Facultat d'Economia i Empresa

External trade (Comertç exterior)

Code: 102324

Group 4
Fall terms

Exercise set: INCOTERMS

1) NURIFER inc., a Ourense-based company, imports merchandise produced in Argentina. The price in the factory is € 2,000,000. The expenses incurred during the transaction are:

- Transport costs from the city of El Dorado to the port of Buenos Aires: € 4,000
- Transport costs from the port of Buenos Aires to the port of Vigo: €110,000
- Transport costs from the port of Vigo to the warehouse of NURIFER, in Ourense: €600
- Costs due to delay in the port of Buenos Aires: € 200
- Costs due to delay in the uploading of merchandise (in the port of Buenos Aires): € 120
- Uploading costs in the port of Buenos Aires: €360
- Downloading costs in the port of Vigo: € 410
- Downloading costs in Ourense: €100
- Export duty: € 700
- Import duty: € 1,200
- Transit duties: €850
- Custom clearance of import costs: €500
- Land-transport insurance in Argentina: € 850
- Cargo-transport insurance: € 1,900
- Land-transport insurance in Spain: € 150

Compute the invoice issued by the seller under the delivery conditions:

a) Ex Works
b) Free Alongside Ship in the Port of Buenos Aires
c) Free on Board in the port of Buenos Aires
d) Cost and Freight (port of Vigo)
e) Cost, Insurance and Freight (port of Vigo)
f) Delivery at terminal (port of Vigo)

2) BOYAREN inc. headquarters are located in Seville. This company is considering two alternative proposals for the purchase of 300 lawnmower machines. The proposals can be summarized as follows:

a) CESCOREA (Seoul)
   Price: € 69,120
   INCOTERMS: FOB (Seoul)
   Payment method: documentary letter of credit
   Payment period: 45 days

b) CORTACHIN (Shanghai)
   Price: €90,150
   INCOTERMS: CIF (Cádiz)
   Payment method: Documentary collection
   Payment period: delivery date

Additional information:

Freight and insurance Seoul- Cádiz: € 7,000

Freight and insurance Cádiz-Seville: € 250

Costs for delay in the port of Shanghai: € 25

Uploading costs in the port of Seoul: €27

Transit duties in Shanghai: € 90

Downloading costs in Seville: € 20

Packaging costs in both cases: € 12 000

Export duties: € 90

Import duties: 10%

Documentary credit commission: 0.9 %

Documentary collection payment commission: 0.6 %

Interest rate: 4.3 % (yearly, assuming 365 days a year)

Compute:

1) The average price for both offers including all the costs involved in the purchase
2) How would the conditions change if we assumed that CESCOREA would deliver under EXW conditions (Seoul) ?
3) How much would company need to pay for import duties if the Chinese provider delivered the merchandise under DAP conditions (Seville)?

3) TURRONITIS S.A. is a Valencia-based company that produces delicious hazelnuts and chocolate candies. The company decided to sell 200,000 boxes of candy products in Mexico. To this end, the administrator signed an agreement with 5 import companies that involves a profit margin of 15 % over the price charged to retailers. The agreement fixes FOB prices (in Valencia) in Euro.

In addition, we know:

Freight and insurance Valencia-Veracruz: € 1,202.02
Import duties: 9% over CIF value (Veracruz)
Land transport and delivery costs (approx.): $ 10
Downloading costs (Veracruz): $ 5. (The price of the freight Valencia-Veracruz does not include these costs)
Retailer margin: 25% over consumer price
Exchange rate: € 1= $1.4975

Compute the FOB price (Valencia) in Euro that must be charged in order to allow for a consumer price of $2 –a-piece in Mexico.