

Sketch solutions

Problem #1

CFR: the seller is responsible for the international transport; the buyer of the international insurance.

- No: the title of the merchandise did not passed because the seller did not pay for it.
- The seller is responsible for the international transport of the merchandise up to the arrival at the customs of import. The seller is also responsible for the packing and making that the merchandise does not suffer from any damage due to bad packing. In addition, the seller is expected to deliver the merchandise according to the conditions written down in the contract. This responsibility still holds up to reach the delivery premises (or any other agreed point) and up to the checking of the buyer.

Problem #2

DAP= 150,000\$ => 130,435€

Insurance & Transport:

Seul – Madrid: 80% 8000= 6,400€

Madrid- Caceres: 10% 8000= 800€

Internal Korea: 10% 8000= 800€

A) Tariff in Madrid

VA= CIF+ Adjustments

Adjustments= 10,000 5% = 500 €

DAP = CIF + Internal transp costs + Downl Madrid

130,435= CIF+800+1000 ==> CIF=128,635 €

VA= 128,635 + 500= 129,135€

Ad-valorem tariff = 129,135 25%= 32,283.75€

B) Final TVA

DAP	130,435
Tariff	32,283,75
Down Cacer	650
Releas Merch	250
Adjust	<u>500</u>
TOTAL	164,118.75 €
TVA	164,118.75 * 21% = 34,464.93€

- No, it is not feasible. Several reasons: It is a Korean firm and not a Spanish one; Material is produced in Germany and not in Spain.

Problem #3

Max:

Local Material: $15\% \cdot 4,300,000 = 645,000 \text{ €}$

Foreign Material: $15\% \cdot 4,300,000 = 645,000 \text{ €}$

Commissions: $5\% \cdot 4,300,000 = 215,000 \text{ €}$

A) Spanish transport carrier

FOB	4,300,000
Commission	215,000
Transport	<u>200,000</u>
	$4,715,000 * 85\% = 4,007,750 \text{ € CARI}$

B) Panamá transport carrier

FOB	4,300,000
Commission	<u>215,000</u>
	$4,515,000 * 85\% = 3,837,750 \text{ €}$
Transport	<u>145,000 €</u> (645,000-500,000)
	CARI 3,982,750

C) Greek transport carrier

FOB	4,300,000
Commission	215,000
Transport	<u>145,000</u> (645,000-500,000)
	$4,660,000 * 85\% = 3,961,000 \text{ € CARI}$

The best option is A) that is using a Spanish transport carrier