**Chapter 9: International Commercial Documents**

TRUE/FALSE

1. The invoice that corresponds to an actual shipment is called the commercial invoice.

ANS: T DIF: Easy REF: page 313

2. The main billing document in a shipment is the *pro forma* invoice.

ANS: F DIF: Moderate REF: page 315

3. An export license can be used by a country to control the outflow of certain goods.

ANS: T DIF: Moderate REF: page 318

4. A consular invoice can be considered a trade barrier.

ANS: T DIF: Moderate REF: page 316

5. A specialized commercial invoice is considered a trade barrier.

ANS: F DIF: Moderate REF: page 317

6. The Electronic Export Information is required by the U.S. government for export parcels valued at more than $500 that are sent through the postal system.

ANS: T DIF: Moderate REF: page 317

7. Most End-Use Certificates are provided by the governments of exporting countries.

ANS: F DIF: Moderate REF: page 324

8. Export quotas can be used to control scarce resources or prices of products for which a country has a monopoly.

ANS: T DIF: Moderate REF: page 325

9. A country may use import documents to enact a protectionist policy.

ANS: T DIF: Easy REF: page 327

10. A Certificate of Origin must be signed by the importer’s chamber of commerce.

ANS: F DIF: Moderate REF: page 327

11. A Certificate of Manufacture is similar to a Certificate of Origin.

ANS: T DIF: Easy REF: page 327

12. A uniform bill of lading is used for inland transportation.

ANS: T DIF: Moderate REF: page 341

13. A packing list always accompanies a shipment.

ANS: T DIF: Easy REF: page 344

14. A manifest is an internal document of the shipping company that is not examined by government entities.

ANS: F DIF: Moderate REF: page 347

15. Bolero is an international document transmission system that offers payment capability.

ANS: F DIF: Hard REF: page 349

16. Bolero does not use a shared EDI network, but is proprietary.

ANS: F DIF: Hard REF: page 349

17. Among other things, tariff rates are determined based on the shipment’s weight.

ANS: T DIF: Easy REF: page 313

18. Export quotas can be used to control scarce resources or prices of products for which an exporting country faces heavy competition.

ANS: F DIF: Hard REF: page 325

19. An import license is usually provided by an independent laboratory or independent inspection company attesting to composition of certain shipped products.

ANS: F DIF: Moderate REF: page 337

20. A consular invoice is a regular commercial invoice printed on stationery provided by a country and *visa*-ed by its consulate in the exporter’s country.

ANS: T DIF: Moderate REF: page 316

21. An experienced exporter knows that the U.S. government almost always checks the paperwork that the exporter provides to the importer.

ANS: F DIF: Moderate REF: page 350

22. A careful preparation of all of the documents by the exporter helps the importer tremendously when it is time to clear Customs.

ANS: T DIF: Moderate REF: page 350

MULTIPLE CHOICE

1. The commercial invoice

|  |  |  |  |
| --- | --- | --- | --- |
| a. | is sent ahead of the shipment. | d. | is always issued in the exporter’s currency. |
| b. | is the same thing as a letter of credit. | e. | is sent with the shipment. |
| c. | replaces the need for an export license. |

ANS: E

The commercial invoice is sent with the shipment, it is separate from a letter of credit, can be issued in any currency, and it has no connection to an export license.

DIF: Hard REF: page 313

2. A government will use a(n) \_\_\_\_\_ to attempt to control the export of national treasures or antiques.

|  |  |  |  |
| --- | --- | --- | --- |
| a. | export license | d. | duty |
| b. | consular invoice | e. | *pro forma* invoice |
| c. | Uniform Commercial Code |

ANS: A

An export license is used by governments to either control the export of national treasures or antiques or to exert some control over foreign trade for political or military reasons.

DIF: Easy REF: 318

3. The United States export policy is mostly concerned about

|  |  |  |  |
| --- | --- | --- | --- |
| a. | keeping some military technologies away from some countries. | d. | preventing the spread of agricultural diseases and pests outside of the U.S. |
| b. | stopping exports of non-essential items to countries that cannot afford them. | e. | preventing the sale of intellectual property to countries that do not protect it. |
| c. | regulating exports to countries that have strong import regulations. |

ANS: A

The U.S. is not concerned about the ability of countries to afford what they are importing, the spread of disease, the protection of intellectual property (a private good), nor is it concerned about other countries’ regulations. The U.S. wants to ascertain that the goods are purchased for legitimate commercial purpose and that there is no risk of diversion.

DIF: Moderate REF: page 319

4. In 1996, the \_\_\_\_\_ was revised to a U.S. export policy stating that “everything is authorized unless it is specifically prohibited.”

|  |  |  |  |
| --- | --- | --- | --- |
| a. | Destination Control Statement | d. | Shipper’s Export Declaration |
| b. | EAR | e. | Customs exports |
| c. | *pro forma* invoice |

ANS: B

EAR stands for Export Administration Regulations, and it contains the Commerce Control List, which details which commodities and products can and cannot be shipped to certain countries.

DIF: Hard REF: page 319

5. A product not on the Commerce Control List, or whose Export Control Classification Number does not call for an export license, is classified as

|  |  |  |  |
| --- | --- | --- | --- |
| a. | NLR. | d. | ICC. |
| b. | SED. | e. | EAR99. |
| c. | BIS. |

ANS: E

NLR, SED, BIS, and ICC are not classifications of an ECCN. The correct answer is EAR99, a classification that needs to be included on the SED.

DIF: Moderate REF: page 322

6. Which of the following pieces of information does an international commercial invoice contain?

|  |  |  |  |
| --- | --- | --- | --- |
| a. | Incoterms | d. | weight and measurements of the product |
| b. | a precise description of the product | e. | all answers in this response set are data that should be included in an international invoice. |
| c. | terms of payment |

ANS: E

Incoterms, a precise description of the product, its physical dimensions, and terms of payment are contained in a commercial invoice in international trade.

DIF: Moderate REF: page 313

7. The *pro forma* invoice

|  |  |  |  |
| --- | --- | --- | --- |
| a. | fulfills the same functions as a commercial invoice. | d. | is written in such a way that the importer knows that it is subject to change. |
| b. | must be written with extreme care to avoid discrepancies between the letter of credit and the commercial invoice. | e. | is a certificate of title for the goods. |
| c. | does not have an expiration date. |

ANS: B

A *pro-forma* invoice is not a true invoice (it is a quote), and the expiration date on a *pro forma* invoice is very important. A *pro forma* invoice must be written very carefully, as what information is included will also be present in the letter of credit and the final commercial invoice should not vary from it. It therefore cannot be subject to change. It is not a certificate of title.

DIF: Moderate REF: page 315

8. Even when validated export licenses are not required, exporters are responsible for determining if there are “red flags” in a transaction, such as

|  |  |  |  |
| --- | --- | --- | --- |
| a. | a cash sale for a product generally purchased on credit terms. | d. | the product does not seem to be purchased for a commercial use. |
| b. | the product is sold to a company that does not appear to be in the exporter’s main line of business. | e. | any of the reasons in this answer set can be considered a "red flag" by the BIS. |
| c. | the importer appears on the BIS’s “List of Specially Designated Nationals.” |

ANS: E

Any of these situations are issues constituting a “red flag”.

DIF: Hard REF: page 319

9. The sentence “*This merchandise licensed by U.S. for ultimate destination [country]. Diversion contrary to U.S. Law prohibited*” is

|  |  |  |  |
| --- | --- | --- | --- |
| a. | a Commerce Control List. | d. | the Denied Person’s List. |
| b. | the Fenwick Anti-Terrorist Amendment of the Export Administration Act. | e. | the Destination Control Statement |
| c. | the “List of Specially Designated Nationals.” |

ANS: E

The correct answer is Destination Control Statement.

DIF: Hard REF: page 323

10. Which of the following is not a reason for a country to require specific import documents?

|  |  |  |  |
| --- | --- | --- | --- |
| a. | to keep out shoddy goods. | d. | to assess the correct income tax. |
| b. | to determine appropriate tariff classifications. | e. | to determine the country of origin of the goods. |
| c. | to help determine imported goods’ values. |

ANS: D

Import documents are needed to keep out shoddy goods (certificate of inspection), their classification and value (invoice), and to determine the country of origin (certificate of origin). They play no role in determining income taxes.

DIF: Easy REF: page 325

11. In addition to being a contract of carriage and a receipt for the goods, an ocean bill of lading is

|  |  |  |  |
| --- | --- | --- | --- |
| a. | a certificate of title. | d. | an insurance contract. |
| b. | a substitute for a Certificate of Insurance. | e. | a packing list for the carrier. |
| c. | an Incoterm. |

ANS: A

An ocean bill of lading is also a certificate of title, which is the document that the shipping company will need to see to authorize the release of the goods in the port of destination.

DIF: Moderate REF: page 341

12. Which of the following regulate shipments of dangerous goods by ocean?

|  |  |  |  |
| --- | --- | --- | --- |
| a. | the SWIFT | d. | the Export Administration Regulations |
| b. | the U.S. Code of Federal Regulations | e. | the International Chamber of Commerce |
| c. | the International Maritime Dangerous Goods Code |

ANS: C

The International Maritime Dangerous Goods Code regulates the shipment of dangerous goods by ocean.

DIF: Moderate REF: page 347

13. Export taxes

|  |  |  |  |
| --- | --- | --- | --- |
| a. | protect importers from fraudulent exporters. | d. | are collected by many governments in an attempt to control exports. |
| b. | are certified by the exporter’s chamber of commerce. | e. | are only collected when the country suspects that exporters are fraudulently exporting prohibited goods. |
| c. | may be used when the shipped goods are minerals in short supply, or when the product has been heavily subsidized by the government. |

ANS: C

Several countries require exporters to pay an export tax on certain commodities.

DIF: Moderate REF: page 325

14. Under two of Incoterms® Rules, \_\_\_\_\_\_\_\_ has to provide the importer with a Certificate of Insurance.

|  |  |  |  |
| --- | --- | --- | --- |
| a. | the insurance company of the exporter. | d. | the exporter. |
| b. | the carrier. | e. | the Customs authorities in the importing country. |
| c. | the Customs authorities in the exporting country. |

ANS: D DIF: Easy REF: page 339

Two Incoterms® Rules (CIP and CIF) require the exporter to obtain a Certificate of Insurance and provide it to the importer.

15. In most cases, an intermodal bill of lading

|  |  |  |  |
| --- | --- | --- | --- |
| a. | is illegal. | d. | is regulated by the International Maritime Dangerous Goods Code. |
| b. | is an Incoterms® Rule. | e. | is a negotiable bill of lading. |
| c. | is a straight bill of lading. |

ANS: C

An intermodal bill of lading is often straight, which is one where the name of the consignee is specified.

DIF: Easy REF: page 343

16. An air waybill

|  |  |  |  |
| --- | --- | --- | --- |
| a. | is always straight. | d. | can serve as a shipper’s export declaration. |
| b. | is also used in ocean transportation. | e. | is a negotiable bill of lading. |
| c. | serves as an individual validated export license. |

ANS: A

An air waybill is always straight and non-negotiable.

DIF: Moderate REF: page 343

17. EDI is

|  |  |  |  |
| --- | --- | --- | --- |
| a. | Electronic Data Interchange. | d. | a method to send documents electronically |
| b. | an electronic exchange of documents from computer to computer. | e. | all answers in this response set apply to EDI |
| c. | based upon a legal agreement between sender and recipient. |

ANS: D

All of these characteristics apply to an EDI.

DIF: Easy REF: page 348

18. An EEI is

|  |  |  |  |
| --- | --- | --- | --- |
| a. | an Incoterm. | d. | a certificate of title. |
| b. | a proprietary commercial electronic data interchange. | e. | A document required of exporters by U.S. Customs. |
| c. | a manifest. |

ANS: E

An EEI is the Electronic Export Information, a set of data that is collected by US customs from all exports worth more than $2,500.

DIF: Hard REF: page 317

19. End-Use Certificates

|  |  |  |  |
| --- | --- | --- | --- |
| a. | are provided by the governments of the exporting country. | d. | are certified by the carrier of the goods. |
| b. | certify that the product is going to be used for a legitimate purpose. | e. | are provided by the exporter to the importing country’s authorities. |
| c. | must be signed by the exporter’s chamber of commerce. |

ANS: B

End-Use Certificates are documents that certify that the product is going to be used for a legitimate purpose, such as military training, and that the product will not be diverted to another, less acceptable task. Most of these are provided by the governments of the importing country.

DIF: Moderate REF: page 324

20. A Certificate of Certification

|  |  |  |  |
| --- | --- | --- | --- |
| a. | defines the technical characteristics of a good before it can be imported. | d. | attests that the goods meet the technical requirements of the importing country. |
| b. | may be written by an independent company. | e. | attests that the goods meet the technical requirements of the exporting country. |
| c. | may be written by a trade association. |

ANS: D

A Certificate of Certification attests that the goods meet the requirements of the importing country’s standards.

DIF: Moderate REF: page 333

21. For an exporter, one way to avoid having to pay for amendments to a letter of credit is to

|  |  |  |  |
| --- | --- | --- | --- |
| a. | prepare the packing list particularly carefully. | d. | make sure that the carrier provides an accurate manifest |
| b. | make sure that the EEI has been filed correctly. | e. | prepare the manifest very carefully. |
| c. | prepare the *pro forma* invoice particularly carefully |

ANS: C

Although packing lists and EEIs are important, the only discrepancies necessitating the payment of an amendment on a letter of credit are the ones between the letter of credit, based on the *pro forma* invoice and the actual commercial invoice.

DIF: Moderate REF: page 316

22. For an American exporter, one way to avoid delays in the port of departure in the United States is to

|  |  |  |  |
| --- | --- | --- | --- |
| a. | make sure that the Electronic Export Information has been filed on time. | d. | make sure that the packing list has been written in the language of the importing country. |
| b. | make sure that the number of original invoices and bills of lading is at least five. | e. | make sure that the carrier has signed the bill of lading |
| c. | make sure that the invoice has been *visa*-ed by the consulate of the importing country. |

ANS: A

The United States will not allow goods to be loaded if there are issues with the export paperwork (Electronic Export Information).

DIF: Hard REF: page 350

COMPLETION

1. A commercial invoice favored by countries attempting to accurately forecast needs for foreign currency is called a(n) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ invoice.

ANS: consular

DIF: Hard REF: page 316

2. The invoice that corresponds to an actual shipment is called the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ invoice.

ANS: commercial

DIF: Moderate REF: page 313

3. The United States requires that \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Export Information is submitted by the exporter before shipment.

ANS: Electronic

DIF: Moderate REF: page 317

4. An express authorization by a given country’s government to export a specific product before it is shipped is called a(n) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ license.

ANS: export

DIF: Easy REF: page 318

5. One of the requirements for a U.S. shipper is to submit electronic export information for exports valued at more than \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ per item category.

ANS: $2,500

DIF: Moderate REF: page 317

6. A document sometimes requested by the importer that is signed by an independent third party attesting to authenticity and accuracy of a shipment is a Certificate of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

ANS: Inspection

DIF: Moderate REF: page 329

7. A(n) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ license is designed to prevent the import of non-essential or overly luxurious products in developing countries with a short supply of foreign currency.

ANS: import

DIF: Moderate REF: page 337

8. A Phyto-Sanitary Certificate is for \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ products and foodstuffs.

ANS: agricultural

DIF: Easy REF: page 333

9. A bill of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is a fundamental international shipping document in ocean transportation.

ANS: lading

DIF: Easy REF: page 339

10. A detailed Shipper’s Letter of Instruction can be critical in \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ shipments.

ANS: livestock

DIF: Hard REF: page 345

11. Failure to have the correct number of original invoices and the proper paperwork can delay customs’ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ in the importing country.

ANS: clearance

DIF: Moderate REF: page 350

12. If the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is not filed in time with U.S. Bureau of Customs and Border Protection, the shipment will not be allowed to leave the port of departure.

ANS: Electronic Export Information, EEI

DIF: Moderate REF: page 350