

EXPORT MARKETING AND FINANCE

WEEK 5 EXPORT DOCUMENTATION

DR KAMAU JOHN NJAU

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WEEK FIVE

EXPORT DOCUMENTATION

5.1 Introduction

Welcome to week 5 lecture! In the last lecture we started exploring the procedures of exporting goods and the types of contracts that have to be signed between the importer and exports. We saw a few documents that accompany the process. In this lecture we will go deeper in examining the various export documents and their significance. Though a lot of documents are now exchanged electronically, it is important for us to appreciate that a lot of documenting is done to reduce risk and also ensure goods land in the right ports.

5.2 Intended Learning Outcomes

At the end of this lecture, you will be able to:

1. Describe the aligned document systems
2. Discuss principle export documents
3. Examine commercial export documents
4. Evaluate use of technology in export documentation

5.3 Aligned document systems.

Export marketing documentation has been very cumbersome with an exporter having to fill almost 40 plus documents. This has created the need to have a system that puts these documents in one place, reducing time wastage and ensuring that the work is done effectively. Several systems of aligning export documents have been developed such as Aligned Document Systems (ADS), Trade Facilitation Working Party of, the UN/ECE (WP.4) and the 1965 publication of the United Kingdom Board of Trade's Simpler Export Documents (Gopal, 2006), The Harmonized System (World Customs Organization, 2018) among other.

There are several advantages/benefits that a business would accrue from harmonized documentation. From business perspective, alignment or harmonization leads reduce time and cost of trade and improve transparency while from government perspective the system enhance control, revenue collection, and create balance between trade security & trade facilitation (Misovicova, 2007). These benefits are summarized as:

- Fewer documents and forms to complete.
- Reduced time, money and human resources resulting in lower trade transaction costs.
- Harmonized data elements resulting in easier documents transmission between countries and removing language barriers.
- Improved administrative controls – fewer errors.
- Precondition for transition to automation and electronic documents: Golden rule “First simplify the process and documentary requirements, then automate”
- Creates better image for the firm and the country,

There are also dangers of poor documentation in export business. These are also summarized as follows (Kumar Singh, 2013). The exporter may:

- Suffer financially in terms of higher interest costs/penalties/fines and discrepancy charges.
- Have to spend extra money on phone/fax/courier services.
- Suffer heavily due to loss of credit cover from insurance companies.
- Forced to pay heavy demurrage charges in his own country/offer compensation to his buyer in the form of discounts if there is delay due to snags in documents, affecting the buyer's ability to claim goods at the foreign ports.
- Forced to airfreight goods at his own expense if the shipment is delayed unreasonably because of documentation problems.
- Suffer loss of goodwill with the buyer resulting in loss of further business.

5.4 Principal export documents

Export marketing is surrounded by a variety of documents that must be filled in to facilitate movement of goods from exporter to importer.. these documents serve two main purpose: first to effect physical transfer of goods and title to the goods from exporter to buyer and second to realise export sales proceeds. In this section we will examine the principal documents. These would include (i) Commercial invoice (ii) Packing list (iii) Certification of inspection/quality control (where required) (iv) Bill of lading/Combined Transportation Documentation (v) Shipping Advice (vi) Certificate of origin (vii) Insurance Certificate/Policy (In case of CIF export sales contract) and (viii) Bill of Exchange. They are normally sent from exporter to importer. We will examine some of them:

- i. **Commercial invoice:** A commercial invoice is the seller's bill for merchandise or goods sold by him. Invoice contains all the particulars and details in respect of name and address of seller (exporter), name and address of buyer (importer), date, exporter's reference number, importer's reference number, description of goods, price per unit at particular location, quantity, total value, packing specifications, terms of sale (FOB, CIF etc), identification marks of the package, total number of packages, name and number of the vessel or flight, bill of lading number, place and country of destination, country of origin of goods, reference to letter of credit, if opened, terms of payment, and finally signature of the exporter etc.

This document is important to a business in the following ways (Gopal 2006)

- It is prima facie evidence of the contract of sale and purchase of goods.
- Invoice constitutes the main document for various export formalities such a pre-shipment, inspection, quality, excise and customs procedures.
- It is useful for accounting purposes, both by the exporter and importer.
- This document is required in collection/negotiation of documents through the bank.
- For claiming incentives, this document is essential.

Figure 5.1 Sample commercial invoice

COMMERCIAL INVOICE				
Vendor/Exporter:	Invoice Number:	Date of Shipment:		
	Letter of Credit Number:	AWB/BL Number:		
	Currency:	Country of Origin:		
	Conditions of Sale /Terms of Sale:			
Consignee:		Importer:		
Transportation: -- Via: -- From:	Total Number of Packages: -- Total Net Weight: -- Total Gross Weight:	Total Invoice:		
Product Description	Qty	Weight	Unit Price	Total Value
These commodities, technologies, or softwares were exported from the United States in accordance with export administration regulations. Diversion contrary to United States law prohibited. We certify that this commercial invoice is true and correct.				
Name	Signature	Date		

Source: “Commercial Invoice Image .” *What Is a Commercial Invoice in Shipping & Exports*, www.dripcapital.com/resources/blog/commercial-invoice-meaning-format. Accessed 28 Sept. 2023.

- ii. **Packing list:** provides the details of number of packages; quantity packed in each of them, the weight and measurement of each package and the net and gross weight of the total consignment. Packing list concentrates on the physical and material part of consignment. for the exporter, packing list serves as a cross-check of goods, to the port personnel, it comes handy while planning the loading and offloading of cargo while to the customs authorities as they can carry out the physical examination of cargo and conduct checks on the weight and measurements of the goods smoothly against the declarations made by the exporter in the packing list (Kumar and Singh, 2013). It contains information

iii) Bill of landing: according to Gopal (2013) Bill of Lading is a document issued by the shipping company or his agent acknowledging the receipt of cargo on board. This is an undertaking to deliver the goods in the same order and condition as received to the consignee or his agent on receipt of freight, the shipping company is entitled to and constitutes document of title to the goods. The Main Purposes of bill of landing include to act as a document of title to the goods, as a receipt from the shipping company and as a contract of affreightment (transportation) of goods. Types of bill of landing include: (1) Received for Shipment B/L: (2) On Board Shipped B/L: (3) Clean B/L: (4) Claused or Dirty B/L (5) Transshipment or Through B/L (6) Stale B/L (7) To Order B/L: (8) Charter Party B/L: (9) Freight paid B/L: and (10) Freight Collect B/L. Bill of landing will contain information on name and address of the shipper, name and address of the vessel., name of port of loading, date of loading of goods, name of port of discharge and place of delivery, quantity, quality, marks and other description, number of packages., freight paid or payable, number of originals issued, name of the shipping company, voyage number and date and signature of the issuing authority.

Bill of landing is important to a business in the following ways. To the exporter; 1. It is an acknowledgment from the shipping company that the goods have been received for the purpose of shipment. 2. helps him to send the shipping advice to the importer. 3. If any damage occurs to the cargo during transit, he can hold the shipping company responsible, if he has received clean bill of lading. 4 A copy of bill of lading is required to be attached to the application form to claim the incentives 5. It is a contract of carriage between the exporter (shipper) and the shipping company. To the importer the bill of landing is important in that it 1. It is a document of title to the goods, which enables him to transfer the title by endorsement and delivery. 2. The exporter can send a non-negotiable copy of B/L as advance intimation of shipment to the importer and 3 It enables him to pay the freight amount as the B/L contains freight details. To the shipping company, 1. It helps the shipping company to collect the freight amount from the exporter (CIF contract) or importer (FOB contract). 2. Shipping company can protect itself from the wrongful claims of exporter/importer by incorporating condition of goods/packaging, at the time of receipt. (Gopal 2006). Figure 5.3 is a ample of bill of landing

iv. Airway Bill/ Consignment note. It is a receipt issued by an airline for the carriage of goods. It is important in the following ways (Gopal 2006).

1. It is a contract of carriage of goods between the consignor and airlines or his agent.
2. It acts as a customs declaration form.
3. It contains details of freight and so works as a freight bill.

Other important principal documents are presented in the table below

Table 5.1 Other Principal export documents

Document	Purpose
Certification of inspection	It is a certificate issued by the Export Inspection Agency certifying that the consignment has been inspected under the Export Act, 1963 and found that the requirements relating to quality control and inspection have been complied with, as applicable, and the goods are export worthy..
Certificate of origin	it is a certificate that specifies the name of the country where goods are produced, the nature, quantity, and the value of the goods.
Insurance Certificate	Issued against insurance declaration and covers all terms and conditions of cargo. The document is negotiable
Bill of Exchange.	It an instrument in writing containing an unconditional undertaking, signed by the maker, directing a certain person to pay a certain sum of money only to, or to the order of, a certain person or to the bearer of the instrument.

Source: adapted from Gopal (2006)

5.5 Ancillary export documents

These documents are required to prepare/procure the principal commercial documents and include they include 1. Proforma invoice, 2. Insurance declaration, 3. Intimation for inspection 4. Shipping order, 5. Mate's receipt 6. Application for certificate of origin 7. Letter to bank for negotiation/collection of documents. We will discuss two of them in length and summarize others in a table 5.2.

- i) **Proforma Invoice:** It is the starting point of an export contract that forms basis of all trade transactions and further negotiation, or contract is made on this basis. As and when the exporter receives the trade inquiry from the importer, exporter submits the Proforma invoice to the importer (Branch, 2006). It contains information on name and address of the exporter, name and address of the intending importer, nature of goods, mode of transportation, unit price in terms of internationally accepted quotation, name of the country of origin of goods, name of the country of destination, period required for executing contract after receipt of confirmed order and finally signature of the exporter.
- ii) **Mate's Receipt:** A mate's receipt is issued by the mate (assistant to the captain of the ship) after the cargo is loaded into the ship. It is an acknowledgment that the goods have been received on board the ship. Contains information on 1. Name of the vessel, 2. Date of shipment, 3. Berth, 4. Marks, 5. Numbers, Description, and condition of goods at the time they are shipped, port of loading, 7. Name and address of the shipper, 8. Name and address of the importer(consignee) and 9. Other required details (Gopal, 2006). There are basically two types of mate receipts Clean Mate's Receipt and Qualified Mate's Receipt. The document is significant in that:

it is an acknowledgment of goods, enable the exporter or his agent to secure bill of lading from the shipping company, forms the basis for preparing bill of landing and that Port Trust Authorities are enabled to collect their dues as it is routed through them.

Table 5.2 Other Important Ancillary Documents

Document	Purpose
Intimation for Inspection	This is the prescribed format for intimating the Export Inspection Agency (EIA) inviting them to come to inspect the shipment
Shipping Instructions	A shipper's letter of instruction is a standardized form prepared by the shipper and submitted to the airline or the agent giving clear and complete forwarding instructions. It provides all the relevant data which the carrier needs to complete the bill of lading and specifies who is responsible for freight charges.
Insurance Declaration	The export sales contract with the buyer must clearly state who is responsible for arranging the insurance at all stage from the time the merchandise leaves the exporters premises until the buyer takes possession.
Shipping Orders	Ship's delivery order is a written authority to deliver goods to a named party in exchange for the bill of lading, usually at the port of destination.
Mate's Receipt	It is an acknowledgment that the goods have been received on board the ship. It is issued by the mate (assistant to the captain of the ship) after the cargo is loaded into the ship.
Letter to the Bank for Collection/Negotiation of Documents	It is a certificate issued by the negotiating bank to the exporter that the bill covering the shipment has been negotiated through it and export proceeds have been received from the importer. The certificate indicates the details of the merchandise exported.

Source: adopted from Gopal, 2006 and Branch 2006

5.7 Regulatory documents

These are prescribed by various government departments/bodies for compliance of formalities under relevant laws governing export transactions. These include: 1. Exchange Control Declaration Form-GR Form, 2. Freight Payment Certificate, 3. Insurance Premium Payment Certificate, 4. ARE I/ARE II Forms, 5. Shipping Bill/Bill of Export, 6. Port Trust Copy of Shipping Bill/Export Application/Dock Challan, 7. Receipt of Payment of Port Charges and 8. Vehicle Ticket (Kumar and Singh, 2013). We will discuss shipping bill and give a summary of others in table 5.3.

Shipping Bill

The shipping bill is the main document based on which the customs permission is given. The exporter is required to file the appropriate type of shipping bill to seek the order for customs clearance of the export shipment. It contains information on (A) Nature of goods exported, (B) Name of vessel, master or agents, (C) Flag, (D) Country of destination, the port at which the goods

are to be discharged, (E) Exporter's address, (F) Importer's address, (G) Details of the packages, such as numbers and marks, (H) Quantity details of each case, total number of cases and aggregate weight, (I) F.O.B. prices and real value as defined in the Sea Customs Act and (J) Whether the merchandise is Indian or foreign origin which is re-exported (Gopal 2006). This document is significant to an exporter in that customs authorities refer to it for clearance of goods enables exporter to load goods on the ship and also facilitates the exporter to claim incentives such as excise duty refund and duty drawback. The different types of shipping bill include, Free Shipping Bill, Dutiable Shipping Bill, Drawback Shipping Bill, Shipping bill for Shipment Ex-Bond and the Coastal Shipping Bill.

Table 5.3 Other important regulatory documents

Export Application/Dock Challan:	Dock receipt is issued by a Port Authority to confirm receipt of cargo on the quay or warehouse pending shipment. When all the formalities of the customs are completed, the importer pays the dock charges. The importer specifies the number of dock dues in a form which is known as dock challan.
Receipt for Payment of Port Charges	After payment of dock charges, the importer is given back one copy of the application as a receipt. This receipt is known as 'port trust dues receipt'
Exchange Control Declaration Forms	An export declaration is a form that is submitted by an exporter at the port of export. It provides information about the goods being shipped, including type, number, and value. This information is used by customs to control exports, in addition to compiling statistical information about a country's foreign trade.
Freight Payment Certificate	This certificate is an evidence of freight payment. It certifies that due freight has been paid by the exporter. It is an equivalent of freight receipt.
Insurance Premium Payment Certificate	This document certifies the payment of insurance premium.

Source: adopted from Kumar A & Singh R. (2013) International Trade Procedures and Documentation Excel Books Private Limited India

5.8 Paperless trading in export marketing

The cumbersome process of filling so many documents in export marketing has attracted attention in this digital era with many players seeing the need to change and pass the documents or the information electronically. To this end paperless trading is being developed. Paperless trade refers to the digitization of these information flows, including making available and enabling the exchange of trade-related data and documents electronically (World Economic forum, 2017). This has a possibility of transforming the entire industry and easing doing of business across national borders. It may take form of data-trader interface (DTI) or electronic data interchange (EDI). The following are benefits and challenges of paperless trading as highlighted by World Economic forum (2017).

Benefits to business

- Paperless trade systems streamline the flow of information in global supply chains by simplifying the exchange of necessary documents or contractual elements.
- paperless systems can generate savings for traders through faster movement of goods as well as greater efficiency at border agencies where the exchange involves trade administration documents.
- Reductions in trade costs and efficiency via paperless trade can be particularly helpful for small and medium-sized enterprises (SMEs) using e-commerce platforms to access international markets
- As electronic messages typically move much faster than physical merchandise, implementing paperless trade systems has also driven major innovations in international supply chains, such as “just-in-time” delivery.
- Paperless trade systems have facilitated the emergence of “third-party logistics” (3PL) players that offer elements of distribution and fulfilment for clients.

Benefits to government

- paperless trade can improve transparency and traceability.
- paperless trade can help to tackle illegal and counterfeit trade or trade-based money-laundering by increasing the visibility on exported goods and easily exposing trades that make no commercial sense.
- Paperless trade can also help governments more efficiently to address growing security concerns and the need to ensure there are no potential threats hidden in commercial packages.
- Paperless trade can also play a key role in cross-border regulatory cooperation.

Challenges of paperless trading

- The set-up and operation of paperless trade measures, supporting regulation and electronic single windows, is not yet a given across all countries.
- Paperless trading is also reliant on domestic rules on the legal validity of electronic documents, electronic signatures, where these are applied, and other data-regulation requirements.
- Further, if paperless trade is to be effective in the international trade-enabling context, governments must accept data at customs and within regulatory agencies without also requiring original paper documentation.
- capacity building may be needed to boost paperless trade use.
- High costs for implementing ICT solution, automating and moving to paperless

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