UNIVERSITY OF PETROLEUM & ENERGY STUDIES

DEHRADUN

End Semester Examination-May 2018

Program/course: MBA IB — **Semester – II**
Subject: International LSCM — **Max. Marks : 100**
Code : LSCM 7003 — **Duration : 3 Hrs**
No. of page/s: 3

PART A **(20 Marks)**

Fill in the blanks.

1. The transport document which can be endorsed before delivery of the goods is called …….. .
2. For INCOTERM Ex Works, cost of loading/ unloading the goods is payable by the …….. .
3. A letter of credit which can be used multiple times by reinstating its value is called ……… .
4. Air cargo consolidation helps to reduce ……. of airfreight but may increase ……… .
5. The highest fraction of Indian cargo is handled by ……… mode.
6. The policy of not permitting foreign ships to ply in coastal waters of a country is called …….. .
7. A ……….. bill of entry is used for clearing imported goods for storage in a bonded warehouse, while a …….. bill of entry is used to clear the goods for home consumption .
8. The process of loading bigger ships at foreign port and using smaller vessels for delivery of cargo to India is called …….. .
9. EOQ is the order quantity which yields the lowest ……. .
10. MTOs are registered with ……. while CHAs are registered with ……. .

PART B **(20 Marks)**

Answer any four questions. Write short notes on:

1. INCOTERMS
2. Air cargo consolidation

3. Coastal shipping
4. Purchase strategies
5. Inventory analysis

PART C **Answer any 2 questions** **(30 Marks)**

1. What factors are likely to be considered by a multinational manufacturing organization in deciding locations for their assembly plants? You may use "Renault Logan" case as foundation but are expected to discuss other relevant factors as well.
2. What are the emerging trends in world seaborne trade, particularly with respect to liquid bulk, container cargo and major bulk cargo? What impact has the global slowdown had on fleet composition, freight pricing and sailing practices?
3. What are some of the steps which should be taken to improve the modal mix and ensure higher efficiency in export cargo movement in India? What are the other benefits likely to result from these?

PART D **(30 Marks)**

This question is compulsory

Company ABC Ltd. in India is in the business of importing components (kits) and assembling them for domestic sale & re-export as a finished product(units). The components are imported from XYZ Inc.(US company) in CKD form at the rate of $ 150 per kit and the finished product is sold globally to many customers at the rate of $ 250 per unit. The kits are imported in container loads of 10000 kits per month. In view of the high volume of business ABC has been having difficulty in meeting their working capital requirements and the competitive market does not leave flexibility to ABC for raising working capital at high rates from the open market. Getting adequate orders for their product is not a constraint.

To cover their working capital needs ABC has negotiated Packing Credit facility from their bank to the tune of Rs.6 Crores at 7% p.a., but continue to face working capital constraints since this does not meet their needs completely.

ABC has now been contacted by a new customer (PQR Gmbh. In Germany) who is willing to order 2000 units per month of the product and is also willing to give a

lump sum advance of $1500000 for one year but expects to be paid interest at 9% p.a. on the outstanding advance (total order for 24000 units).

XYZ has also agreed to extend credit of 3 months on kit purchases for the monthly purchase of kits, but expects compensation as interest on the credit at 8% p.a.. ABC normally borrows working capital from their bank at 12% p.a.. Interest rate payable by XYZ in US is 3% p.a. while that payable by PQR in Germany is 4% p.a..

At the time of negotiation of the new order with PQR, ABC has drawn Rs.4 Crores as packing credit against their existing orders with earlier customers and are operating overdraft facility fully to the extent of Rs. 20 crores.

Given that ABC can forward purchase/ book $ from the bank to pay back credit obtained from buyers/ sellers and the Rupee vs. $ buying rate(selling rate for the bank) prevailing on date is:

Spot	Rs. 65.00
1 or 2 months	Rs. 65.20
3 or 4 months	Rs. 65.40
5 or 6 months	Rs. 65.60
7 or 8 months	Rs. 65.80
9 or 10 months	Rs. 66.00
11 or 12 months	Rs. 67.20

Please evaluate the following:

1. Assuming there is no impact of customs duty in India and Germany, what is the direct commercial differential benefit to ABC, PQR and XYZ if the entire deal goes through? (15Marks)
2. What strategy will ABC follow to manage their working capital? (10 Marks)
3. Is there any other variation possible in the negotiation strategy which ABC should follow with PQR / XYZ and what will be the likely result?(5 Marks)