

Preliminary tutorial INCOTERMS

A contract of sale was entered between an American company BAT Inc. of Calumet City, Illinois (*buyer*) and a German scientific equipment-manufacturing firm TOLA (*seller*) for the sale of a mobile MRI (magnetic resonance imaging) machine.

The production of the MRI machine involves costs for materials for 30,000 € and labor costs for 40,000 € plus other direct costs associated with the production process equivalent to 5,000 €. Once TOLA learnt about the BAT's order, the MRI machine was adapted to the quality requirements for the US market involving extra costs of production for 250 €. Furthermore, the merchandise was prepared to be delivered by ship and the TOLA administrative office performed the required export red tapes whose costs are 300 €.

The terms of the contract involves that the merchandise has to be shipped under CIF conditions at New York and the machine has to arrive at the destination place in good and working conditions.

In order to be shipped, the MRI machine needs to be moved from the TOLA's headquarter to the Port of Hamburg: this moving cost 550 €. Furthermore, TOLA is also in charge to take care of the loading to the MRI machine on the shipment that is expected to deliver it at the final destination. This tasks involves to take care of the editing of the exchange bill plus the exportation costs associated with it (150 €), the tax for the transit in Hannover (15€) and the loading charges (30 €).

Finally, TOLA had also to take care of the selection of the best carrier in order to deliver the merchandise in due time and in good conditions. The best-selected offer was the one by HHLA which is able to provide an international transport service for 1250 € and an insurance for the damage for 360 €.

Determine the following terms of sales:

- a) EXW
- b) FOB
- c) CIF