
Prescription: 676 INTERNATIONAL TRADE AND FINANCE

Elective prescription

Level	6
Credit	20
Version	2
Aim	Students will apply knowledge of appropriate products and strategies in the conduct, financing and settlement of international trade.
Prerequisites	nil.
Recommended Prior Knowledge	520 <i>The Economic Environment</i> and 570 <i>Introduction to Banking and Financial Services</i>

Assessment weightings

Learning outcomes	Assessment weighting %
1. Students will evaluate the economic importance of international trade in the New Zealand context.	10
2. Students will evaluate risks for importers and exporters in relation to international trading situations, and apply appropriate risk management strategies and tools.	15
3. Students will evaluate a range of methods for managing foreign exchange risks in relation to given situations and recommend, with justification a suitable method or methods.	15
4. Students will apply the appropriate common trade pricing term to given international trade situations, and determine appropriate documents and their key data content.	10
5. Students will determine how documentary collections operate as a method of payment in given international trade transactions.	10
6. Students will determine how documentary letters operate as a method of payment in given international trade transactions.	15
7. Students will recommend, with justification, and assess the risks in relation to, a suitable stand-by guarantee instrument (or instruments) for a given international trade situation.	10
8. Students will evaluate a range of pre- and post- shipment importer and exporter trade finance facilities, and recommend, with justification, a suitable facility (or facilities) for given situations.	15
Total	100

All learning outcomes must be evidenced; a 10% aggregate variance is allowed.

Assessment note

Assessment materials should reflect relevant and current New Zealand and International legislation, standards, regulations and acknowledged good industry/business practices.

Learning outcome one

Students will evaluate the economic importance of international trade in the New Zealand context.

Key elements:

- a) Modes of international trade:
 - importing
 - goods
 - services
 - exporting
 - goods
 - services.
- b) Benefits of international trade for exporters and importers.
- c) Benefits of international trade for the New Zealand economy.
- d) Benefits accruing to exporters and importers of at least one significant current trade agreement.

Learning outcome two

Students will evaluate risks for importers and exporters in relation to international trading situations, and apply appropriate risk management strategies and tools.

Key elements:

- a) Types of risk:
 - credit risk
 - transfer risk
 - exchange risk
 - transport risk
 - performance or operational risk.
- b) Risk management strategies, as appropriate to each international trading situation:
 - eliminate
 - minimise
 - retain.
- c) Three tools available to minimise risk which may include:
 - methods of payment
 - cargo insurance
 - credit insurance
 - due diligence.

Learning outcome three

Students will evaluate a range of methods for managing foreign exchange risks in relation to given situations and recommend, with justification, a suitable method or methods.

Key element:

- a) Methods include but are not limited to:
 - forward exchange contracts (fixed and optional)
 - forward rate calculations
 - rationale for discounts and premiums
 - close out calculation and rationale
 - currency options
 - foreign currency loans
 - foreign currency accounts
 - invoicing in domestic currency.

Learning outcome four

Students will apply the appropriate common trade pricing term to given international trade situations, and determine appropriate documents and their key data content.

Key elements:

Application of at least two Incoterms.

- a) Appropriate combination of four document categories which may include: :
- commercial
 - official
 - insurance
 - transport
 - financial (includes bills of exchange).

Learning outcome five

Students will determine how documentary collections operate as a method of payment in given international trade transactions.

Key elements:

- a) Process of collecting payments:
- establishment and sequence of collection
 - D/P versus D/A
 - payment or dishonour of the collection.

Process must be consistent with the Uniform Rules for Collection (URC).

- b) Advantages and disadvantages to importers and exporters of using documentary collections, including how disadvantages may be minimised.

Learning outcome six

Students will determine how documentary letters of credit operate as a method of payment in given international trade transactions.

Key elements:

- a) Documentary letters of credit:
- irrevocable
 - irrevocable and confirmed
 - irrevocable and transferable.
- b) Availability:
- payment
 - acceptance
 - deferred payment
 - negotiation.

- c) Process for establishing, drawing and paying:
- sequence and responsibilities
 - risks at each stage
 - compliance or non-compliance.

Process must be consistent with the Uniform Customs and Practice for Documentary Credits (UCP).

- d) Advantages and disadvantages to importers and exporters of using documentary letters of credit, including how disadvantages may be minimised.

Learning outcome seven

Students will recommend, with justification, and assess the risks in relation to, a suitable stand-by guarantee instruments for a given international trade situation.

Key elements:

- a) Instruments may include:
- guarantees/bonds
 - stand-by letters of credit
 - shipping indemnities.
- b) Advantages and disadvantages (including risks) to importers, exporters and banks of using stand-by guarantee instruments, including how disadvantages may be minimised.

Learning outcome eight

Students will evaluate a range of pre- and post-shipment importer and exporter trade finance facilities, and recommend, with justification, a suitable facility (or facilities) for given situations.

Key elements:

- a) Trade financing facilities:
- domestic and foreign currency trade financing
 - the negotiation of clean and documentary collections
 - documentary letters of credit (negotiation)
 - non-recourse financing.
- b) Risks and rights of recourse for the selected facility(ies).

Status information and last date for assessment for superseded versions

Process	Version	Date	Last Date for Assessment
Introduced	1	2006	31 December 2015
Review	2	2013	31 December 2020

EXPIRING