



3T IMPEX
TRADE ACADEMY

...Promoting International Trade Education

MANAGING EXPORT CONTRACT



TRAINING OBJECTIVES

The objectives of this session is to:

- Understand basic content of export contract
- Know the role of export contract in export financing
- Share practical experience on export contract issues
- Understand payment method in international trade
- Understand the difference between agent and distributor
- Know the tested and trusted entry strategies of MNC
- Learn the cost element and pricing of export contract





INTRODUCTION



INTRODUCTION



Export Contract

Export Contract is an international purchase order which should be signed by both the buyer/importer and the seller/exporter before a legally binding International trade can take place between them. Getting export contract therefore is a very critical step in the export value chain.

However, many find it difficult to obtain because of knowledge gap in understanding trade terms, export market information and local product information.

This documents highlights the roles and responsibilities of all the parties involved in a typical export transaction. A banker should not just demand for the contract as requisite document but should also be able to review it and identify the loopholes that can jeopardize the finance of the export transactions



INTRODUCTION



Once a contract is in place, all terms must be complied with or there is a breach of contract, unless there is some event that under the law of the contract brings it to an end, such as force majeure (ie an event beyond the control of either party, for example, riot, war, or natural disaster).

Typical breaches would include delivery of sub-standard goods, late shipment, or failure to carry out what was promised. A breach of contract by one party usually entitles the other party to make a legal claim for any losses suffered and, in some cases, to void the contract, ie walk away from their obligations.

However, in most commercial arrangements the parties will attempt to resolve their differences themselves and, if they cannot do so, will take the dispute to arbitration or some alternative dispute resolution or mediation. Only in the last resort will the party facing an actual and significant loss go to the court for redress, which is potentially expensive, time-consuming and uncertain of outcome.



INTRODUCTION



Contents Of An Export Contract

The basic features of an export contract include-but not limited to-the following:

1. Buyer & Seller's Name
2. Buyer & Seller's Contact details
3. Buyer & Seller's Account Details
4. Description of goods
5. Quality Specification
6. Quantity
7. Packaging
8. Latest date of shipment
9. Pricing
10. Incoterms 2010
11. Origin
12. Port of loading and port of discharge
13. Payment terms and Payment methods
14. Shipping Documents



INTRODUCTION



Contents Of An Export Contract

The basic features of an export contract include but not limited to the following:

15. Dispute resolution
16. Inspection
17. Insurance
18. Force Majeure
19. Termination
20. Special Conditions
21. Governing law
22. Jurisdiction
23. Signature of Buyer & Seller



INTRODUCTION



Contents Of An Export Contract

- 1. Buyer & Seller's Name-** This contains the company names of the buyer and seller. This should be the name registered with the government authorities and used to do transactions with the banks.
- 2. Buyer & Seller's Contact details-** This includes office address, email, phone numbers and other details that can be used to reach the relevant staff that handles import and export transactions in each of the organization.
- 3. Buyer & Seller's Account Details-** This includes account details that the seller wants to use to receive the payment. It can also be used by both parties when doing their due diligence with banks.
- 4. Description of goods-** This describes the goods being shipped in general terms.
- 5. Quality Specification-** This states the individual quality specifications expected to enable the buyer derive the maximum benefit from the products.
- 6. Quantity-** This states the units of measurement and quantity to be shipped.
- 7. Packaging-** This states the mode of packaging, the type of materials to be used, the weight and labelling of the packaging materials.



INTRODUCTION



Contents Of An Export Contract

8. **Latest date of shipment-** This is the date on or before which shipment must be made. Shipment after this date could make the buyer to reject the goods.
9. **Pricing-** This has to do with the unit price and the total value of shipment.
10. **Incoterms 2010-** This is the commercial terms that states where the risks and costs of the seller ends and where that of the buyer starts.
11. **Origin-** This simply states the place of production of the goods.
12. **Port of loading and port of discharge-** This consist of the port where the goods will be picked up and where it is going to be unloaded and released to the buyer.
13. **Payment terms and Payment methods-** Payment terms states the time of payment and the percentage to be paid while payment methods states how the goods and documents moves relative to the movement of money for payment.
14. **Shipping Documents-** These are the documents to be provided by the seller to enable the buyer clear the goods at the port of discharge.



INTRODUCTION



Contents Of An Export Contract

15. **Termination-** This states the terms and conditions for the expiration of the contract.
16. **Inspection-** This highlights the name of the inspection agent that will check the products for conformity to quality specifications, the location of inspection and who is to pay the charges.
17. **Insurance-** This states the parties that will be responsible for the cost of insurance and the coverage.
18. **Force Majeure-** This addresses the degree extension of the latest day of shipment if there is an incidence like act of God (fire, earthquake etc) that prevented production and shipment as at when due.
19. **Dispute resolution-** This states how any dispute arising from the shipment will be resolved between the buyer and the seller.
20. **Special Conditions-** This states other terms and condition that are not yet captured like the shipping line to be used, sending of scanned copies of shipping document for vetting before printing the original etc.



INTRODUCTION



Contents Of An Export Contract

21. **Governing law-** This contains the law of the country that should be used to judge any court case that might come up based on this contract.
22. **Jurisdiction-** This has to do with the location for the hearing of any court case that might come up based on this contract.
23. **Signature of Buyer & Seller-** This involves authentication of the terms of the contract as agreed by both parties in order to make it binding on them.



INTRODUCTION



Roles Of Sales Contract In Export Transactions

1. **Premise-** It forms the basis for the loan request
2. **Preparation-** It helps the banker to know when the preparation for the production and sourcing of products for shipment should commence
3. **Planning-** It helps the bank to monitor the planning of the shipment with the shipping line
4. **Payment-** it shows the bank what, where, when, who and how the payment on shipment will be made
5. **Pricing-** the contract showed the agreed price of sales for the goods to the financier



INTRODUCTION



Roles Of Sales Contract In Export Transactions

6. **Packaging-** it helps the banker to know how best to package the loan facility
7. **Protection-** through the contract, the bank is also able to know the liabilities and responsibilities of the exporters
8. **Paperwork-** the contract itemises the documentations required for payment
9. **Problem-** it helps the banker to envisage the likely challenges of the transaction and put in place the mitigants
10. **Products-** This helps the bank to know the commodity season and hence the feasibility of the shipment within the period of the contract



INTRODUCTION



Contract management

The process – from potential order to a firm contract and finally to delivery – will often be time-consuming and may involve several departments from the exporting company. At pre-contract stage, the seller will have to liaise with its sales department and the production or supply department to be able to quote potential delivery dates and prices. The accounts or export department will have to become familiar with, and prepare, export documentation.

The credit control manager must understand how to manage the risks and consider the most appropriate method of settlement. That could be payment by open account, documentary credit, payment in advance or by bill for collection, depending on the new customer's credit standing and status report. all of these issues if the contract is to be profitable and viable.



INTRODUCTION



Contract management

To fulfil the contract, team effort is required and everyone involved must handle their part of the transaction with care, to ensure that the export of goods is made in accordance with the relevant contract.

- Supplies need to be ordered or labour arranged.
- Goods must be manufactured.
- Packaging must be arranged.
- Transport and shipping space must be booked.
- Goods will have to be dispatched to the port, airport or place of destination in time, or services delivered in a timely manner.
- All necessary documentation should be obtained and supplied by the export documentation department.
- The buyer should be advised of shipping details.
- All necessary documents must be submitted for payment directly to the buyer or via the banking system as quickly as possible.





EXPORT PRICING AND INCOTERMS



COST ELEMENT IN EXPORT PRICING IN NIG.

The Cost Items in any export process varies depending on the nature of the products. However, in general, most export cost items will include the following:

1. Product Cost
2. Transport to the warehouse
3. Warehousing
4. Transport to the port
5. Freight forwarder
6. Shipping Line local charges
7. Freight Charges
8. NXP processing fees
9. NESS fee
10. Logistics fee



COST ELEMENT IN EXPORT PRICING IN NIG.

1. **Product Cost**- This is the cost of the product or commodity and packaging for shipment.
2. **Transport to the warehouse** - This covers the cost of loading at the local buying point transportation to the warehouse.
3. **Warehousing** - This is cost of storage at the buyer's warehouse within and outside Lagos.
4. **Transport to the port** - This covers the cost of loading at the warehouse and transportation to the port.
5. **Freight forwarder** – This covers the cost of export clearance through customs and other government agencies and the port. This also include the freight forwarder's professional fees.
6. **Shipping Line local charge** – This cost include the cost of storage of containers and stacking them and loading them on board the vessel.
7. **Freight Charge** – This is usually charged in USD (for sea shipments) and it includes the cost of transporting the goods via air, sea or land to the destination port.



COST ELEMENT IN EXPORT PRICING IN NIG.

8. **NXP charge** – This fee is paid to the bank. The NXP (Nigeria Export Proceed) form is the application form for exportation in Nigeria. It is processed by the bank at a cost of N5,000.
9. **NESS fee** – This fee is paid to the federal government through the bank. It is Nigerian Export Supervision Scheme fee and is based on the 0.5% of FOB value.
10. **Logistics**- This includes miscellaneous expenses during loading at the warehouse and offloading at the terminals



COST ELEMENT IN EXPORT PRICING IN NIG.

Other costs which largely depends on the nature of the goods, the destination country's regulations and sources of finance include:

11. Quarantine, SON and NAFDAC fee
12. Marine and GIT Insurance fee
13. Inspection fee
14. Certificate of origin fee
15. Fumigation and Phytosanitary Certificate fee
16. Interest Rate
17. **Bank commission on Export Proceeds**



EXPORT PRICING AND INCOTERMS

Introduction

- Incoterms 2010 provide a common set of rules to clarify responsibilities of sellers and buyers for the delivery of goods under sales contracts. They apportion transportation costs and responsibilities associated with the delivery of goods between buyers (importers) and sellers (exporters) and reflect modern-day transportation practices. It significantly reduce misunderstandings among traders and thereby minimize trade disputes and litigation.
- The two main categories of Incoterms 2010 are now organized by modes of transport. Used in international as well as in domestic contracts for the first time, the new groups aim to simplify the drafting of contracts and help avoid misunderstandings by clearly stipulating the obligations of buyers and sellers.



EXPORT PRICING AND INCOTERMS

INCOTERMS	CODE	FREIGHT	MODE
ExWorks	EXW	Freight Collect	Multi
Free Carrier	FCA	Freight Collect	Multi
Free Alongside Ship	FAS	Freight Collect	Mono
Free On Board	FOB	Freight Collect	Mono
Cost and Freight	CFR	Freight Prepaid	Mono
Cost Insurance and Freight	CIF	Freight Prepaid	Mono
Carriage Paid To	CPT	Freight Prepaid	Multi
Carriage Insurance Paid to	CIF	Freight Prepaid	Multi
Delivered At Port	DAP	Freight Prepaid	Multi
Delivered At Terminal	DAT	Freight Prepaid	Multi
Delivered Duty Paid	DDP	Freight Prepaid	Multi



COST ELEMENT IN EXPORT PRICING IN NIG.



ZINC 35%				
	Qty	Unit price	Rate	
Export Proceeds	50.00	380.00	350.00	6,650,000.00
Items	Qty	Unit price	Total	
Products and Transport cost	50.00	100,000.00	5,000,000.00	
Inspection	2.00	37,000.00	74,000.00	
Freight Forwarding	2.00	160,000.00	320,000.00	
NXP Form	1.00	5,000.00	5,000.00	
NESS Fee 0.5% FOB	0.01	6,650,000.00	20,000.00	
Port Logistics and Sampling	2.00	40,000.00	80,000.00	
Terminal Handling Charge	2.00	40,000.00	80,000.00	
Project Monitoring	2.00	25,000.00	50,000.00	
Total Cost				5,629,000.00
Gross Profit				1,021,000.00
Bank Charges				66,500.00
Profit				954,500.00
ROI				17%



COST ELEMENT IN EXPORT PRICING IN NIG.

PAP - 500KG				
	Qty	Price(GBP)	Rate	
Export Proceeds	1,100.00	1.80	450.00	891,000.00
Items	Qty	Unit price	Total	
Products cost	1,100.00	400.00	440,000.00	
Documentation	1.00	50,000.00	50,000.00	
Freight Charge	1.00	280,000.00	280,000.00	
Logistics	1.00	20,000.00	20,000.00	
Total Cost				790,000.00
Gross Profit				101,000.00
Bank Charges				
Transaction Profit				101,000.00
ROI				12.78%



COST ELEMENT IN EXPORT PRICING IN NIG.

COST AND ROI CALCULATION FOR MULTIPLE PRODUCTS

FOOD DESCRIPTION	QTY	WEIGHT	PRICE	PROT COST	SELLING
INDOMIE NOODLE	20 CTNS	60	1230/CTN	24,600.00	73,800.00
UKWA	10KG	10	1200/KG	12,000.00	36,000.00
YELLOW GARI	25KG	25	150/KG	3,750.00	11,250.00
WHITE GARI	25KG	25	150/KG	3,750.00	11,250.00
GROUNDPEPPER	10KG	10	1500/KG	15,000.00	45,000.00
YELLOW OGI	10KG	10	500/KG	5,000.00	15,000.00
BROWN OGI	10KG	10	500/KG	5,000.00	15,000.00
ABACHA	10KG	10	700/KG	7,000.00	21,000.00
SNAIL	200 PCS	60	400/PC	80,000.00	240,000.00
DRIED PERIWINKLE	10KG	10	4000/KG	40,000.00	120,000.00
OJI IGBO	5KG	5	4200/KG	21,000.00	63,000.00
KWORO HAUSA	5KG	5	1500/KG	7,500.00	22,500.00
BITTER KOLA	10KG	10	1850/KG	18,500.00	55,500.00
OGIRI IGBO	50PCS	1	40/RAP	2,000.00	6,000.00
AZIZA BROOM	20 PCS	2	350/PCS	7,000.00	21,000.00
ONGA STEW		1	2000/CTN	2,000.00	6,000.00
ONGA CLASSIC		1	2000/CTN	2,000.00	6,000.00
ONGA SHRIMP		1	2000/CTN	2,000.00	6,000.00
PALM OIL		75		21,000.00	63,000.00
GROUNDNUT		25		9,500.00	28,500.00
ALIGATOR PEPPER	40PC	1	100	100.00	300.00
EXPORT PROCEEDS					866,100.00
LOGISTICS, FREIGHT AND DOCUMENTATIONS				292,650.00	
PRODUCT PRICE				288,700.00	
TOTAL COST				581,350.00	
PROFIT					284,750.00
ROI					48.98%



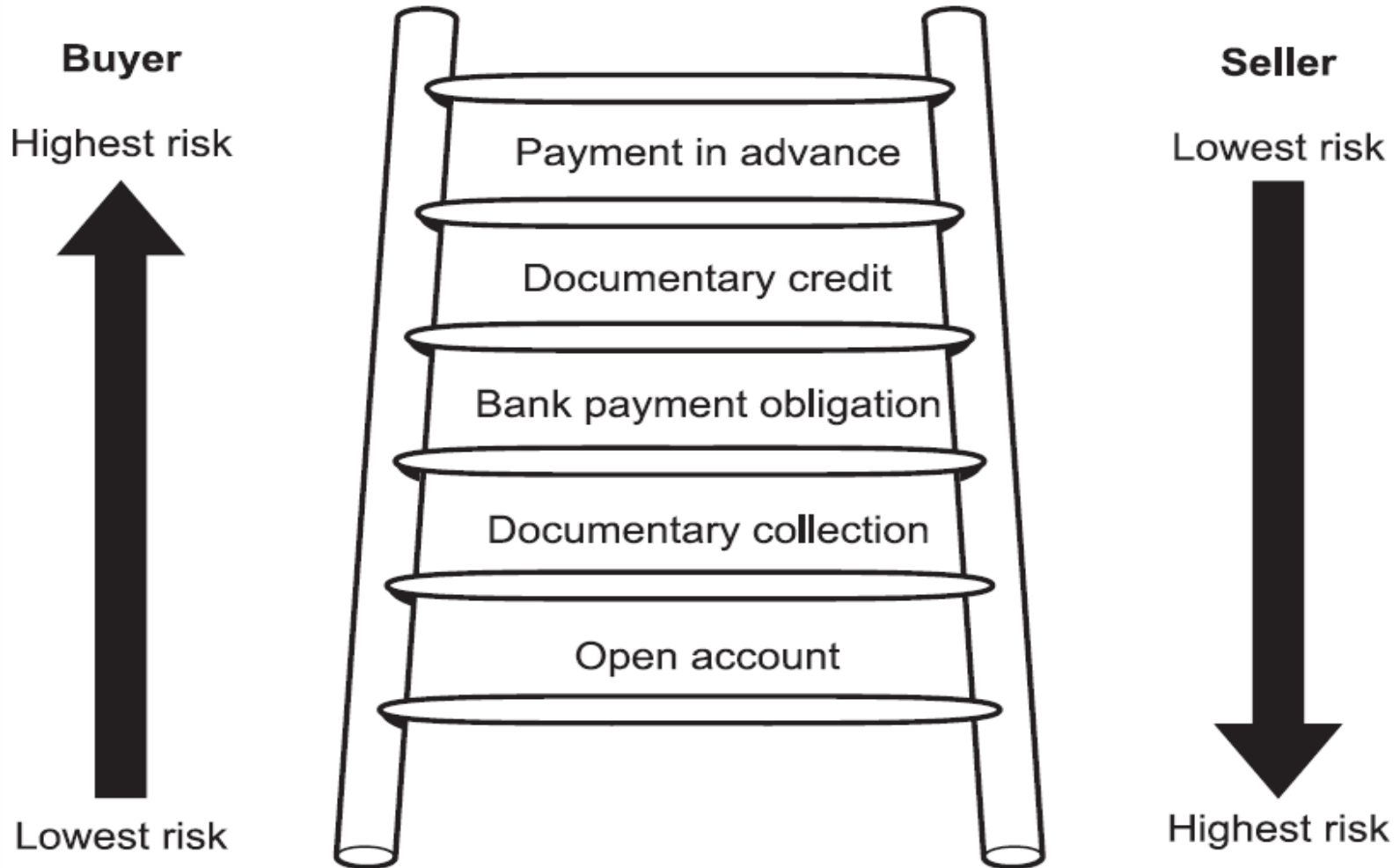


Payment Methods In International Trade



PAYMENT METHODS IN INTERNATIONAL TRADE

INTRODUCTION



PAYMENT METHODS IN INTERNATIONAL TRADE

OPEN ACCOUNT

An open account transaction means that the goods are shipped and delivered before payment is due, usually in 30 to 90 days. Obviously, this is the most advantageous option to the importer in cash flow and cost terms, but it is consequently the highest risk option for an exporter. Because of the intense competition for export markets, foreign buyers often press exporters for open account terms. In addition, the extension of credit by the seller to the buyer is more common abroad. Therefore, exporters who are reluctant to extend credit may face the possibility of the loss of the sale to their competitors.

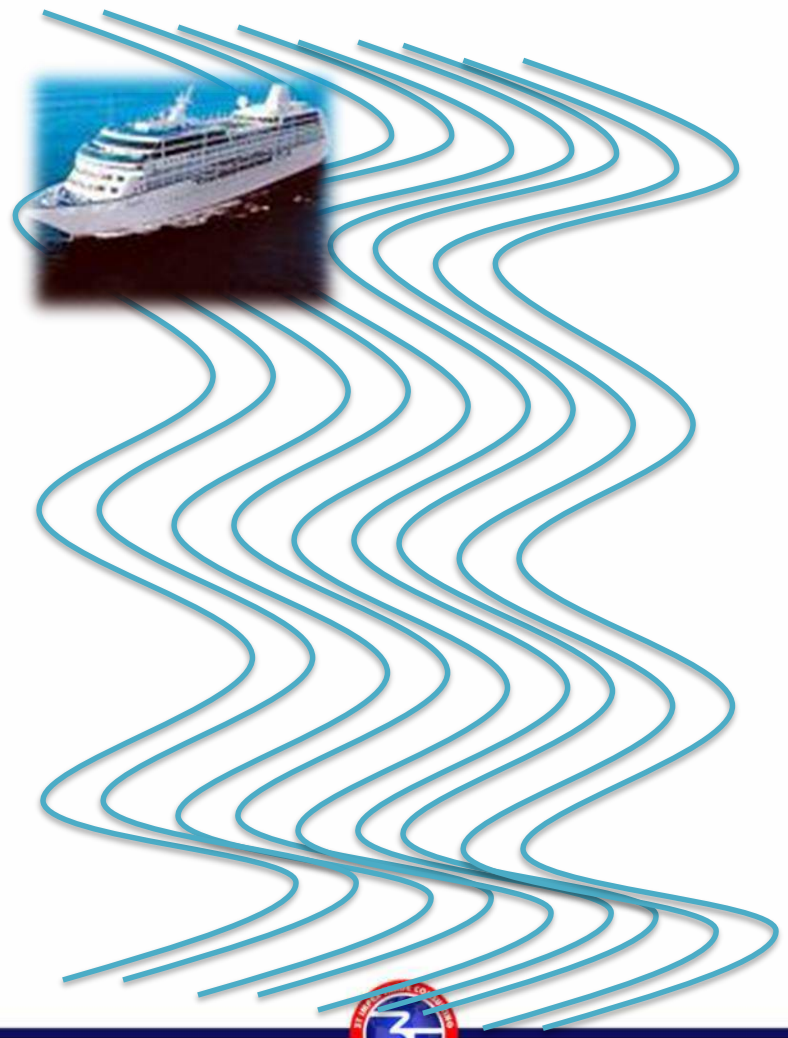
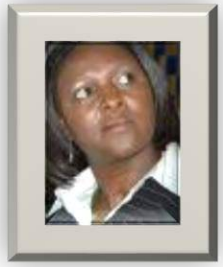
However, while this method of payment will definitely enhance export competitiveness, exporters should thoroughly examine the political, economic, and commercial risks, as well as cultural influences to ensure that payment will be received in full and on time. It is possible to substantially mitigate the risk of non-payment associated with open account trade by using such trade finance techniques as export credit Insurance.



PAYMENT METHODS IN INTERNATIONAL TRADE

OPEN ACCOUNT

Importer



Exporter



PAYMENT METHODS IN INTERNATIONAL TRADE

ADVANCE PAYMENT

With the cash-in-advance payment method, the exporter can avoid credit risk or the risk of non-payment, since payment is received prior to the transfer of ownership of the goods. Wire transfers and credit cards are the most commonly used cash-in-advance options available to exporters.

However, requiring payment in advance is the least attractive option for the buyer, as this method tends to create cash flow problems, and unless the seller sees no other option or the buyer has other vendors to choose from, it often is not a competitive option.

In addition, foreign buyers are often concerned that the goods may not be sent if payment is made in advance. Exporters that insist on this method of payment as their sole method of doing business may find themselves losing out to competitors who may be willing to offer more attractive payment terms.



PAYMENT METHODS IN INTERNATIONAL TRADE

ADVANCE PAYMENT

Importer



Exporter



PAYMENT METHODS IN INTERNATIONAL TRADE

DOCUMENTARY COLLECTION

Documentary Collection (D/C) is a transaction whereby the exporter entrusts the collection of payment to the remitting bank (exporter's bank), which sends documents to a collecting bank (importer's bank), along with instructions for payment.

Funds are received from the importer and remitted to the exporter through the banks involved in the collection in exchange for those documents. Although banks do act as facilitators for their clients under collections, D/C offer no verification process and limited recourse in the event of nonpayment.



PAYMENT METHODS IN INTERNATIONAL TRADE

DOCUMENTARY COLLECTION (SIGHT D/P)

Importer



Exporter



Importer's Bank

Exporter's Bank



PAYMENT METHODS IN INTERNATIONAL TRADE

DOCUMENTARY COLLECTION (TENORED D/A)

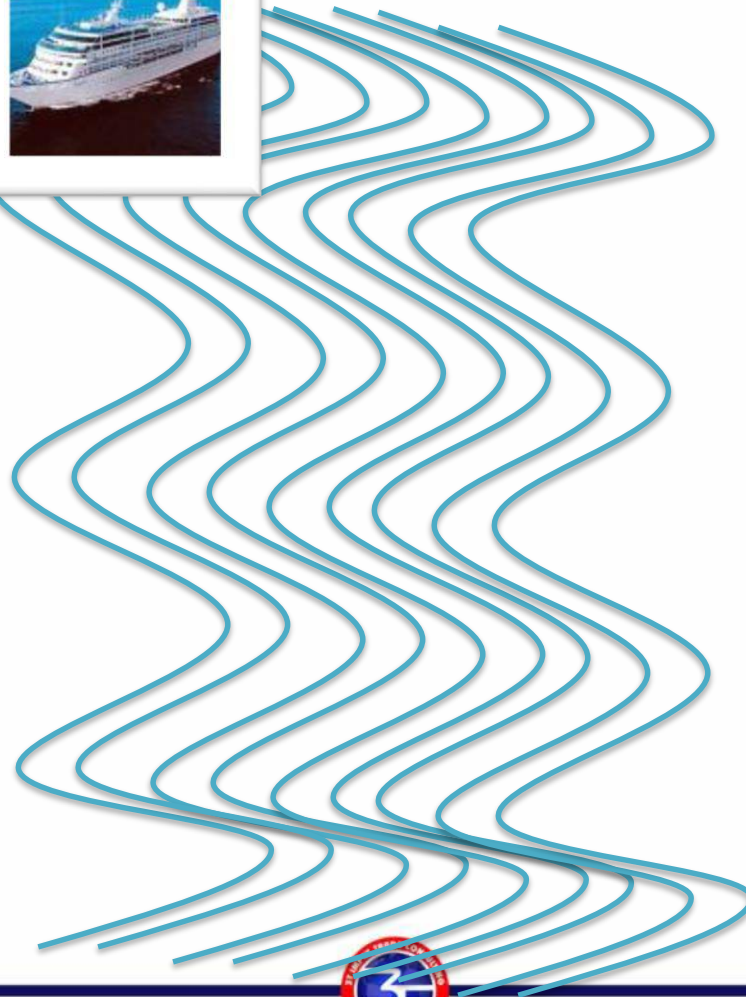
Importer



Exporter



Importer's Bank



Exporter's Bank



PAYMENT METHODS IN INTERNATIONAL TRADE

LETTER OF CREDIT

A letter of credit is an undertaking of the buyer's bank, written to the seller to give an assurance of payment when shipment is made and certain conditions stated on the LC are fulfilled.

It is the most widely used trade finance instrument in the world. It has been used for the last several hundred years and is considered a highly effective way for banks to transact and finance export and import trade.

It is an instrument through which a bank furnishes its credit in place of its customer's credit. The bank plays an intermediary role to help complete the trade transaction.

The bank deals only in documents and does not inspect the goods themselves. Therefore, a letter of credit can not prevent an importer from being taken in by an unscrupulous exporter.



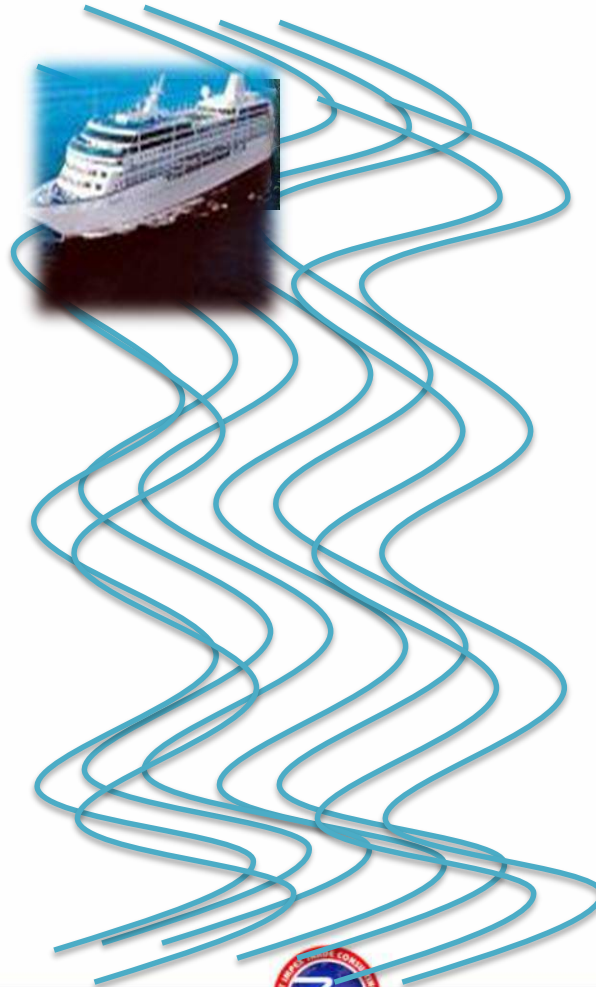
PAYMENT METHODS IN INTERNATIONAL TRADE

LETTER OF CREDIT- UNCONFIRMED

Importer



Exporter



Importer's Bank



Exporter's Bank



PAYMENT METHODS IN INTERNATIONAL TRADE

LETTER OF CREDIT- CONFIRMED

Importer



Exporter



Exporter's Bank



Importer's Bank



Confirming Bank



UNDERSTANDING LETTER OF CREDIT

TYPES OF LETTER OF CREDIT

LCs can be issued as Confirmed or Unconfirmed LC.

Confirmed LC: An LC is said to be confirmed when another bank adds its additional confirmation (or guarantee) to honor a complying presentation at the request or authorization of the issuing bank. This protects the Exporter against country risk (political and economic risks).

Unconfirmed LC: This type of letter of credit involves only the definite undertaking of the issuing Bank to honor a complying presentation. It does not require the additional undertaking of the confirming Bank.



UNDERSTANDING LETTER OF CREDIT

TYPES OF LETTER OF CREDIT

LCs can be issued as revocable or irrevocable.

Irrevocable LC means that no party can amend or cancel it unless the buyer, the seller and the issuing Bank (and a confirming Bank if any) agree.

Revocable LC on the other hand means any of the party can amend or cancel it without the consent of the other parties to the LC.

However, since the inception of UCP600, any LC issued is automatically Irrevocable even if the LC does not clearly state that in its terms.

Usance and Sight LC

Usance LC :It is kind of credit that won't be paid and assigned immediately after checking the valid documents but paying and assigning it requires an indicated duration which is accepted by both the buyer and the seller. In reality, seller will give an opportunity to the buyer to pay the required money after taking the related goods and selling them.

Sight LC: It is a kind of credit whereby the issuing bank pays the money immediately after receiving the shipping documents from the seller and checking all the documents for compliance.



UNDERSTANDING LETTER OF CREDIT

TYPES OF LETTER OF CREDIT

Revolving Letters of Credit

A revolving letter of credit covers multiple or continuous shipments of merchandise. It is a commitment on the part of the issuing bank to make the L/C available in the original amount whenever it has been used or drawn down, usually under the same terms and without the issuance of another L/C.

Revolving L/Cs enable sellers to rely on ongoing sources of short-term financing. But while they avoid the fixed costs of entering each time into a new short-term financing transaction, revolving credits cannot replace longer-term financing.

The number of times the L/C can be utilized and the period of validity is specified in the L/C. A revolving letter of credit can be either cumulative or noncumulative; cumulative means that the unused sums in the L/C can be added to the next installment, whereas noncumulative means that partial amounts not used in time expire.



UNDERSTANDING LETTER OF CREDIT

TYPES OF LETTER OF CREDIT

Red Clause LC

Red-clause letters of credit enable an exporter to obtain pre-shipment finance (which is a percentage of the L/C amount) from the buyer through the opening bank and against the advising bank's guarantee of reimbursement, either (i) against a simple written statement of purpose (clean red clause) or (ii) against his undertaking to provide certain specified documents. The reason why it so named is that the first time this credit was established by the issuing bank, the terms and conditions were written by **RED INK** to attract bank's attention.

Green Clause LC

Green-clause letters of credit serve the same purpose as red-clause L/Cs but differ in that the exporter can only obtain advance payments against production of warehouse receipts (and/or related documents) evidencing that the goods are held to the order of the buyer/opening bank/advising bank until the required documents are received. In this respect, green-clause letters of credit are very similar to inventory financing, although most of the comments made about red-clause L/Cs also apply here.



UNDERSTANDING LETTER OF CREDIT

TYPES OF LETTER OF CREDIT

Transferable Credit

This is a type of Letter of Credit in which the exporter has the right to make the credit available to one or more subsequent beneficiaries. Credits are made transferable when the original beneficiary is a middleman and does not supply the merchandise himself but procures goods from the suppliers and arrange them to be sent to the buyer and does not want the buyer and the supplier to know each other. The middleman is entitled to substitute its own invoice for the one of the supplier and acquire the difference as his profit in transferable letter of credit mechanism.

Back to Back LC:

This type of LC consist of two different types of LCs. The first LC is issued in favour of an intermediary trader who is not capable of shipping the goods. The intermediary trader then issues another LC called **Back-to-back L/C** (in favour of the ultimate supplier) based on the strength of the first LC already issued by the buyer. This is often used when the ultimate supplier refuses to accept a transferable LC from the intermediary trader.



UNDERSTANDING LETTER OF CREDIT

KEY LETTER OF CREDIT DATES

1. LC Opening Date: Shipping documents generally may predate the opening date of the letter of credit unless specifically prohibited in the letter of credit. In Nigeria, the local regulation demands that e-Form M MUST be approved and LC opened before shipment of the goods.

2. Latest Shipment Date: Shipping documents must be dated on or before this date. It specifies the latest date by which a seller must ship the goods. If the goods are not shipped before the specified date then a discrepancy will occur and the seller may not get paid from the letter of credit.

3. Latest Date of Presentation: Shipping documents must arrive at the bank before this date, if stated. If not specifically stated, the documents must arrive at the negotiating bank at most 21 days after the latest shipment date but before the expiration date of the letter of credit.

4. Expiration Date: Usually the last day to present documents in strict compliance with the terms of the letter of credit. The letter of credit essentially ceases to exist on this date.

5. Maturity Date: This is the due date of payment on the Letter of Credit



DOCUMENTATIONS IN EXPORT CONTRACT

Transport documents- Bill of Lading

- Bills of lading are documents issued by a carrier, a master or their respective agent and usually have quasi-negotiable status. As well as evidencing the terms of the contract of carriage and acting as a receipt for the goods, a bill of lading can also provide entitlement to receive the goods.
- Bills of lading with this quasi-negotiable status are also issued in the following forms:
 - 1. Combined transport- involve land2port /or port2port /or port2land shipments
 - 2. Liner bills of lading- involve port2port shipment only
 - 3. Charter party bills of lading- involves chartering of a vessel for bulk shipment



DOCUMENTATIONS IN EXPORT CONTRACT

Air waybills and non-negotiable sea waybills

- Air waybills are frequently used today. Non-negotiable sea waybills are used less frequently than air waybills, and only on specific routes where the sailing time is quite short.
- They are documents issued by carriers or their agents that describe the goods and contain a contract of carriage, but do not evidence title to the goods and are not negotiable.
- The goods will be released to the consignee specified on the document against simple identification. For journeys of short duration, non-negotiable sea waybills are essential, since there will not normally be time for a negotiable bill of lading to arrive for prompt clearance of the goods.
- Other transport documents include: Railway bill, Road waybill, Courier Receipt,



DOCUMENTATIONS IN EXPORT CONTRACT

The commercial invoice

- A commercial invoice must be produced in accordance with the contract, purchase order or pro forma invoice, incorporating any agreed changes. The invoice will often contain:
 - 1. A unique number and quote the contract, purchase order or pro forma invoice number;
 - 2. The seller, buyer and consignee (if different to the buyer);
 - 3. The merchandise, often itemized by price and quantity;
 - 4. All charges and costs for the buyer's account
 - 5. Terms of payment and agreed Incoterms for the shipment
 - 6. The buyer and seller's VAT numbers (if applicable)
- For LC, the beneficiary is to issues invoice with currency and goods description being as stated on the letter of credit



DOCUMENTATIONS IN EXPORT CONTRACT

The packing / weight list

- A packing list give details relating to the packing of the goods in brief. If requested, it also list the weights of individual items, together with a total weight. For some countries or types of goods there will be specific requirements for the packaging.

The certificate of origin

- The certificate of origin certifies that the goods were produced in the country or countries named therein. Frequently, these are issued by a chamber of commerce in the exporter's country.

Pre-shipment inspection certificates

- Pre-shipment inspection certificates may be required by the rules of the importing country to ensure that goods conform to local regulations and / or to minimise fraud.



DOCUMENTATIONS IN EXPORT CONTRACT

Phytosanitary inspection certificates

- This is issued to satisfy the import regulations of some countries. They indicate that a shipment has been inspected and is free from pests and plant diseases.

Export licenses

- Export licenses may be required because a country wishes to impose a general control over exports, or to control export of certain goods or to control all exports to some countries.

Import licenses

- Countries also wish to control what comes in. In most cases, the buyer will be responsible for complying with local regulations regarding import licenses and payment of tariffs.



DOCUMENTATIONS IN EXPORT CONTRACT

Insurance documents

- Cargo insurance is vital to protect buyers, sellers and banks who finance trade transactions against risk of loss, eg due to weather, theft, strikes, civil commotion, war and piracy.
- The decision as to who pays for insurance cover for all of (or each stage of) a journey is a commercial decision, is subject to negotiation between the parties and will form an important part of the contract.
- The Incoterm selected clarifies which party or parties are responsible for arranging and paying for insurance



FINANCING EXPORT CONTRACT

The application for export finance facility should be submitted along with documents that confirm that the claims asserted in the application are verifiable.

These documentations enhance the credibility of the request and thereby increase the chance of getting the much needed financing from the bank. However, all the documents must be made out in the exporter's company name to show credibility.

Some of the documents to be attached with the application to the bank for export finance facility should include but not limited to the following:

- **a. Purchase Order-** This is a document that shows that the exporter has a firm commitment of a buyer willing to purchase an item from him from abroad. It is a very pivotal document that conveys very essential information about the export transaction. It shows the bank that the exporter has a buyer and it could also serve as the basis for rejection or acceptance of your proposal to the bank.



FINANCING EXPORT CONTRACT

- **b. Bill of Lading-**This is the transport document for sea shipment. If the shipment is by air, it is called Airwaybill. This is a document that shows the bank that the exporter has exported before and it gives title or ownership right to the goods. The shipper's name on this document should be the exporter's company name if it is going to be considered by the bank
- **c. Commercial Invoice-** This is the document that itemises the details of the items that were shipped and the total value of the shipment. It shows the bank the capacity and turnover of the exporter.
- **d. Quality Inspection Report-** This is the document that shows that the exporter has the competence to deliver the right quality and quantity within the specified period.
- **e. Account Statement-**This is a domiciliary account statements and it is the documents that shows that payments were received on the previous export projects done by the exporter.



FINANCING EXPORT CONTRACT

- **f. Custom Endorsed NXP-** NXP is a document that is peculiar to Nigeria. It means Nigeria Export Proceeds form. It is the application form for exportation in Nigeria. The custom endorsed NXP is an evidence that the exporter's previous transaction was legally done in line with the government regulations.
- **g. Letter of Credit Draft-** If the payment of the export transaction is letter of credit, it is very necessary for the exporter to attach a copy of the letter of credit draft to the loan request. This will enable the bank to review it and make the request for necessary amendments. This thus aids the speedy processing of the facility.



DOCUMENTATION, HISTORY & FINANCE

History of previous export transactions done by an exporter is very critical in taking financing decisions for banks. This is because it demonstrates the credibility of the exporter's request, it also shows the competence of the exporter to perform.

These credibility and competence provide the bank with the needed comfort to take an informed financing decision.

Some of the information and documents that need to be provided by the exporter to show a credible history of previous shipment should include but not limited to the following:

- History of previous shipments - from the Bill of lading record
- History of previous volume - from the Commercial Invoice and the Bill of lading records
- Frequency of shipment - from the Bill of lading records
- History of previous Payment Methods - from the previous sales contract and LC sample if any.
- History of previous Payment Terms - from the previous sales contract
- History of previous buyers and destinations – from previous sales contract



DOCUMENTATION & EXPORT HISTORY

- History of previous procurement strategies adopted – from the loan application, proposal or business plan.
- History of previous transaction cycle- from the date of sales contract to the receipt of export proceeds in the exporter's account
- History of previous payments from the buyer- from the statement of Account

An exporter applying for a financing facility with documentary evidence showing his previous history as stated above would inevitably stand a greater chance of being considered by the bank if other terms and conditions required by the bank are met.



WAY FORWARD



CAPACITY BUILDING

4

YOUTHS

(ALTERNATIVE TO YAHOO YAHOO)

**Sponsoring hundreds of Youths To Use Their Interest in
Internet Productively Via Skill Acquisition In
Export Business Management**



5

Executive Diploma Programme

PROGRAMME TITLE:

Diploma in Export Trade Finance (ETF)



TARGETS

Experienced Professionals like:

Trade Product Managers, and
Relationship Managers,
Risk Managers,
Logistics Personnel,
Trade Desk Officers,
and Treasurers in FMCG

COURSE CONTENT

The ETF programme covers: export finance options, export trade finance instruments, export credit insurance, mitigating export trading risks and fraud, export documentation, etc.

Course Fee: \$1050

Period: 6 months

Lecture Days: Every Saturday

Lecture Duration: 2-3 hours

Contact: 08091244449

Email: tradeacademy@3timpex.com

6

Executive Diploma Programme

PROGRAMME TITLE:

Diploma in Export Business Management (EBM)



TARGETS

Experienced Professionals like:

Trade Product Managers, and
Relationship Managers,
Risk Managers,
Logistics Personnel,
Trade Desk Officers,
and Treasurers in FMCG

COURSE CONTENT

The EBM programme covers: export documentation, export pricing, export market entry strategy, export value chain, export supply chain management, etc.

Course Fee: \$1050

Period: 6 months

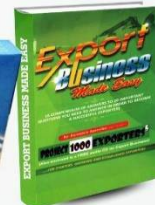
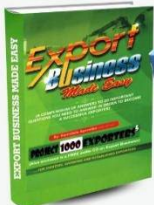
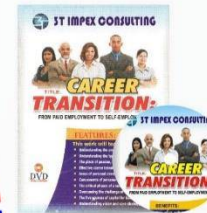
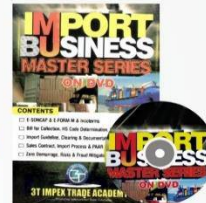
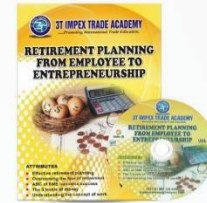
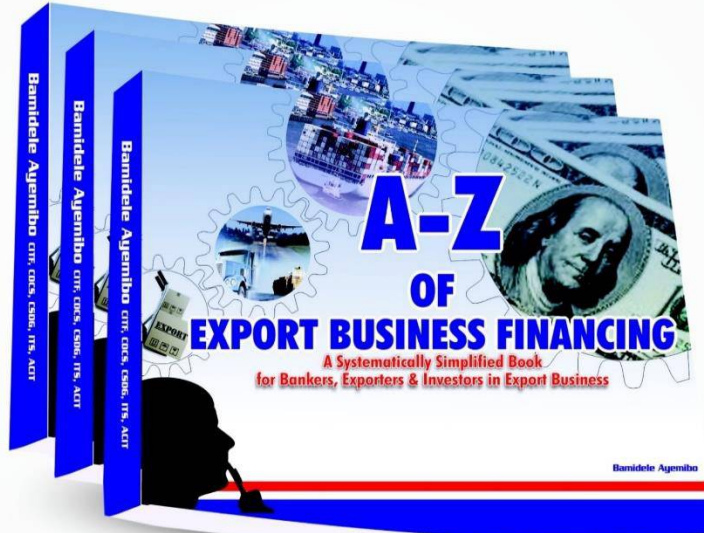
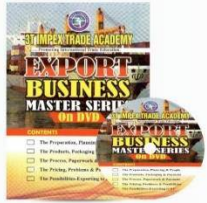
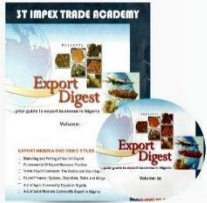
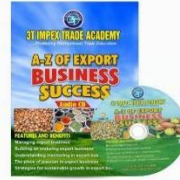
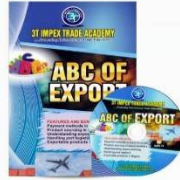
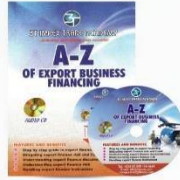
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DUE TO TIME CONSTRAINT



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IN CONCLUSION



As I conclude this presentation, I will like to stress the need for reasonable and regular investment in trade education by exporting companies in order to have an:

- Hitch free export documentation process
- Hassle free export clearance process
- Hiccup free export payment process



THANK YOU



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