
PRESCRIPTION: 676 INTERNATIONAL TRADE AND FINANCE

This prescription replaces prescription 225 *International Trade and Finance*.

ELECTIVE PRESCRIPTION

LEVEL 6

CREDIT 20

VERSION 1

INTRODUCED 2008

AIM Students will apply knowledge of appropriate products, strategies and practices in the conduct, financing and settlement of international trade.

PREREQUISITES Nil. However, 520 *The Economic Environment* and 570 *Introduction to Banking and Financial Services* include useful underpinning knowledge and skills.

ASSESSMENT WEIGHTINGS

Learning Outcomes	Assessment weighting %
1. Students will evaluate the importance of international trade in given situations.	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 select and justify appropriate risk management strategies.	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 the operation of documentary collections in given international trade transactions might best apply as a method of payment.	10

6. Students will determine how the operation of documentary letters of credit in given international trade transactions might best apply as a method of payment.	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 NOTES

1. Assessment materials should reflect relevant and current legislation, standards, regulations and acknowledged good industry/business practices.
2. Student evidence will reflect the New Zealand context and current New Zealand and international legislation, rules, principles and practices.
3. Students are expected to demonstrate a high level of problem-solving and decision-making skills in meeting learning outcomes.
4. Students are expected to communicate in a manner that is consistent with industry expectations (particularly in relation to learning outcomes 3 to 8).
5. In meeting learning outcome 4, students should apply at least two different Incoterms.

LEARNING OUTCOME ONE

Students will evaluate the importance of international trade in given situations.

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, including but not limited to at least 4 of:
- credit risk
 - transfer risk
 - exchange risk
 - transport risk
 - performance or operational risk.
- b) Risk management strategies, as appropriate to each situation, including any of:
- eliminate
 - minimise
 - retain.
- c) Tools provided by various private and government organisations, as appropriate to each situation, which may include but are not limited to:
- methods of payment
 - 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 select and justify appropriate risk management strategies.

Key elements

- 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.
- b) Risk management strategies, as appropriate to each situation, including any of:
- eliminate
 - minimise
 - retain.

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

- a) Incoterms may include but are not limited to FOB, CFR, CIF, CIP and DDP.
- b) Document categories may include but are not limited to the appropriate combination of at least four of:
 - commercial
 - official
 - insurance
 - transport
 - financial (includes bills of exchange).

LEARNING OUTCOME FIVE

Students will determine how the operation of documentary collections in given international trade transactions might best apply as a method of payment.

Key elements

- a) Process of collecting payments includes:
 - 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 the operation of documentary letters of credit in given international trade transactions might best apply as a method of payment.

Key elements

- a) Documentary letters of credit include but are not limited to at least two of:
 - 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 instrument (or instruments) for a given international trade situation.

Key elements

- a) Instrument(s) may include but is (are) not limited to:
- 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 include but are not limited to:
- 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).