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# UNIT 8 EXPORT - IMPORT DOCUMENTATION

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## Objectives

After going through this unit you should be able to:

- explain the significance of documentation and related procedures in export import transactions,
- describe the basic purpose which each document and related procedure seeks to serve,
- develop familiarity with the documents and related procedures needed in executing an export order,
- acquire a systematic approach towards documentation in your organization.

## Structure

- 8.1 Introduction
- 8.2 Need
- 8.3 Kinds of Documents
- 8.4 Principal Export Documents
- 8.5 Auxiliary Documents
- 8.6 Documents in Import Trade
- 8.7 Export Documentation and Procedures-Step by Step
- 8.8 Some Useful Tips
- 8.9 Summary
- 8.10 Self-assessment Questions
- 8.11 Further Readings

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## 8.1 INTRODUCTION

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Documentation and procedures, though complex and cumbersome, are integral part of international marketing operations. Full knowledge and accurate compliance of procedures and documentation formalities are as essential as looking into areas of marketing mix to ensure success in international marketing. Inadequate understanding of the various formalities on the part of the managers results in protracted correspondence, adversely affecting the business and cash flow due to delays in realization of export proceeds as also the various incentives.

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## 8.2 NEED

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The physical transfer of goods in international trade has traditionally been associated with a number of documents. Over the years, however, the number of documents and related procedures has multiplied making international trade complex and cumbersome. Need for documentation arises primarily because of certain peculiarities of international trade transactions. Unlike domestic trade, buyers and sellers are separated by long distances in overseas trade transactions. This necessitates concluding a formal contract laying down duties and responsibilities of buyers and sellers respectively. Moreover, some intermediation becomes inevitable. No international trade transactions can be completed without the assistance of at least three intermediaries - a carrier, who undertakes to deliver



the goods to the buyer on behalf of seller, an insurance company that covers the risks arising out of hazards of long voyage and finally a banker who collects the sale proceeds from the buyer and hands over the same to the exporter. Besides, other intermediaries are freight forwarders, freight brokers, chambers of commerce etc. Documentation and attendant formalities become necessary to ensure compliance of contract obligations of the concerned parties i.e., the exporter, importer and intermediaries.

International trade also means trading relationship between the citizens of two independent sovereign states. International trade is state regulated everywhere, even US government regulates the export import operations of domestic firms and insists on documentation for information and control purposes. In India, several documents have been prescribed to ensure compliance of Export Trade Control, Foreign Exchange Regulations, Quality Control and Preshipment Inspection, Central Excise etc.

### Activity-1

What is the underlying rationale for documentation? Discuss from the exporter's point of view.

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## 8.3 KINDS OF DOCUMENTS

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**These documents can be broadly classified into the following categories:**

- I) Documentation as per requirements of the contract:
- Commercial Invoice
  - Packing List
  - Insurance Certificate/Policy
  - Bill of Exchange
  - Shipment Advice
  - Certificate of Origin
  - Inspection Certificate
  - Transportation Documents:
    - Bill of Lading
    - Airway Bill
    - Combined Transport Document
- II) Documentation as per requirement of Government of India:
- Export Licence, if necessary,
  - AR4/AR5 Form
  - Preshipment Inspection Certificate
  - Export Declaration Form GR/PP/VPP/COD/SOFTEX Form
  - Shipping Bill



### III) Documents as per requirement of the importing Country:

- Customs Invoice
- GSP Certificate of Origin

### IV) Documents required for claiming export assistance:

- Application form
- Shipping Bill duly authenticated by customs
- Commercial invoice attested by bank
- Bank certificate
- Statement of Exports certified by the negotiating bank
- Registration cum membership form of concerned export promotion council.

Another way of looking at the documents is to classify them as principal and auxiliary documents.

### **Principal Documents**

These are:

1. Commercial Invoice
2. Packing List
3. Marine Insurance Policy/Certificate
4. Bill of Exchange
5. Letter of Credit
6. Bill of Lading
7. Airway Bill
8. Combined Transport Document
9. GR/PPNPP/COD/SOFTEX Forms
10. Export Inspection Certificate
11. AR4/AR5 Forms
12. Shipping Bill
13. Certificate of Origin
14. Shipment Advice
15. Consular Invoice

### **Auxiliary Documents**

These documents may be required for the preparation or procurement of some of the principal documents or for arranging some of the preliminaries in effecting shipment of goods, such as giving shipping instructions to freight forwarders, arranging pre-shipment inspections, marine insurance cover, shipping space, procurement of bills of lading etc. Documents normally required are:

1. Shipping Instructions Form
2. Application for Export Inspection Agency
3. Shipping Order
4. Mate Receipt and
5. DockChallan.



## Activity-2

What is the underlying difference between Principal Documents and Auxiliary Documents?

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## 8.4 PRINCIPAL EXPORT DOCUMENTS

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Managers concerned with export/import business should be well acquainted with all the documents which are needed from time to time. These documents are briefly explained below:

### 1. Commercial Invoice

It is a basic document which gives full details of the contents of the shipment and serves as seller's bill of goods and, therefore, sets out the terms of sale. An exporter is required to prepare this complete document which must fully identify the overseas shipment and serve as a basis for the preparation of all other documents which, in greater or lesser detail reproduce information from it.

Normally, apart from the special requirements of the importer, form of invoice will be similar to that used for domestic business. There is no standard form and it is left to the exporter to change his own design, always ensuring that it will be convenient for use by foreign parties. In fact, the exporter should strictly follow the requirements of the purchaser in regard to invoicing and, as the requirements of foreign laws vary widely and are revise from time to time,' it is important for an exporter to keep himself fully informed, about such changes in government regulations of the importing countries.

According to the Uniform Customs and Practices for Credit

- (i) Unless otherwise specified in the credit, commercial invoices must be made out in the name of the applicant for the credit;
- (ii) Unless otherwise specified in the credit, banks may refuse commercial invoices issued for amounts in excess of the amount permitted by the credit, and
- iii) The description of the goods in the commercial invoice must correspond with the description of the goods in the credit.

The following check list of the items making up a commercial invoice should always be kept in view though not all items are required for every transaction:

Name and address of the shipper Invoice number and date

Buyer's and Seller's order number

Name and address of the overseas customer (buyer)

Name of the vessel and sailing date Terms of payment

Insurance reference

Customs, and consular declaration Shipping marks and number on packages

Quantities and description of commodities

Net weight and gross weight as well as measurement in metric units

Specification of packing



Unit price and total value

Terms of sale (F.O.B./C.I.F./C & F/FAS, etc.)

Any additional charges which should be itemized such as packing, cartage, consular, etc. (if the contract is on f.o.b. basis)

Bill of Lading number

Import Licence number and date

Letter of Credit number and date

*Proforma invoice*

It is a preliminary, provisional, temporary invoice for an anticipated shipment which might or might not take place. Such invoices serve certain useful functions in that the overseas buyer is then in a position to deal with certain requirements before placing the order, e.g. obtaining an import licence. Secondly, proforma invoices, if made out, can be supplied to the bank when a Letter of Credit is to be established by the overseas buyer with the instructions that the L.C. (letter of credit) be opened in accordance with the invoice.

## **2. Packing List**

Exporters are required to prepare an accurate packing list showing, item by item, the contents of the packages or cases so as to enable the receiver of the shipment to carry out a check. The packing list should give a description of the goods, number and marks on the packages, quantity per package, net and gross weight, measurement, etc. Properly prepared, these packing lists ensure movement of goods and avoid unnecessary unpacking.

There is no particular form to be used but for purposes of guidance a specimen copy may be seen.

## **3. Marine Insurance Policy/Certificate**

A marine insurance policy/certificate is a document associated with transit of goods in trade, whereby the insurer undertakes to indemnify the assured against damage for loss of goods due to risks/hazards in transit, to the extent and in the manner mentioned in this document. In a OF contract of sale, the seller has to take the requisite insurance cover to protect his own as well as the buyer's interests in case of damage or loss of goods. The insurance policy/certificate must be, such as to satisfy the conditions of the letter of credit/ sale contract, and roust coder all risks specified therein, or which are considered to be normally associated with trade in a particular product.

## **4. Bill of Exchange**

An exporter can send a bill of exchange for the value, of the invoice of goods for export through the banking system for payment by an overseas buyer on presentation. A bill of exchange is legally defined as "an unconditional order in writing, addressed by one person to another, signed by the person giving it, requiring the person to which it is addressed to pay on demand or at a fixed or determinable future time a sum certain in money, to or to the order of, a specified person, or to bearer".

In other words an exporter prepares a bill of exchange (which looks something like a cheque) which is drawn on an overseas buyer, or even on a third party as designated in the export contract, for the sum agreed as settlement.

The bill is called a sight draft if it is made out payable at sight i.e. 'on demand'. If it is payable 'at a fixed or determinable future time' it is called a term draft, because the buyer is receiving a period of credit, known as the tenor of the bill. The buyer signifies an agreement to pay on the due date by writing an acceptance across the face of the bill.

By using a bill of exchange with other shipping documents through the banking system, an exporter can ensure greater control of the goods, because until the bill is paid or accepted by the overseas buyer the goods cannot be released. Conversely, the buyer does not have to pay or agrees to pay by some agreed date until he receives delivery of the goods from the exporter.

An exporter can pass a bill of exchange to a bank in India. The Indian bank forwards the bill



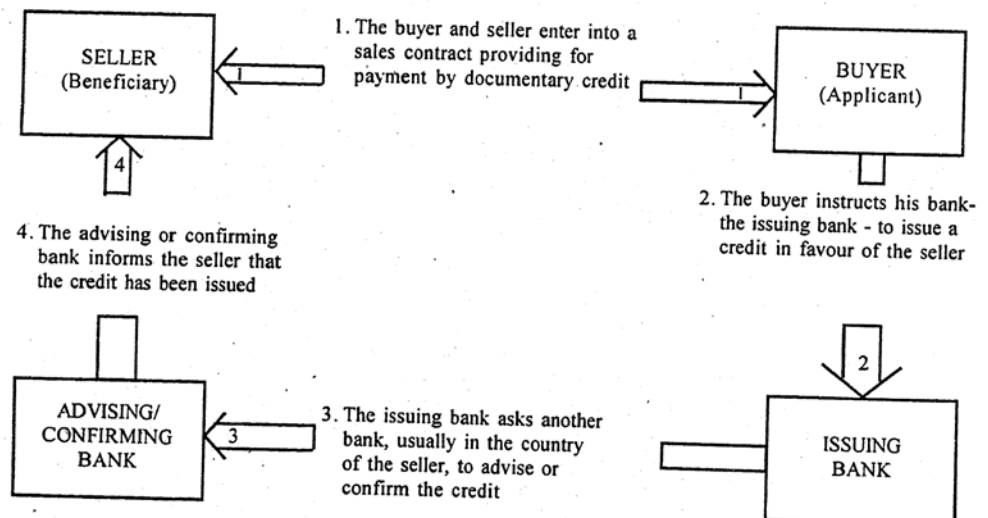
to its overseas branch or to a correspondent bank in the overseas buyer's country. This bank, known as the collecting bank, presents the bill to whomever it is drawn upon, for immediate payment if it is sight draft, or for acceptance if it is a term draft. This procedure is known as a clean bill collection because there are no shipping documents required. Clean bill collections have become more popular, particularly, in some European countries where the method is also used in internal trade.

However, it is more likely that bills are used in a documentary collection method of payment. In this case, an exporter sends the bill to the buyer through the banking system with the shipping documents, including the document of title to the goods i.e., an original bill of lading. The bank then releases the documents on payment or acceptance of the bill by the overseas buyer.

### 5. Letter of Credit

A letter of credit is a written undertaking by a bank, the issuing bank, to the seller, the beneficiary in accordance with the instructions of the buyer, the applicant, to effect payment upto a prescribed amount, within a prescribed time period against prescribed documents, provided these are correct and in order i.e. they conform with the instructions of the applicant. Letters of credit are one of the most used methods of payment in international transactions. Letters of credit are usually issued subject to the provisions of the "Uniform Customs and Practices for Documentary Credits" issued by the International Chamber of Commerce. It contains the rules governing the letter of credit transactions and the interpretation of various terms relating thereto and has been subscribed by almost all the major trading countries of the world.

There are usually two banks involved in a documentary credit operation. The issuing bank is the bank of the buyer. The second bank, the advising bank, is usually a bank in the seller's country. The second bank can, be simply an advising bank, or it can also assume the more important role of a confirming bank. In either case, it undertakes the transmission of the credit, and by doing so, implies the authenticity of the signature of the issuing bank. If the second bank is simply "advising the credit" it will mention this fact when it forwards the credit to the seller. Such a bank is under no commitment to pay the seller. If the advising bank is also 'confirming the credit' it will so state. This means that the confirming bank, regardless of any other consideration, must pay, accept, or negotiate without recourse to the seller, provided all the documents are in order & the credit requirements are met. Figure below summarizes the relationships between the partners to the letter of credit. A letter of credit contains essential details like seller's name, buyer's name, value, usance documents required, description of goods, shipment & negotiation dates, port of shipment & destination etc



Letters of credit used in international trade are of various types:

- a) Revocable and Irrevocable Letter of Credit: A revocable letter of credit is rather rare now-a-days because it means that the terms of the credit can be cancelled or amended by an overseas buyer without prior notice to the exporter. Most letters of credit are



irrevocable which means that once buyer's conditions in the letter have been agreed by an exporter, they constitute a definite undertaking by the buyer's bank and cannot be revoked without the exporter's agreement.

- b) **Confirmed and Unconfirmed Letter of Credit:** A confirmed letter of credit carries the confirmation of another bank, generally, in the country of the exporter. Such confirmation, added at the request of the issuing bank, binds the confirming banker to negotiate the drafts drawn under the credit provided the terms and conditions thereof are fulfilled.
- c) **Without Recourse and with Recourse:** A 'without recourse to drawer' letter of credit is one under which the negotiating bank cannot have a recourse against the exporter if the draft is subsequently not taken up or reimbursed by the issuing bank provided, of course, the negotiation is without recourse.
- d) **Sight and Usance:** Documentary credit may provide for payment at sight or for acceptance of a usance bill of exchange by either issuing bank in a buyer's country or the correspondent bank in exporter's country.
- e) **Transferable:** A transferable letter of credit is one which can be transferred by the beneficiary named therein in favour of another party. A credit can be transferred only if it is expressly designated as transferable by the issuing bank.
- f) **Straight and Negotiation Credit:** A negotiation credit enables either a specifically nominated bank (or any bank, if the words "Freely negotiable by any bank" are used in the credit) to check the documents and, if they are in order, to pay them less the interest for the time it will take to obtain reimbursement from the issuing bank. Sellers would require negotiation credits where the currency of the credit is not their own currency, or where the seller's local bank offers preferential rates or service.

Generally, a negotiating bank pays with recourse to the beneficiary if any thing goes wrong, but the legal position is by no means settled. This is a very important point for beneficiary, as under every other kind of Letter of Credit there is no recourse to him. All beneficiaries under negotiation credits should settle with the negotiating bank at payment, whether recourse to the beneficiary is reserved or not.

- g) **Revolving Letter of Credit:** A revolving letter of credit is one which revolves to its face value as soon as the bill negotiated under the credit is paid. Letters of credit can be made revolving on certain other conditions, e.g. negotiation of draft without waiting for the bill to be paid, at fixed periods-say monthly or every quarter, etc. Revolving Letters of Credit are used when regular and continuous payments are required to be made to the exporter.
- h) **Red Clause Credits:** Red clause credits contain an authorization by the issuing bank to the advising or confirming bank to make advances to the beneficiary before presentation of documents. The description red clause arises from the colour of the ink that is used to draw attention to the credit's special condition. The purpose of these credits is to provide pre-shipment finance to the seller who might not otherwise be capable of raising the finance to produce the merchandise desired by the buyer.
- i) **Green Clause Credit:** Green clause credit is similar to red clause but advance is given only against a warehouse receipt given by the beneficiary.
- j) **Back to Back Letter of Credit:** A letter of credit issued on the strength of another letter of credit. It is in effect, an extension of the terms and conditions of the backing credit. Usually, the beneficiary, under such credit is a supplier to the beneficiary of the backing credit.

Some of the important points laid down in Uniform Customs and Practices for Documentary Credits issued by ICC, are as follows:

1. All credits should clearly indicate whether they are revocable or irrevocable. In the absence of such indicators the credit shall be deemed to be revocable.



2. A revocable credit may be amended or cancelled by the issuing bank at any moment and without notice to the beneficiary.
3. An irrevocable credit constitutes a definite undertaking of the issuing bank, provided that the stipulated documents are presented & that the terms & conditions of the credit are complied with.
4. When an issuing bank authorizes or requests another bank to confirm its irrevocable credit & the latter has added its confirmation, such confirmation constitutes a definite undertaking of such bank (the confirming bank), in addition to that of the issuing bank, provided that the stipulated documents are presented and that the terms and conditions of the credit are complied with.
5. All credits must clearly indicate whether they are available by sight payment, by deferred payment, by acceptance or by negotiation.
6. Banks assume no liability or responsibility for the form, sufficiency, accuracy, genuineness, falsification or legal effect of any document, or for the general and/or particular conditions stipulated in the documents or super imposed thereon, nor do they assume any liability or responsibility for the description, quantity, weight quality, condition, packing, delivery, value or existence of the goods represented by any documents or for the good faith or acts and/or omissions, solvency, performance or standing of the consignor, the carriers, or the insurers of the goods, or any other person whomsoever.
7. All credits must stipulate an expiry date for presentation of documents for payment, acceptance or negotiation.
8. The description of the goods in the commercial invoice must correspond with the description in the credit. In all other documents, the goods may be described in general terms not inconsistent with the description of the goods in the credit.
9. Credits should stipulate the type of insurance cover required and, if any, the additional risks which are to be covered. Failing specific stipulation in the credit, banks will accept insurance documents as presented, without responsibility for any risk not being covered.

#### CHECKLIST FOR THE SELLER AFTER THE DOCUMENTARY CREDIT OPENING

##### *General Points*

- Does the documentary credit correspond with the contract, especially in connection with the following points?
  - Amount/unit price
  - Period of validity/time limit for shipment
  - Terms of delivery
  - Description-and origin of the merchandise
- Is the documentary credit revocable, irrevocable/unconfirmed or confirmed?
- Is it transferable, if necessary?
- If confirmed or confirmed by a bank abroad, how do you assess the
  - a) Credit risk
  - b) Conditions in the buying country (political and transfer risks)
  - c) Mailing risk (if credit is available abroad)?
- Are the names and addresses of the applicant and the beneficiary correct?
- Is the documentary credit subject to the ICC's currently valid Uniform Customs and Practices for Documentary Credits





- Is there sufficient time available to complete attestation and authentication procedures?
- Are there declarations request in the documents which cannot be made?
- Are documents stipulated which are contradictory to the terms of delivery?
- Does the credit stipulate documents which need to be drawn up or countersigned by the buyer or his bank? In such a case, the utilization of the credit depends to a large extent on the goodwill of the buyer.
- Can the required number of specified documents be furnished?

#### *Deadlines and shipment of goods*

- Can the shipment deadline be met?
- Are the terms regarding the place where the goods are to be taken into possession and the points of departure and arrival feasible?
- Are partshipments and transhipments prohibited contrary to the terms of contract?
- Can the prescribed marks and modes of transport be provided?
- Can the documents be presented in the desired form by the dates specified in the credit? (If the credit stipulates a transport document, the documents have to be presented at the bank not later than 21 days after the issue date of the transport document unless the credit stipulates another time limit.)

#### *Draft*

- Are you absolutely certain about the way the draft should be made out?

#### *Invoice*

- Can the description of the goods in the invoice be taken word for word from the documentary credit?

#### *Transport documents in general*

- If the transport document is not described precisely, banks do not accept any document that
  - a) is subject to a charter party (only in the case of seaborne transport)
  - b) designates, loading on deck (only in the case of seaborne transport)
  - c) stipulates carriage by sailing ship
  - d) is issued by a forwarding agent (regardless of mode of transport) except in the case of the FIATA Combined Transport Bill of Lading which is recognised by the ICC or where the forwarding agent is also carrier or agent of an expressly named carrier.
- If goods are exported through the intermediary of company domiciled abroad (a subsidiary), in some countries the value of the merchandise has to be stated in the transport documents. Does this value correspond to the amount and the currency in your invoice?

#### *Marine bill of lading*

- The restrictions a), b) and c) listed under "Transport documents in general" are also valid for the marine bill of lading.
- The marine; bill of lading should not be issued by-a forwarding agent, unless the latter is also a carrier or acts as agent for an expressly named carrier.



- If the bill of lading is to be issued to order of the buyer or is to be made out in his name, it will be extremely difficult to arrange any return of the goods. This point should be taken into full account.
- Do the prescribed freight notations conform to the terms of delivery?

#### *Air waybill*

- Air waybills issued by forwarding agents are not accepted by banks unless the forwarders act as carrier or as agents for an expressly named carrier.

#### *Insurance documents*

- Can the terms of insurance be fulfilled?
- Are the risks to be covered accurately described in the credit?
- Is the insurance coverage also sufficient to meet your requirements?
- Clarify whether a policy or a certificate is required. (Broker's cover notes will not be accepted by the bank unless expressly permitted in the credit.)

#### *Certificate of Origin*

- Are the Chamber of Commerce and a consulate willing to attest or authenticate the statements required to appear on the certificate of origin?
- If legalization is necessary, does the respective country maintain a consulate where needed?
- Can a certificate of origin issued in the country of origin be furnished in time?
- Can the legalization be effected in time?

## **6. Bill of Lading**

Of all the documents, bill of lading is unquestionably the most important and valuable document. Issued by the shipping company, a bill of lading is

- a receipt/acknowledgement of cargo delivered for transportation.
- a contract of affreightment between the shipper and the carrier specifying their respective responsibilities and obligations.
- a document of title to goods and provides interested parties including banks with title to the goods mentioned therein.
- a collateral, that can be used for any advances made to the seller or to the buyer in the process of financing the shipment.

Bills of lading are prepared by the shippers on printed forms supplied by the shipping company concerned and necessary particulars are entered therein the blank spaces provided for the purpose. Normally, a bill of lading shows the date of shipment, port of shipment, name of the carrying vessel, name of the consignor, consignee and notify party, port of discharge, number, contents and identification marks of packages and goods shipped, and the amount of freight 'paid' or to 'pay'. Bills of lading are normally issued in sets of four. Three copies duly signed are delivered to the shipper, while the fourth copy is unsigned and retained by the shipper's master for his own use. Different copies are sent by different mails to reduce the risk involved by delay or loss in transit. Goods are released at the port of destination against one of the copies of the bill of lading presented first and other copies becoming void. Banks invariably take possession of full set of bill of lading, the number comprising the full set being indicated by the bill of lading itself.

Bills of lading may be issued either in negotiable or non negotiable form. A negotiable bill of lading is issued to the order of consignee, or endorsed either in blank by a shipper or endorsed to the order of named party.

Bill of Lading can be of various types as discussed below :



- i) **Received for Shipment B/L:** It is issued by the shipping company when goods have been given into the custody of the shipping company but have not yet been placed on board the ship.
- ii) **On Board Shipped B/L:** It certifies that the goods have been received on board the ship.
- iii) **Clean B/L:** It indicates a clean receipt. In other words, it implies that there was no defect in the apparent order and condition of the goods at the time of receipt or shipment of goods by the shipping company, as the case may be.
- iv) **Claused or Dirty B/L:** This bill bears a superimposed clause of annotation, which expressly declares a defective condition of the goods. The clause may state "package number 20 broken" or "bale number 20 hook-damaged". By superimposing such clauses on the B/L, the shipping company limits its responsibility at the time of delivery of goods at the destination. It is very important to note that only a clean B/L is acceptable for negotiation of documents with the bank.
- v) **Combined B/L:** It covers several modes of transport for performing the complete journey from the exporting country to the importer's warehouse. For example, part of the journey may be completed by ship while subsequent parts may be undertaken by road, rail and air.
- vi) **Through B/L:** It covers goods being transhipped enroute but where the first carrier had the responsibility as the principal carrier for all stages of the journey. For example, goods may be shipped from Bombay to Dubai and transhipped from Dubai to port in Latin America.
- vii) **Trans-shipment B/L:** It has similar characteristic as the Through B/L except that in this case the first carrier acts only as an agent for effecting Trans-shipment of cargo.
- viii) **Charter Party B/L:** It covers shipment on a chartered ship.

The contract or the letter of credit will specify the nature of bill of lading that the exporter has to procure for the importer. Generally, the importers insist on the "clean on-board shipped" bill of lading, with the prohibition of the trans-shipment of goods.

## 7. Air Way Bill (AWB)/Air Consignment Note

In air carriage, the transport document is known as the Air Way Bill (AWB) or Air Consignment Note. The AWB merely evidences the air carrier's receipt of the goods on the terms of the contract of carriage and does not represent the goods/title of goods. The goods are delivered to the consignee (receiver) mentioned in the AWB. The consignee will have to identify himself as the party named in the AWB and the goods may be delivered to him without any hindrance, usually on payment of some charges (depending upon the terms of the trade). When the seller has made the contract with the air carrier, the buyer can protect himself against the seller's rerouting of the goods by obtaining the shipper's copy of the AWB.

The air carrier may not accept instructions from any person other than the holder of such a copy of AWB, and if this duty is not observed, the air carrier will be liable to pay compensation for the loss incurred.

Some of the important details contained in the AWB are the name of the consignee/consignor/notified party, the flight number and date on which the goods will be airlifted, brief description of the goods and quantity, departure airport and the destination airport, freight amount and AWB number, terms on which carriage is undertaken, and signature of carrier/its agent and shipper/agent.

## 8. Combined Transport Document (CTD)

Exporters situated in interior parts of the country face the problem of delay in submitting shipping documents pertaining to the exports made by them to their bankers for negotiation as they have to depend on their shipping agents functioning at sea ports to obtain, shipping documents, especially, the marine bill of lading. To obviate this delay and



also to popularise containerisation Government has established Inland Container Depots (ICD) at a number of places. In these depots, exporters can arrange to get the goods stuffed in containers, customs formalities completed and goods despatched to gateway ports in Customs Sealed Containers. The Combined Transport Operator (CTO) when undertaking to export goods from the ICD to the place of destination, will issue the Combined Transport Document (CTD) subject to Foreign Exchange Dealers Association of India (FEDAI) Rules contained in either FEDAI Brochure No. 081 or Brochure No. 082 as the case may be, to enable the exporters to negotiate the shipping documents with an authorised dealer. When goods are exported from LCD's in India and relevant letter of credit does not call for a marine bill of lading, authorised dealers will accept CTDs drawn subject to FEDAI Rules. It may be mentioned that though a bank is authorised to accept a transport document issued by a freight forwarder under the Uniform Customs and Practice for Documentary Credits by the International Chamber of Commerce (ICC Brochure No. 400), FEDAI Rules permit issue of CTDs only by a person having as his ordinary course of business the carriage of goods by sea either as owner or charter of an ocean going vessel. Therefore, exporters, in cases where a CTD is acceptable to overseas buyer, should so arrange that the relevant export contract specifically provide for the production of a CTD drawn, subject to the FEDAI Rules. The date of CTD will be date of export in this case.

However, where the letter of credit does not permit acceptance of a CTD or the letter of credit specifically calls for a marine bill of lading, authorised dealers will accept CTDs drawn subject to FEDAI Rules with the CTO's undertaking to have CTDs substituted by marine bill of lading soon after the goods are loaded on board of ocean<sup>s</sup> going vessels. But the bill will be negotiated by the bankers only after the CTD is substituted by regular ocean bill of lading. This position is also applicable in cases where export is not covered by a letter of credit. The date of marine bill of lading will be the date of export in such cases.

#### **9. GR/PP/VPP/COD/SOFTEX Forms**

These forms are submitted to the customs authorities in compliance of exchange control regulations. All exporters other than those exporting to Nepal and Bhutan are required to submit a declaration in the prescribed form duly supported by such evidence as ▶ may be prescribed or so specified and true in all material particulars which, among others, shall include the amount representing-

- a) the full export value of the goods; or
- b) if the full export value of the goods is not ascertainable at the time of export, the value which the exporter, having regard to. the prevailing market conditions, expects to receive on the sale of goods in the overseas markets, and affirms in the said declaration that the full export value of the goods (whether ascertainable at the time of export or not) has been, or will within the prescribed period be, paid in the prescribed manner.

These Forms are:

- a) **GR Form:** It is required to be filled in duplicate for all exports in physical form other than by post.
- b) **PP Form :** It is required to be filled in duplicate for all exports to all countries, made by post parcel, except when made on "value payable" or "cash on delivery" basis.
- c) **VP/COD Form:** It is required to be filled in one copy for exports to all countries by post parcel wider arrangements to realise proceeds through postal channels on "value payable" or "cash on delivery" basis.
- d) **SOFTEX Form:** It is required to be prepared in triplicate for export of computer software in non-physical form.

#### **10. Export Inspection Certificate**

It is issued usually by Government agency entrusted with the task of inspecting the concerned goods, private firms of repute specialising in inspection or at times buyer's own representative in India. These certificates are required by importers because they wish to be



sure of the quality of merchandise as is agreed in terms of the sales contract. In India, however, all exports are subject to compulsory inspection prior to shipment by an authorised agency under the provisions of Export (Quality Control and Inspection) Act, 1963. Inspection of export items covered by this legislation is carried out by five regional Export Inspection Agencies under the administrative control of Export Inspection Council. Schemes for compulsory quality control and pre-shipment inspection are also operated by certain official agencies as well such as Agricultural Marketing Advisor, BIS, Drugs Controller, Tea Board, Coffee Board, Salt Commissioner etc.

The basis for inspection is usually the importer's specifications or in the case of goods involving safety or health hazards, certain minimum standards are enforced.

Export Inspection Certificate issued by the competent authority is required to be submitted to the customs authorities at the time of customs clearance. While negotiating documents, banks also insist on submission of Inspection Certificate along with other documents.

### **11. AR4 and AR5 Form**

Refund of central excise is an important fiscal incentive for export promotion. As you know, exports should not bear the burden of indirect taxes. Hence, exportable goods are either exempted from such taxes or these taxes are refunded, if exemption is not possible. In India, excisable goods are free from the incidence of excise duty levied by the central government, both on finished product and raw materials. The scheme is governed by section 37 of the Central Excise and Salt Act, 1944 as amended from time to time. The rebate is granted on the duty levied at finished product and on inputs for this finished product. Rule.12, 191-B, and 191-BB of Central Excise Rules have been integrated into Rule 13. This rule is applied for exports of goods in bond and utilisation of non-duty paid raw material for manufacture and export of excisable goods.

Both AR4 and AR5 forms can be used for export in Bond or under Rebate of Central Excise duty.

AR4 form is to be used where either finished stage duty is not paid or its rebate is to be claimed later on. It can be elaborated as under:

- i) Form AR4 is to be used in case of exports in Bond, of all goods without payment of duty on finished item (not on inputs).
- ii) AR4 Form is also used where finished stage duty is paid and rebate thereof is to be claimed after exports.

Form AR5 is used where goods are manufactured/exported without the payment of duty or inputs (inputs stage duty). It can be elaborated as under :

- i) AR5 form is used where no duty is paid on production inputs and the finished stage duty is also not paid on the account of their export being made in bond.
- ii) AR5 form is also used where inputs stage duty is not paid but duty on finished goods is paid and the rebate thereof is to be claimed after export.

### **12. Shipping Bill**

Shipping Bill is the principal document required by the customs authorities. It contains description of export goods and other particulars like number and description of package(s), marks and number, quantity and value as defined in the Sea Customs Act, Indian or foreign merchandise, name of the vessel in which goods are to be shipped, country of destination, etc. It is only after the Shipping Bill, is stamped by the customs that cargo is allowed to be carted to Port sheds and Docks. It is used for export by sea or air or even for transportation from one port to another within the country.

There are separate forms of shipping bill for free goods (Free Shipping Bill), goods on which export duty is payable (Dutiable Shipping Bill), goods for which there is a claim for drawback of duty (Drawback Shipping Bill) and in case of imported goods for re-export which are kept in custom bonded warehouses (Shipping Bill for Shipment ex-bond).



### **13. Certificate of Origin**

This certificate serves as an evidence to show the actual country of origin (place of production or manufacturing) of the goods. It is signed in the exporting country by the consular of the importing country or by the exporter or by the Chamber of Commerce, as the regulations may require. The custom regulations of certain countries require a certificate of origin to be produced before clearance of imported goods and for assessment of duty. The certificate is usually required by the countries where goods from certain countries are granted preferential treatment or where import of goods from certain countries is wholly or partially prohibited. Sometimes, the certificate of origin is endorsed on the back of the relative invoice which is then known as a "certified invoice". In some cases, the certificate of origin is combined with consular invoice for tariff purposes.

### **14. Shipment Advice**

Depending upon the terms of sale on a specific stipulation in the contract, and immediately after shipping the goods, the exporter has to inform the foreign buyer of the fact of shipment. This is usually done in the form of a 'shipment advice' giving invoice number; description of goods, quantity, number of packages, marks and numbers, name of the carrier, bill of lading/airway bill number and date, expected time of arrival of the carrier at the port of destination, etc. This enables the foreign buyer to arrange insurance coverage in respect of goods in transit and also for making advance arrangements for the clearance of the goods at the port of destination.

### **15. Consular Invoice**

A consular invoice made out on a specially printed form contains detailed particulars, such as description, quantity, grade and value of the merchandise shipped. It is certified by the consulate of the importing country situated in the exporting country for which a certification fee is charged. It also contains a declaration of the shipper as to the true value of the goods covered. The consular advice enables the custom authorities of the importing country to levy ad valorem custom duty on the goods and helps in maintaining proper record of the imports for general statistical purposes.

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## **8.5 AUXILIARY DOCUMENTS**

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### **1) Shipping Instruction Form**

It is used to send shipping instructions to the shipping company or the shipping agent regarding shipment of export cargo. This facilitates the preparation of bill of lading and other documents by the shipping agent. Also known as Cargo Declaration Form, it usually contains information about country of origin, marks on cases, number of packages, name and address of the consignee, exporter's name and address, invoice value, steamer freight payable etc.

### **2) Application for Export Inspection**

For obtaining the certificate as required under the provisions of Export (Quality Control and Inspection) Act, 1963, the exporter has to submit an application in the prescribed form (in duplicate) submitting the original to Export Inspection Agency and duplicate to the Export Inspection Council, seven days in advance of the expected date of shipment. The application form contains details of shipment including technical requirement including specifications as stipulated in the export contract. Upon receipt of the application, the goods are inspected and certificate issued, if found in order.

### **3) Shipping Order**

For booking space, the exporter has to apply to the shipping company either directly or through a freight broker. If the space is available, the shipping company will issue to the broker/shipper a document called a shipping order, instructing the Commanding Officer of the ship that the goods from the shipper concerned, as per details given, should be received on board the vessel. The original is given to the shipper and duplicate is sent to the Commanding Officer of the ship.

### **4) Mate Receipt**



When the cargo is loaded on the ship, the Commanding Officer of the ship will issue a receipt called the 'Mate Receipt'. This includes information about the name of the vessel, berth, date of shipment, description of packages, marks and numbers, condition of the cargo at the time of receipt on board the ship etc. The mate receipt is first handed over to the port authorities for payment of port dues and then to the shipping company for obtaining the Bill of Lading.

### 5) Dock Challan

Also known as Port Trust Copy of the shipping bill in Bombay and Export Application Form in ports other than Calcutta, Dock Challan is a document prescribed by the port authorities. When the cargo is brought at the dock gate, the shipper has to submit this document along with the Vehicle Ticket (in duplicate) to the Gate Inspector. At the gate, documents are checked to ensure that only goods duly passed by Customs are brought to the docks for shipment.

#### Activity-3

Visit any organization involved in exports and discuss the need and importance of the documents explained in sections 8.4 and 8.5.

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## 8.6 DOCUMENTS IN IMPORT TRADE

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1. **Importer Exporter Code (IEC) Number:** No person can import or export goods without obtaining an Importer-Exporter Code (IEC) Number unless he has been specifically exempted. The IEC Number is obtained from the Regional Licensing Authority.
2. **Bill of Entry:** It is a document on which clearance of imported goods is effected. All goods discharged from a vessel, from foreign or coastal ports are cleared on Bill of Entry in the prescribed form. The Bill of Entry form has been standardised by the Central Board of Excise and Customs.

Four copies of bill of entry are submitted, original and duplicate for customer departments, triplicate is owner's copy and the fourth copy is for the purpose of foreign exchange to be submitted to the bank. There are three types of Bill of Entry as discussed below

- i) **Bill of Entry for home consumption** (white in colour): where an importer wants to get his goods cleared in one lot, he has to present the Bill of Entry for home consumption
- ii) **Bill of Entry for warehousing** (into bond, yellow in colour): Where an importer wants to shift goods to a warehouse and thereafter gets his goods cleared in small lots, he has to present 'into bond' bill of entry. Reason maybe that he is unable to pay duty leviable on all goods at one instance or may be because of storage problem.
- iii) **Ex-Bond Bill of Entry** (Green in Colour): When an importer wants to remove goods from the warehouse, he has to present an Ex-Bond Bill of Entry which is green in colour.

For imports through the medium of post there is no bill of entry. Instead a way bill is prepared by the foreign post office for assessment of duty.



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## 8.7 EXPORT DOCUMENTATION AND PROCEDURES - STEP BY STEP

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As mentioned earlier, any person, whether an individual or a firm, importing or exporting goods into/from India, will require Importer-Exporter Code Number to be obtained from the regional import-export licensing authority

Exporting involves 18 steps as detailed below:

- i) The first step is to examine the export contract and/or the letter of credit to ensure that the terms and conditions stipulated in these documents are in accordance with those originally proposed, and/or the amendments subsequently agreed to, by the exporter. On receipt of these documents, the exporter writes to the importer acknowledging these documents and, where necessary, drawing attention of importer to the discrepancies in the terms of conditions of contract/ letter to credit.
- ii) Instructions to Factory/Supplier: If the above mentioned documents are in order, a delivery Note (in duplicate) containing the specifications and other details of the order is sent to the factory for the manufacture and despatch of export cargo to the port of shipment.
- iii) **Pre-shipment Inspection and Central Excise (Clearance):** As soon as the goods are ready for despatch, the factory office arranges to complete the following formalities:
  - Make out an application to the export inspection agency for conducting pre-shipment and quality control inspection. The Export Inspection Agency will depute an inspector to inspect the consignment and issue the certificate of inspection if the goods conform to the prescribed specifications.
  - Secure clearance of export consignment from Excise Authorities.
  - Despatch of consignment to the port of shipment by rail and obtaining Railway Receipt or by road and obtaining Lorry Way Bill.
- iv) **Despatch of Documents to the Export Department of the Firm by the Factory Office:** The factory office prepares a 'Despatch Advice' and sends it to the Export Department along with following documents.
  - Railway Receipt/Lorry-Way Bill
  - AR4 form (original and duplicate copies)
  - Duplicate copy of Delivery Note duly signed by factory office. It states that the consignment has been sent to the port town.
  - Certificate of Inspection.
- v) **Arranging Insurance Coverage:** On receipt of these documents the Export Department makes an application to the Insurance Company for marine insurance cover and requests them to issue an insurance policy/certificate in duplicate with appropriate risk coverage.
- vi) **Instructions to Forwarding Agent:** At the same time, the Export Department prepares a note for the forwarding agent at the port of shipment giving detailed instructions regarding the shipment of the consignment. The exporter must also give the details of the vessel on which space has been booked for shipment of the cargo. This note is sent to the forwarding agent along with the following documents:
  1. AR-4 Form (original and duplicate copies)
  2. Commercial Invoice (Adequate number of copies - generally 8/10)
  3. Packing List (one copy)





4. GR Form, (Original & Duplicate)
5. Customs-Invoice (where required in the importing country)
6. Original Letter of Credit/Contract
7. Declaration \* Form in triplicate
8. Quality Control Certificate (0)
9. Purchase Memo
10. Railway Receipt/Lorry-Way Bill

It is declaration by the exporter stating that the value, specifications, quality and description of the goods being exported as mentioned in the Shipping Bill are in accordance with the terms of the export contract and that the statements made in the Shipping Bill are true.

- vii) Port, Shipping and Customs Formalities:** On receipt of the documents, the Forwarding Agent takes delivery of the consignment from the Railway Station or from the road transport at the port of shipment and arranges its storage in the warehouse.
- viii)** He also initiates action to obtain customs clearance. For this purpose the Forwarding Agent prepares four/five copies of the relevant 'Shipping Bill' and presents it along with the above mentioned documents (as mentioned under Step vi) to the Export Department of the Customs House. The Customs Appraiser examines these documents and appraises the value having regard to the following considerations:
1. That the value and the quantity declared in the shipping bill is the same as in the export order/letter of credit.
  2. That the formalities regarding exchange control, preshipment quality control inspection etc. have been duly completed. After examination of documents and appraisal of value, the Customs Examiner/Appraiser makes an endorsement on the duplicate copy of the shipping bill giving directions to the Dock Appraiser about the extent of physical examination of the cargo to be conducted at the Docks. All the Documents, except GR(O) Form, the original Shipping Bill and a copy of the Commercial Invoice are returned to the Forwarding Agent to be presented to the Dock Appraiser.
- ix)** After taking delivery of documents from the Export Department the Forwarding Agents presents the Port Trust Document (Port Trust copy of Shipping Bill at Bombay; Dock Challan at Calcutta and Export Application at other ports) to the Shed Superintendent of the Port and obtains carting order for bringing the export cargo to the transit shed for physical examination by the Dock Appraiser. He then presents the following documents to the Dock Appraiser for conducting Physical examination of the cargo:
1. Duplicate, triplicate and export promotion copies of the Shipping Bill.
  2. Commercial Invoice
  3. Packing List
  4. AR-4 Form - original and duplicate copies
  5. Inspection Certificate (0)
  6. GR Duplicate

The Dock Appraiser after conducting physical examination records examination report and **makes** "Let Export Endorsement" on the duplicate copy of the Shipping Bill and hands it over to the Forwarding Agent along with all other documents to be presented to the Preventive Officer of the Customs Department who supervises the loading of the cargo on Board the vessel.



- x) The Preventive Officer makes an endorsement 'Let Ship' on the duplicate copy of the Shipping Bill. The duplicate copy of the Shipping Bill is then handed over to the agent of the shipping company. This constitutes an authorisation by the Customs to the shipping company to accept the cargo on board and vessel.
- xi) After the goods are loaded on board the vessel, the Captain of the ship issues a receipt known as the "Mate's Receipt" to the Shed Superintendent of the Port.
- The Forwarding Agent then makes a payment of the port charges and takes delivery of the Mate's Receipt. He presents the Mated Receipt first to the Preventive Officer who records the Certificate of Shipment on all the copies of Shipping Bill, original and duplicate copies of AR-4 form and returns the Export Promotion copy, a copy of Drawback Shipping Bill and duplicate AR-4 to the Forwarding Agent. The latter then presents the Mate's Receipt to the Shipping Company and requests it to issue the Bill of Lading (2/3 negotiable and a few non-negotiable copies as required).
- xii) **Despatch of Documents by Forwarding Agent to the Exporter:** After obtaining the Bill of Lading from the Shipping Company the Forwarding Agent sends the following documents to the exporter:
- One copy of the commercial invoice duly attested by the Customs'
  - Export Promotion copy of the Shipping Bill
  - Drawback copy of the Shipping Bill
  - Full set of clean on-board bill of lading together with a few non-negotiable copies
  - Original letter of credit/contract order
  - Copies of Customs Invoice
  - AR-4 form (duplicate) and Gate Pass
  - GR Form (Duplicate)
- xiii) **Certificate of Origin:** On receipt of the above documents, the exporter makes an application to the Chamber of Commerce and obtains a 'Certificate of Origin' in duplicate.
- In case of export shipment to countries offering GSP concessions, the GSP Certificate of Origin will have to be procured by the exporter from the concerned authority like Export Inspection Agency or others.
- xiv) **Shipment Advice to Importer:** The exporter then sends 'Shipment Advice' to the importer intimating the date of shipment of the consignment by a named vessel and its expected time of arrival (ETA) at the destination port. The following documents are also sent along with the shipment advice so that the importer may start making arrangements for taking delivery of the consignment:
- A non-negotiable copy of the Bill of Lading
  - Commercial Invoice
  - Packing List
  - Customs Invoice
- xv) **Presentation of Documents to Bank:** The exporter presents the following documents to the bank for negotiation/collection:
- Commercial Invoice - (with requisite number of copies)
  - Certificate of Origin - two copies
  - Customs Invoice - (with requisite number of copies)



- GR Form (Duplicate)
- Packing List - (with requisite number of copies)
- Full set of Clean-on-board Bill of Lading negotiable plus non-negotiable copies as required.
- Original Letter of Credit/Export Contract
- Additional copies of the Commercial Invoice for Certification by the Bank
- Bank Certificate in the prescribed form in duplicate
- Marine Insurance Policy/Certificate
- Bill of Exchange
- Quality Control/Pre-shipment Inspection Certificate

**xvi)** At the Bank, these documents are processed in the following manner.

1. The documents are examined with reference to the terms and conditions of the original order and also that of the letter of credit.
2. A set of the following documents is transmitted to the bank of the importer by the first air mail followed by the second set of these documents by the second air mail to ensure that in case the first set is lost or delayed, the importer or his bank can take delivery of the consignment on the basis of the second set of documents.
 

i) Commercial Invoice	ii) Customs Invoice
iii) Packing List	iv) Certificate of Origin
v) Negotiable Bill of Lading	vi) Insurance Policy Certificate
vii) Bill of exchange	viii) GSP Certificate of Origin (in necessary)
ix) Certificate of Inspection	
3. The exporter receives payment against the above documents.
4. Duplicate copy of the GR form is transmitted to the Exchange Control Department of the Reserve Bank of India on receipt of payment from abroad.
5. The original copy of the Bank Certificate as applied for by the Exporter along with attested copies of the Commercial Invoice are returned to the exporter.

**xvii) Rebate of Central Duty & Duty Drawback:** Simultaneously, the exporter files a claim with the Maritime Collector of Central Excise, for rebate of Central excise duty or for getting credit in his Bond Account and also for duty drawback in accordance with the procedure laid down in this regard.

**xviii) Export Benefits:** The exporter initiates action for claiming benefits against exports made by him as per the procedure outlined under the Policy for Registered Exporters.

#### Activity -4

Visit an exporter and find out the time taken by an exporter to move a single consignment. What is the implication of this variable on working capital management?

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## 8.8 SOME USEFUL TIPS

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A common complaint made by the bankers is that the documents submitted by exporters are often either incomplete or incorrect. This leads to delays, or even refusal of payment.

To avoid, these delays, it is necessary to be very careful about documentation, particularly in case of letter of credit. While exporting under letter of credit arrangements, immediately on receipt, read and re-read the letter of credit very carefully and check the terms against the contract of sale. It is necessary to check that the letter of credit -

- is of the type agreed e.g. irrevocable and confirmed or just irrevocable
- has an expiry date that is sufficiently far ahead for the goods to be shipped and the required documents obtained and presented in time
- has terms and conditions that can be met and that the required documents can be obtained exactly as called for.

If any amendment or extension is necessary the buyer should be asked immediately to instruct the issuing bank accordingly. A watch should be kept to see that the advice of amendment of the credit is received without delay.

In regard to documentation under letter of credit it is necessary that all the documents are prepared with great care. It should be remembered the letter of credit is the bank's mandate to pay. The bank has no discretion. It is not allowed to approve errors and/or inconsistencies of whatever nature and howsoever small, in the documents presented to it and will not pay in such circumstances.

Even where the goods are exported on D/P or D/A terms, documentation should be correct and every care should be taken to ensure that there are no mistakes. The following points should be kept in view.

In regard to commercial invoice, it should be ensured that the document is properly signed, dated and all the necessary information pertaining to goods and terms of payment is given. Description of goods must tally with what is given in the contract to avoid any confusion at the buyer's end.

In regard to Bill of lading, the exporters should ensure that it is a clean, on board bill of lading and should clearly evidence whether freight has been paid or not. Unless agreed clearly in advance, it should not be a charter party but on board bill of lading.

In regard to insurance documents, exporters should ensure that the policy/certificate should clearly indicate the type and extent of coverage or risks as per contract. In case the contract is silent, exporters should ensure that coverage is quite comprehensive to cover all types of risk and is effective from the date of shipment/despatch.

In regard to other documents like inspection, certificate, certificate of origin etc. exporters should ensure that they are in conformity with laws in the importing countries.

In documentation relating government rules and regulations pertaining to exports, i.e. GR/PP form, AR4/AR5, Shipping Bill etc. exporters should ensure that all information should be absolutely correct. Inadequate or incorrect information may result in delay in shipment or even penal action against the exporter.

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## 8.9 SUMMARY

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Documentation and procedures, though complex and cumbersome are an integral part of international marketing operations. They are needed in compliance with either the requirements of contract concluded between exporters and importers, or the requirements of exporting or importing countries.

In a typical transaction, contract requires the exporters to send a copy/copies of each of the following documents:



- i) Invoice
- ii) Packing List
- iii) Insurance Policy/Certificate
- iv) Bill of Exchange
- v) Bill of lading/Airway Bill/Combined Transport Documents
- vi) Export Inspection Certificate
- vii) Certificate of Origin
- viii) Shipment Advice

Commercial invoice is a document of content giving details of the goods shipped along with price and other charges/expenses etc. incurred on buyer's account. Packing list gives details of contents in individual packets/cases. Marine Insurance Policy! Certificate gives details of the insurance cover e.g. type of risk covered, extent of coverage etc.-Bill of exchange is an instrument through which the drawer of the instrument i.e. the exporter calls upon the drawee i.e. importer to pay the net amount payable under the contract either to the exporter or a party named thereunder. The exporter can pass on this bill to his bank either to get paid, if drawn at sight, or accepted, in case of a usance bill. Then, the transport documents providing evidence of shipment, bill of lading in case of shipments by ocean transport, airway bill in case of shipment by air and Combined Transport Documents, where more than one kind of transport is involved, are submitted to the bank.

Export Inspection Certificate, usually a requirement of the importer, is also needed in compliance with Export (Quality Control and Inspection Act, 1963). It is an evidence to the effect that the goods have been inspected as per requirement of the contract/government regulations. Certificate of origin certifying that the goods have been produced/manufactured in the exporter's country is usually a requirement of the Government in the importing country. So is the case of Consular Invoices-which is an invoice made in a format prescribed by the importing country. Shipment Advice is intended to inform the buyer that the goods have been shipped. Details regarding the date of shipment and mode of transport are also given to enable him to get ready to receive the shipment. GR/PPNPP/COD/SOFTEX forms contain declaration regarding exports and a undertaking for realising the export proceedings within the stipulated time period. Dock Challan is required as per the requirement of the Port Authority. While GP is required for all exports other than postal exports, PP form has to be submitted where the goods are sent through Post Office. Where the sale proceeds are also desired through post offices, VPP/COD form is needed.

AR4/AR5 are the form in pursuance of the requirements of central excise act. Goods sold abroad are exempted for payment of central excise duty. These forms enable the exporter to claim refund of duty or get their cargo exempted from payment against a bond.

Shipping Bill, a requirement of the Customs Act is an important document which is in nature of an application submitted to Customs Authority seeking their permission to export.

Among the auxiliary documents, Shipping Instruction Form is used for giving instructions to the C&F Agent/Shipping Company. Application for Export Inspection is submitted to the concerned Export Inspection Agency. Shipping Order Issued by the Shipping Company asking the Commanding Officer of the ship to accept the goods from the named shipper. Mate's Receipt is issued by the Commanding Officer of the ship to the shipper indicating that the goods have been. loaded aboard the ship.

### **Export Procedures & Documentation - Step by Step**

Export Documentation and Procedures involves 18 steps;

**First step:** Exporter examines export order/letter.



**Second step:** Exporter places order with the factory or supplier in case of merchant exporters.

**Third step:** Factory/Supplier makes arrangements for preship inspection and central excise clearance.

**Fourth step:** Factory arranges despatch of Railway Receipt/Lorry Challan, AR4/AR5, inspection certificate, packing list etc. to Export Department.

**Fifth step:** Insurance cover is arranged.

**Sixth step:** Documents (Commercial Invoice in particular) are prepared in Export Deptt. and despatched to C&F Agent along with shipping instructions.

**Seventh step:** C&F Agent takes delivery of goods for storage in a warehouse.

**Eighth step:** C&F Agent brings the documents for clearance by the Export Department of the Customs.

**Ninth step:** After the documents are cleared goods are brought for physical examination. The Dock Appraiser records examination report, makes 'Let Export' endorsement on the duplicate copy of Shipping Bill and hands over the same to the C&F Agent to be presented to Preventive Officer supervising the loading of the cargo.

**Tenth step:** Preventive Officer makes the endorsement 'let ship'. Thereafter, shipping Bill is handed over to the Agent of the shipping company.

**Eleventh step:** Goods are loaded and captain of the ship issues Mate's Receipt to the Shed Superintendent. C&F agent pays port charges and takes delivery of the Mate's Receipt, which is exchanged with Bill of Lading.

**Twelfth step:** C&F Agent forwards all the documents to the exporter.

**Thirteenth step:** The exporter takes necessary Steps for obtaining Certificate of Origin.

**Fourteenth step:** Shipment Advice is sent to Exporter.

**Fifteenth step:** Export Documents are presented to Bank for negotiation.

**Sixteenth step:** Export documents are scrutinized, and if found in order are negotiated or sent for collection. Exporter receives payment, if documents are negotiated and Bank Certificate issued to him.

**Seventeenth step:** Exporter claims rebate of central excise and duty drawback.

**Eighteenth step:** Exporter initiates action for claiming export benefits.

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## 8.10 SELF-ASSESSMENT QUESTIONS

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1. Why are the documents needed? Discuss the contents and significance of principal export documents.
2. What are the different parties in a letter of credit? Explain the step-by-step procedure of realising export proceeds.
3. Discuss the role of banks in export transactions. Name the documents needed by them for realising export proceeds from the foreign buyers.

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## 8.11 FURTHER READINGS

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