL MARKS	:	100

INSTRUCTIONS TO CANDIDATES FOR COMPLETING AND SUBMITTING ASSIGNMENTS

The complete 'Instructions to Students for Completing and Submitting Assignments' must be collected from any IMM GSM office, or the relevant Student Support Centre, or can be downloaded from the IMM GSM website. It is essential that you study the complete instructions prior to beginning your assignment. The following points highlight only a few important notes:

1. You are required to submit ONE assignment per subject.
2. The assignment will contribute 20% towards the final examination mark, and the other 80% will be contributed by the examination; however, the examination papers will count out of 100%.
3. Although your assignment will contribute towards your final examination mark, you do not have to earn credits for admission to the examinations; you are automatically accepted on registering for the exam.
4. Number all the pages of your assignment (e.g. page 1 of 4) and write your name and surname, student number and subject at the top of **each** page.
5. The IMM GSM requires assignments to be presented on plain A4 paper. You must show all working calculations, including, and where appropriate, multiple choice working calculations.
6. A separate assignment cover, which is provided by the IMM GSM, must be attached to the front of each assignment.
7. Retain a copy of each assignment before submitting in case the original does not reach the IMM GSM.
8. The assignment due date refers to the day up to which assignments will be accepted for marking purposes. The deadline is 3:00 p.m. on 20 March 2012. Late assignments will be accepted, but **25 marks** will be deducted from the maximum mark, if received after 3:00 p.m. on 20 March 2012 and up to 5:00 p.m. the following day, after which no assignments will be accepted.
9. If you fail to follow these instructions carefully, the IMM Graduate School of Marketing cannot accept responsibility for the return of the assignment. It may even result in your assignment not being marked.

Results will be available on the IMM GSM website: www.immgsm.ac.za on Friday, 4 May 2011.

SPECIFIC INSTRUCTIONS:

When using your own words, be careful not to change the meaning of established terms, expressions or jargon of the specific subject in question.

NOTE: 50% of the mark will be deducted if the study unit is copied as is and not provided in a concise report with only the relevant information.

The nature of this subject is highly technical; students are well advised to set aside sufficient studying time, that is, a solid minimum of 2 hours a day, 6 days a week.

QUESTION 1**[40]**

KidsRock (Pty) Ltd., an up-market garment manufacturer of children's clothing, located in Durban, KwaZulu-Natal, has recently received an enquiry from a Japanese store, Iniyashu Clothing, for 3 200 units of the 'Anime' range on the basis of CIP Osaka in USD. It was established that this quantity, at an average ex-factory price of R50.00 per unit including packing costs, fits in one 6 m (20 ft) general purpose container.

Payment will be made on the basis of open account 45 days from shipped bill of lading date and Credit Guarantee will provide credit insurance cover for the invoice value at a premium of 1,4%. Charges for delivery of the empty container and collection of the full container (including transport to the Durban terminal) have been quoted at R1 300.00, with a terminal handling charge of R895.00 and export cargo dues at R845.00 per TEU. A commission of 7% of the FCA value will be due to the overseas agent, while financing is available at the prime interest rate of 12% per annum.

The freight forwarder quotes seafreight at USD 1350.00 plus 20% BAF for the 6 m GP container and charges a documentation fee of R450.00, an agency handling fee of 4,75% of disbursements, a CTO (container terminal order) fee of R220.00 and sundries amounting to R65.00. Other charges incurred by the freight forwarder on your behalf comprise a bill of lading issue fee at USD 12.00 and a carrier release fee of R175.00. The marine insurance premium for this particular consignment would be 0,75% of the CIP+10% value.

Exchange rates:

Selling: USD 1,00 = ZAR 7,5675

Buying: USD 1,00 = ZAR 7,4550

By using the information provided above, prepare a detailed CIP Osaka costing for this shipment of children's garments by presenting separately:

- The calculation of the agency fee of 4,75% of disbursements. Disbursements are delivery/collection of containers, terminal handling charge (THC), export cargo dues, bill of lading issue fee, carrier release fee and total freight charges.
- A complete costing sheet showing the 3 sets of percentages used at the bottom.

- The average CIP Osaka price in USD per garment.

*The costing sheet should only reflect figures rounded to the nearest rand, that is 50 cents or more upwards and less than 50 cents downwards. Apply the same principle to round percentages to the nearest **three (3)** decimal points where applicable.*

QUESTION 2

[15]

Finance Commercial Bank advises you of the issue of an irrevocable letter of credit in your favour from a Saudi Arabian bank. Shipment is required by not later than Friday, 28 July 2005, and the credit expires on 4 August 2005 in South Africa. The credit calls for documents covering '20 x heat-shrink packaging machines packed in individual wooden cases at USD 495.00 each CIF Jeddah' and is for the total value of USD 9900.00. Part shipments are not permissible and the credit states that the marine insurance is to be covered by the beneficiary. It stipulates six commercial invoices and a certificate of origin in duplicate, the originals of which have to be certified by the Johannesburg Chamber of Commerce and Industry. Invoices and certificates of origin must be legalised by the Saudi Arabian Consulate General in Johannesburg. A full set of clean on board bills of lading marked 'freight prepaid' is required.

There is a set of three original shipped bills of lading dated 27 July 2005, which state that freight is payable in Jeddah. In the assumption of being helpful to your buyer, you have sent him directly, by courier, one of the original bills of lading and two copy invoices. The bill of lading is claused 'one case damaged'.

The certificate of marine insurance is for the full invoice value plus 5 percent (no percentage was stipulated in the L/C), is dated 3 August 2005 and does not reflect from which date cover is effective. The insurance certificate describes the goods as 'industrial machines'.

Owing to a protracted labour strike affecting production, you were able to ship only twelve machines. As the Saudi Arabian Embassy was closed for one week due to building renovations, you cannot get the legalised documents back in time to submit them together with the other documents to the bank. You present documents to Finance Commercial Bank on Monday, 7 August 2005. Your letter explaining the reason for the delay and saying that you will forward them as soon as possible accompanies the documents.

Explain in detail why Finance Commercial Bank will reject the documents presented.

QUESTION 3

[10]

Your representative in South Korea has obtained a substantial order for irrigation equipment of the type used in orchards. The buyer has requested payment on the basis of documents against acceptance (D/A) 90 days from shipped bill of lading date. Describe the procedures involved in obtaining settlement under this particular method of payment.

QUESTION 4**[15]**

In terms of credit insurance offered by Credit Guarantee, describe the basic practices in drawing up policies but exclude the aspects of 'declarations' and 'premiums'.

QUESTION 5**[20]**

SA Craft (a SMME company with a turnover of R25-million) has been manufacturing craft items in the local market for two years. Many of its products are being sold either as corporate gifts or at airport shops and some craft shops in Johannesburg. As it consistently receives positive feedback on the items' unique design, it decided to focus on the international market. Some basic research was done and after it registered as an exporter with SARS, SA Craft decided that the next step in its international marketing approach would be to partake in a trade fair/exhibition.

SA Craft obtained your contact details as an EMIA consultant and contacted you for advice on

- a) if they qualify,
- b) how they should proceed with the application, and
- c) the options as well as funding available to them under EMIA to partake in a trade show.

Write a report to the client in which you answer his/her various questions.