

MBIB 3005

M.B.A. DEGREE EXAMINATION, JUNE 2014.

Third Semester

International Business

EXIM FINANCING AND DOCUMENTATION

(2012-13 Batch onwards)

Time : Three hours

Maximum : 100 marks

PART A — (5 × 6 = 30 marks)

Answer any FIVE questions.

All questions carry equal marks.

1. Differentiate FERA and FEMA.
2. What is pre-shipment inspection? How it will helpful for an exporter?
3. What is duty drawback?
4. Explain the role of clearing and forwarding agents in International Trade.
5. What is capital goods licensing?
6. What is EPCG? Explain its advantages.

7. Describe the tax incentives available to an exporter.

8. What is EOU?

PART B — (5 × 10 = 50 marks)

Answer any FIVE questions.

All questions carry equal marks.

9. Give a brief account of the provisions for quality control and pre-shipment inspection in India.

10. Describe the salient features of EPZs/SEZs and examine their problem.

11. Give an critical account of Exim policy of India.

12. Write short notes on the following :

(a) Actual user licensing

(b) Replenishment licensing.

13. Describe excise clearance and customs formalities for exporting.

14. Give an account of documents related to goods.

15. Discuss various duty exemption schemes available to an exporter.

16. Write short notes on the following :

(a) Marine insurance

(b) Forward exchange cover.

- (c) What are the problems, advantages, challenges and prospects of the Indian leather industry particularly in relation to export task? What measures should the industry, government and agencies like CLE and central leather research institute (CLRI) take to develop and strengthen the industry and to improve its export competitiveness?
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PART C — (20 marks)

Compulsory

17. Case Study :

Leather and leather manufacturers are among important non-traditional exports of India. The major markets for leather and leather manufacturers of India are Italy, U.K, West Germany, France, U.S.S.R, East Germany, Yugoslavia, Australia and Japan.

Indian leather goods exports, however, face certain problems. One important problem appears to be the unfavorable consumer attitude towards the Indian goods. According to Mr.R.Srinivasan, former president of the Leather Export Promotion Council (LEPC), leather goods exports from India face a highly biased international market. At a recent Paris fair he had himself exhibited goods that could not be bid for more than \$85. But changing the site of exhibition to a German stall, he could market the same for \$125. Similarly a jacket that could not be sold for 125 French francs was accepted for 900 francs, just because it was carrying a different brand name.

Italian goods enjoy a good reputation in the western markets. Italian leather goods manufacturers enjoy the benefit of easy

availability at low price of the chemicals needed for manufacture of leather goods. Compared to the situation in Italy, though Indian labour is cheap, Indian machinery and chemicals are not up the mark.

An interesting fact is that Italy which is an important supplier of leather goods in the western market, is one of the most important importers of leather items from India. Indian leather goods imported to Italy are stamped by Italian firms and re-exported to other countries without any further finish or packing. The re-exported goods fetch a better price.

What is worse is that foreign markets buy inferior grade leather from India and finish these for high priced items. Indian manufacturers are still unable to utilize such leather to their advantage. This is exactly the opposite in Holland or Italy where inferior grade leather is used in a big way.

In India nearly 70 per cent of the leather is used for making footwear in demand outside the country. Only 30 per cent is used for making shoes or shoe appears which fetch better remuneration. Indian makers do not seem to be keen to manufacture high priced goods because of the high risk at the demand for such items is not stable.

The Indian leather industry is predominantly in the small-scale sector. The power famine has hit the leather industry also. The small-scale units are not capable of mobilizing resources to purchase generators. Though some states like Uttar Pradesh subsidise the purchase of generators by tanneries to the extent of 50 per cent this benefit is not available in all the states.

A new trend in leather manufacture in the developed countries is the use of computers for the simplification of existing machinery in the leather manufacture. Already micro-electronics is being applied to certain process of leather goods manufacture. The scale of operation and resources of the Indian units again pose a problem in respect of such modernization. Further if and when these electronic and computer controlled machinery are introduced in the third world countries, the cost differential will be less because operations will be less labour intensive.

Questions :

- (a) Discuss the brand and pricing strategies appropriate to promote Indian leather goods in the international market.
- (b) What can the leather export promotion council do to improve the image of Indian leather goods?