



<b>ASSIGNMENT 2<sup>ND</sup> SEMESTER</b>	<b>:</b>	<b>FINANCE AND PAYMENTS I (FP1)</b>
<b>STUDY UNITS COVERED</b>	<b>:</b>	<b>STUDY UNITS 2, 4, 5 AND 6</b>
<b>DUE DATE</b>	<b>:</b>	<b>3.00 p.m. 17 AUGUST 2010</b>
<b>TOTAL MARKS</b>	<b>:</b>	<b>100</b>

### INSTRUCTIONS TO CANDIDATES FOR COMPLETING AND SUBMITTING ASSIGNMENTS

The complete 'Instructions to Students for Completing and Submitting Assignments' must be collected from any IEX office, or the relevant Student Support Centre, or can be downloaded from the IEX website. It is essential that you study the complete instructions prior to beginning your assignment. The following points highlight only a few important notes:

- 1) You are required to submit ONE assignment per subject.
- 2) The assignment will contribute 20% towards the final examination mark, and the other 80% will be made up from the examination; however, the examination papers will count out of 100%.
- 3) Although your assignment will contribute towards your final examination mark, you do not have to earn credits for admission to the examinations; you are automatically accepted on registering for the exam.
- 4) Number all the pages of your assignment (e.g. page 1 of 4) and write your name and surname, student number and subject at the top of **each** page.
- 5) The IEX requires assignments to be presented on plain A4 paper. You must show all working calculations, including, and where appropriate, multiple choice working calculations.
- 6) A separate assignment cover, which is provided by the IEX, must be attached to the front of each assignment.
- 7) Retain a copy of each assignment before submitting in case the original does not reach the IEX.
- 8) The assignment due date refers to the day up to which assignments will be accepted for marking purposes. The deadline is 3:00 p.m. on 17 August 2010. Late assignments will be accepted, but **25 marks** will be deducted from the maximum mark, if received after 3:00 p.m. on 17 August 2010 and up to 5:00 p.m. the following day, after which no assignments will be accepted.
- 9) If you fail to follow these instructions carefully, the IEX cannot accept responsibility for the return of the assignment. It may even result in your assignment not being marked.

Results will be available on the IEX website: [www.iex.co.za](http://www.iex.co.za) on Friday, 8 October 2010.

**SPECIFIC INSTRUCTIONS:**

When using your own words, be careful not to change the meaning of established terms, expressions or jargon of the specific subject in question.

**Note: The nature of this subject is highly technical; students are well advised to set aside sufficient studying time, that is, a solid minimum of 2 hours a day, 6 days a week.**

**QUESTION 1****[40]**

Through its agent, Fun-in-the-Sun (Pty) Ltd. in Durban, received an enquiry from Club Méditerranée for the supply of 24 inflatable boats inclusive of outboard motors on a delivery basis of CIP Saint-Denis, Reunion. Payment will be effected in Euros against an irrevocable letter of credit 90 days from shipped bill of lading date. The enquiry incorporates a request for all risks marine insurance plus war and strikes at a value of CIP + 12%.

The ex-factory price per complete unit is R7 185.00 and packing costs amount to R150.00 per complete unit. The consignment of 24 boats and motors constitutes a 6m/20ft full container load (FCL).

Fun-in-the-Sun's freight forwarder quotes a box rate of USD 2 275.00 + 23,9% BAF and charges a documentation and agency handling fee of R575.00 and 4,75% of disbursements respectively. Delivery of the empty container and collection of the full container for transport to the Durban port terminal will amount to R1 250.00. Other costs comprise a terminal handling charge (THC) of R795.00, export cargo dues of R836.00, a bill of lading issue fee of USD 18.00, a container terminal order (CTO) fee of R220.00, a carrier release fee of R320.00 and sundries of R80.00.

Under Fun-in-the-Sun's open policy, marine insurance cover as requested involves a premium of 1,5% to be applied to the value stipulated above and credit insurance is applicable at 1,85% of the invoice value. Financing is available at 13,5% per annum and the exporter's agent earns 8% commission of the FCA value of the goods.

Exchange rates:

Selling:	USD 1,00 = ZAR 7,3260	EUR 1,00 = ZAR 9,8267
Buying:	USD 1,00 = ZAR 7,2395	EUR 1,00 = ZAR 9,7442

By using the information provided above, prepare a detailed CIP Saint-Denis costing for this shipment of inflatable boats with outboard motors by presenting separately:

- The calculation of the agency fee of 4,75% of disbursements. Disbursements are delivery/collection of container, terminal handling charge (THC), export cargo dues, carrier release fee, bill of lading issue fee and the total freight charges.
- A complete costing sheet showing the 3 sets of percentages used at the bottom.
- The CIP Saint-Denis price in Euros for one inflatable boat complete with outboard motor.

*The costing sheet should only reflect figures rounded to the nearest rand, that is, 50 cents or more upwards and less than 50 cents downwards. Apply the same principle to percentages and round them to the nearest **two** decimal points where applicable.*

**QUESTION 2 [20]**

Fun-in-the-Sun supplies, by sea-freight, a new client in Mediterranean Europe with similar inflatable boats and outboard motors for a considerable value on payment terms involving a documentary bank collection and not covered by credit insurance.

- 2.1 Detail what course of action Fun-in-the-Sun could follow if the draft (bill of exchange) were dishonoured. **(13)**
- 2.2 Explain how Fun-in-the Sun can minimise the risk of non-payment under this type of bank collection. **(7)**

**QUESTION 3 [20]**

In terms of short-term export credit insurance policies, explain in detail Credit Guarantee's 'Export Business Builder'.

**QUESTION 4 [20]**

Name and describe the definitions given in the EMIA regulations.

**ASSIGNMENT TOTAL: 100**