UNIT 4 EXPORT DOCUMENTS : AN OVERVIEW

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4.0 OBJECTIVES

After studying this unit, you should be able to:

- describe the reasons for documentation in export trade
- explain functions of different kinds of documents needed for performance of export contract
- explain the need for legal regulatory documents for doing export business
- fill up main commercial documents
- describe the need and advantages of simplified export documents.

4.1 INTRODUCTION

In the previous three units you have learnt the importance and role of exports in a developing country like India as well as the policy framework in which exporting firms operate from India. You have also been exposed to the nature of export sales contract, which describes the respective rights and duties of exporter and importer. In this unit, you will learn various perspectives, kinds and functions of export documents. You will also learn about the documents needed for fulfilling the commercial obligations of an exporter and various legal and other documents involved in export trade.

4.2 NEED AND RATIONALE

Export documentation is commonly considered to be the most complex and difficult part of overseas marketing. You may have come across such comments as "export is a botheration because one has to fill-up so many forms". Such comments tend to discourage people from entering export business. It is therefore, necessary to emphasise that export documentation is as much of an important activity as the conclusion of an export order and its fulfilment.

Why is documentation needed in export business ? Answer to this question lies in the nature of the business relations between the exporter and the importer, who are operating from two countries. If one is doing domestic business, one knows or can easily know the commercial practices which bind the buyer and the seller. Similarly, the possibility of business disputes is reduced since both the buyer and the seller know or can easily know laws governing contracts. However, when the buyer and the seller are operating in two countries, the commercial practices and legal systems are different. Thus, for ensuring that the respective interests of the buyer and the seller are protected, certain documentary formalities become essential. Similarly, every country has its own laws governing imports and exports. Consequently, the exporter has to comply with laws in his country through documentary formalities. At the same time, he has to send some documents to the importer which will enable him to take possession of the goods after getting permission from the concerned government department (i.e. the customs authorities). There is yet another reason for documentation in export trade. Such documentation is linked with the claim of export incentives given by almost all countries world over. Since most of these incentives are to be claimed after shipment, the exporter has to give documentary proof of the fact of shipment.

Documentation formalities are necessary to enable the importer to get the contracted goods and the exporter to get sale value as well as to secure export incentives. In other words, export documents are needed to comply with commercial, legal and incentive requirements.

Let us now discuss these three perspective in greater detail to understand the rationale of different documents.

4.2.1 Commercial Perspective

Trade between two business firms located in different countries begins with the conclusion of an export contract. Under the contract, the duty of the exporter is to ship the contracted goods in the agreed form (e.g., packing) and by agreed mode of transport as well as according to agreed time schedule. On the other hand, it is the duty of the importer to remit sale value to the exporter according to agreed terms of payment. In this process of physical movement of goods from the exporter to the importer and remittance of sale value in the reverse order, neither the exporter nor the importer is personally and physically involved. Instead goods are handed over to a shipping company or an airline which issues a receipt for these goods. Further, since goods in transit may be damaged or lost due to some accident, the exporter may be required to get an insurance policy. While these two documents will protect the interests of the importer, the exporter will ensure that these documents are not in the possession of the importer unless he has either paid for the goods or he has made a promise to make payment at a later date. For this purpose, physical possession of the goods will be linked with the acceptance of a payment document by the importer. In actual practice, a set of documents given proof of shipment and cargo insurance coverage along with a bill for payment is sent by the exporter to the importer through the banking channel. This set of documents symbolises ownership in goods. This will be handed over to the importer by the bank in his country which he has received it from the bank in the exporting country only when he has honoured the bill. In other words, the importer will get delivery of the goods from the carrier on the basis of the transport document which is obtained through the bank, after he has complied with the agreed terms of payment.

4.2.2 Legal Perspective

Besides commercial necessity, documents for exports have a legal perspective. All over the world, laws regulating export-import trade as well as movement of foreign exchange have been enacted. In some countries, the regulations are few which are enforced through simple procedural and documentation formalities. In other countries, the regulations are many and the enforcement procedures are complex.

Why should there be regulations in foreign trade ? There is perhaps no country in the world where movement of goods and money is absolutely free. The minimum regulations that one can think of is the one to record the movement of goods from and into a country. For this purpose, the exporter has to declare on a document the details of goods being exported by him. Other than this basic minimum requirements, the governments all over the world regulate movement of goods to protect political, economic, cultural and other interests and for implementing trade agreements with other countries.

Some countries do not have political relations with the others. As a result, goods originating from such a country are not allowed to be imported. Thus, a country which does not permit flow of goods from certain countries has laid down the requirement of certificate of origin which states that the goods are of the country which is exporting them. For example, some of the countries in West Asia do not allow imports from countries or companies having any relation with Israel.

Documents are needed for protecting the economic and social interests of the trading countries. For example, under the Indian Export Policy, the government has listed out products which either cannot be exported or can be exported after obtaining permission from the designated agencies. Some of the products are subject to restrictions because of their short supply in the country. Consequently, these products can be exported only after obtaining a quota, for which a documentary proof is to be submitted to the customs authority for shipment purposes. Similarly, there are a number of government regulations governing quality, standards, foreign exchange flows, valuation of goods for calculating customs duties, etc. Compliance with these regulations necessitates documentation. Documents are also needed for fulfilling requirements under bilateral and multilateral trade agreements. For example, an Indian exporter will need to obtain GSP, Certificate of Origin for exporting certain specified products to those countries which operate the Generalised System of Preferences. Under this System, the developed countries accord preferential duty treatment to specified goods originating from developing countries. The GSP certificate will enable the importer to pay concessional duty.

4.2.3 Incentive Perspective

Export assistance and incentive measures have become an integral part of export policy in larger number of countries. Since these incentives are to be given only to the export activity, documentary proof to this effect is required to be given by the claimant to the disbursing authorities. Such a documentary proof should state that the claimant is eligible to receive the incentive, that the goods will be or have been exported according to the export contract and that the claim has been filed in the manner specified in the policy. In other words, bonafides of the claim have to be established for receiving incentives and assistance. You may also note that for making a claim, the exporter has to file an application on the specified form that summarises the shipment and other details. This application is to be accompanied by a number of supporting documents to enable the incentive disbursing authority to check the authenticity of details given in the application.

Check Your Progress A

1. List three perspectives of export documentation.

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2. What do you mean by certificate of origin ?

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3. State whether the following statements are True or False.
   i) Export documentation is the most simplest part of overseas marketing.
   ii) Export documentation helps in protecting the interests of buyers and sellers.
   iii) Under Generalised System of Preferences, the developed countries accord preferential duty treatment to specified goods originating from developing countries.
   iv) It is the duty of the exporter to ship the contracted goods in the agreed form.

4.3 KINDS AND FUNCTIONS OF DOCUMENTS

Having learnt about the need and rationale of export documents, let us now discuss specific documents and the functions they perform.

4.3.1 Commercial Documents

Commercial documents, also known as shipping documents, enable the exporter and the importer to discharge their obligations under an export contract. In specific terms, these documents ensure that the exporter makes shipment of the goods according to requirements of the contract and the importer makes payment for goods shipped in the manner as given in the contract. When goods are shipped by the exporter, he has a set of documents which entitles him or its legal holder (e.g. agent, importer, bank) to the goods at the destination or in the event of damage or loss to compensation by insurance.

For a consignment under a c.i.f, contract, a set of commercial documents comprise commercial invoice, bill of lading/airway bill/post parcel receipt, insurance policy/certificate and bill of exchange. In addition, to these documents, a particular shipment may necessitate additional commercial documents such as packing list, certificate of inspection, certificates of quality etc. You must also note that for receiving payment from the importer, additional documents, satisfying the regulatory needs in the importing country, will have to be obtained by the exporter and sent to the importer. Let us discuss various commercial documents.

1. **Commercial invoices :** This is the first basic and the only complete document among all commercial documents for the shipment. Besides fulfilling the obligation under the export contract, the exporter needs this document for a number of other purposes including : (i) obtaining export inspection certificate (ii) getting excise clearance (iii) getting customs clearance and (iv) securing incentives. **Thus, this document is prepared at both the pre-shipment and post-shipment stages.**

   In the first place, Commercial invoice is a document of contents, that describes details of goods sent by exporter. It is the statement of account which must contain identification marks and numbers, description of goods and quantity of goods.

Every shipment has identification marks which identify the cargo with various documents. These are private marks which are made on the packages. These marks could be either in the form of symbols (say, a star, triangle, rectangle, etc.) or numericals. Similarly, every package under a shipment is numbered, usually written serially. The commercial invoice must specify the serial numbers given in a particular consignment.

Commercial invoice must describe the goods shipped by the exporter. The description of goods must correspond exactly with the description given in the contract or the letter of credit. It means that there should not be any difference (including spelling) between these descriptions. Thus, if a contract describes the goods as "Ten Thousand Pairs of Blouses and Skirts", the exporter should not describe them as "Ten Thousand Blouses and Ten Thousand Skirts", though logically both the descriptions mean the same.

Sometimes description of the goods includes the number of packages and the type of packing material. Thus, if the contract specifies shipment to be made in "ten new gunny bags", the exporter should send the contracted goods and describe them as needed. If the commercial invoice wrongly describes the shipment as "ten gunny bags" instead of "ten new gunny bags", the bank may refuse to honour shipping documents and not pay for them.

The quantity described on the commercial invoice should neither be less or more than the contracted quantity. In other words, the exporter should not ship less than contracted quantity, unless the contract permits part shipment. However, if the goods are being shipped under a letter of credit, part shipment is permitted, unless it is specifically prohibited. On the other hand, quantity shipped should not be more than the contracted quantity. This is so even if the exporter may not be charging for the additional quantity.

Second function of the commercial invoice is that it is the seller's bill given to the buyer. As a bill, it must contain the name and address of the buyer, unit price, amount and authorised signatures with designation. Unless required by the buyer, the total invoiced value should be net of any commission or discount; in other words, it should be the realisable amount of goods as per the trade terms. Sometimes a contract requires a detailed breakup of the amount to be recorded on the invoice for enabling the customs authority in the importing country to calculate import duty.

The name and address given in the commercial invoice should be the same as given in the export contract or the letter of credit, as the case may be. Under a letter of credit, unless otherwise specified, the commercial invoice must be made out in the name of the applicant of the credit. As in the case of quantity to be recorded on the invoice, the amount should neither be less nor more than the stipulated amount in the contract or the letter of credit. The only exception is that if the contract or the letter of credit permits part-shipment, an individual invoice can be less than the total amount.

The commercial invoice also sets forth the terms of sale (i.e.fob/cif/c&f), etc, mode and date of shipment and terms of payment. It can also serve as a packing list and a certificate of origin. A packing list shows details of goods contained in each pack of shipment. When the law in an importing country does not specifically require a separate certificate of origin issued by a third party, it can be self-certified by the exporter on the commercial invoice. The format of commercial invoice is devised by exporters themselves according to the requirements of their business.

2. **Bill of lading:** Bill of lading is issued by the shipping company or its agents stating that goods are either being shipped or have been shipped. Essentially a transport document, it serves many purposes in international commerce. Bill of lading serves the following three distinct functions.
   i) This document evidences the contract of affreightment (transport) between the shipping company and the shipper (exporter or importer).
   ii) It is a receipt given by the shipping company for cargo received by it.
   iii) It is a **document of title** (This is the most significant function of the bill of lading).

Let us first understand the meaning of the term "evidence of the contract of affreightment". When goods are to be carried by any carrier (say, a ship), the contract of affreightment will contain terms and conditions of carriage. In particular this contract will mention the responsibility of the carrier (e.g., ship-owner) in providing space, receiving, loading, carrying and unloading of the cargo. Thus, if there is any loss or damage to the cargo when it is in the custody of the carrier, the contract will provide for the circumstances in which the carrier can be held liable for the loss or damage. Further, in case the carrier is to be liable for loss or damage, the contract will provide for the amount of claim which carrier will be required to pay to the cargo owner. A bill of lading also contains printed terms and conditions of the contract of affreightment on it. However, it is not considered as a contract by itself; instead it is the most important evidence of the contract. Law courts all over the world have held that in case of a dispute, the aggrieved party may produce any other evidence which may controvert a printed clause in the bill of lading. Any other evidence could be a specific agreement in which for example, the shipowner may have agreed to a higher amount of liability than the standard amount. Thus, in such cases, the shipowner does not have a defence that his maximum liability is as printed in the bill of lading.

Bill of lading is a receipt issued by the shipping company on its agents. Law requires that as a receipt, it must contain leading identification marks, number of packages or quantity or weight or any other unit of account, and apparent order and condition of the goods.
Bill of lading is the only evidence to file a claim against the shipping company in the event of non-delivery, defective delivery or short-delivery of the cargo at the destination. As a result, this document indicates that the contracted goods have been either given into the charge of the shipping company or shipped by the exporter by the named ship on the date specified on the bill of lading. If shipment is according to the contract terms, the exporter gets the right to demand the sale amount from the importer while the importer is entitled to get delivery of the goods at the destination.

As a receipt, the 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 an 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 en route but where the first carrier has 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 a 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 shipments 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.

Bill of lading is a document of title that will enable the lawful holder of any of the original B/L to take delivery of the goods at the stipulated port of destination. Thus, a claimant of title to goods is required to surrender an original B/L (also popularly known as negotiable copy of B/L) for claiming goods from the shipping company or its agents. A bill of lading is not a negotiable instrument, though it is transferable by endorsement and delivery. What is the purpose of transferability of the bill of lading ? Transferability enables the banks to pay money to the exporter against surrender of shipping documents, including B/L, even before the goods reach the destination. Similarly, it enables the goods to be resold by the importer before goods reach the destination. For creating transferability, the bill of lading has to be made in such a way that the goods are consigned to the "order of" a party. The party could be either the exporter himself, or a negotiating or paying bank or any other party as provided in the contract or letter of credit. For example, if B/L is prepared in the following way, it can be transferred through endorsement in the same manner as in a cheque. There are three main columns in B/L. These are : Consignor (Shipper), Consignee (or Order of) and Notifying Party. Notifying Party is the party to whom the shipping company is to send "notice of arrival". Transferability can be created by filling-up these columns in the following manner:

Consignor : **ABC company, New Delhi**
Consignee : **(Order of) Bank of XYZ, New Delhi**
Notifying Party : **KNM, London**

By not striking-off the words "Or Order Of" and writing the name of the negotiating bank, the bank becomes the first endorsee. Title to goods will be transferred from the negotiating bank to the paying bank to importer on endorsements by the negotiating and the paying banks in succession.

In contrast to the "Order B/L" is the consignee-named or straight B/L. The consignee-named B/L is made out in the name of a specific party. Hence, title to goods cannot be transferred to a third party. The exporter should not ship goods under this kind of B/L as goods can be released by the shipping company at the destination without the presentation of the 'original' B/L. Thus, if payment from the importer has not been secured, the exporter may lose hold over goods and may not get paid. However, if payment in advance has been received or if goods are being shipped under as irrevocable letter of credit, the consignee-named B/L is a valid document.

According to international commercial practice, B/L along with other shipping documents must be presented to the bank not later than twenty-one days of the date of shipment as given in B/L. Sometimes the buyers may also specify the last date or the number of days after shipment by which the documents must be submitted to the bank. Where this stipulation is not followed by the exporter, the documents are said to have become "stale" and B/L in such case will be known as **stale B/L.** A stale B/L is one which is tendered to the paying bank at so late a date that it is impossible for it to be despatched to the consignee in time to reach him before the goods themselves arrive at the destination port.

3. **Airway bill:** In air carriage, the transport document is known as the airway bill (AWB). This document constitutes prima facie evidence of the conclusion of the contract of affreightment, of receipt of goods and of conditions of carriage. This documents, therefore, performs the triple functions as a forwarding note for the goods, receipt for the

goods tendered and authority to obtain delivery of goods. By itself, AWB is not a document of title, nor is this document transferable. However, AWB can be made into a transferable document by which it can be transferred to a third party by endorsement like the B/L. But, by and large, the business and commercial practice does not treat AWB as a document of title.

The functions of AWB are similar to B/L in regard to its characteristics as an evidence of contract and as cargo receipt. The AWB may be given as a receipt either for cargo given to the carrier pending shipment or for cargo loaded on board the aircraft. It may either be a **clean receipt or a claused receipt.** As regards the document of title characteristics, AWB is not a document of title, but this feature can be incorporated in it by making an Order AWB. General practices in the trade is to get the consignee-named AWB. Consequently, goods are delivered to the consignee named in the AWB. The consignee will have to identify himself as the party named in AWB and goods may be delivered to him without any hindrance. But if the interests of the exporter have not been protected, the consignee may get hold of the goods and may also not pay for them. Hence, exporters provide for a clause in the contract which requires AWB to be made in the name of the paying bank, which will ensure exchange of goods for payment by the importer. On the other hand, the importer can protect himself against the seller's re-routing of the goods by obtaining the consignor's copy of the AWB (marked "Original 3 for Shipper"), which is sent to him through the banking channel by the exporter alongwith other shipping documents.

4. **Post parcel receipt:** Post parcel receipt (PPR) evidences merely the receipt of the goods exported through postal channels to the buyer. It does not evidence the title to goods. The parcel is consigned to the consignee named in the contract between exporter and importer. The consignee, can identify himself with the postal authorities at the destination and obtain delivery of the goods.

5. **Insurance policy or certificate:** Cargo insurance policy (also called marine insurance policy) provides protection to cargo owners in the event of loss or damage to cargo in transit. This loss or damage is caused by accidents which cannot be known in advance and against which no protection is possible. These may be caused by natural calamities as well as by man-made accidents. It is, therefore, necessary that the risk of loss or damage to the cargo is minimised by obtaining a suitable insurance cover from an insurance company.

There are different types of insurance policies for different categories of risks to be covered. We may emphasise that different types of risks to be covered will require different policies. Thus, the prevalent practice all over the world is to fix insurance on five types of policies. These are :i) Institute Cargo Clauses A ii) Institute Cargo Clauses B iii) Institute Cargo Clauses C iv) Institute Strikes Clauses and v) Institute War Clauses.

Among the three cargo clauses, Cargo clauses A provide the maximum cover, clauses B provide less cover while clauses C provide the least cover. When war and strikes clauses are attached to cargo clauses A, the cargo owners are given protection against all kinds of risks admissible under the law.

It must be pointed out that insurance cover is given irrespective of the mode of transport used including sea, air, road and rail carriers. Further, insurance cover can be secured for cargo going from the warehouse of the consignor, to the warehouse of the consignee.

Generally, the export contract determines the party (exporter or importer) that will procure insurance cover. In the f.o.b. and C & F contracts, importer obtains insurance cover after the goods have been laid on board on carrier. On the other hand, in a c.i.f. contract, it is the obligation of the exporter to insure goods.

Sometimes the export contract specifies the submission of 'insurance certificate' instead of the policy to bank for negotiation of documents. Insurance certificate, which is one stage prior to insurance policy, comes into being when a large and regular exporter obtains an open cover or concludes an open policy. Under these two arrangements, insurance certificates are issued on declaring shipments by the exporter as and when these are effected. Insurance certificate has an advantage as it cuts downtime in getting the insurance document from the insurance company.

6. **Bill of Exchange:** Bill of exchange or draft is "an instrument in writing containing an unconditional order, signed by the maker, directing a certain person to pay a certain sum of money only to or to the order of a person or to the bearer of the instrument. Further, the person to whom it is addressed is to pay either on demand or at fixed or determinable future.

Bill of exchange (B/E) is an important commercial document which bridges the time gap between shipment of goods and receipt of sale amount. This document is prepared by the exporter and given to the bank alongwith other shipping documents for securing the sale amount. In this sense, B/E is attached to other documents, which will be given to the importer only after he has honoured the B/E either by actual payment or by undertaking to make payment at a future date.

Simply stated, the maker of B/E is the exporter (drawer) and the person who is directed to pay is the importer (drawee), while the person who is entitled to receive payment is the exporter (payee) or anyone directed by him. The sum of money to be paid by the drawee is the amount billed in the commercial invoice and recorded in B/E.

B/E is to be honoured either on demand or on presentation to the drawee or at a determinable future. Where B/E is to be honoured on demand, a **'Sight bill'** is drawn while in the second case **'Usance bill'** is drawn. In the first case, the exporter does not give a credit facility to the importer. In the second case, he extends this facility for an agreed time period. Sight bill is drawn under DP (Documents against payment) terms of payment. For one shipment, two sets of shipping documents including B/E are mailed to the foreign correspondent (bank) through a bank in the exporting country for presentation to the drawee (importer). Each one bears a reference to the other. When anyone of the B/E is paid for by the drawee, the second B/E becomes null and void.

Check Your Progress B

1. What are the main commercial documents when goods are sent by sea under c.i.f. contract?

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2. What is the difference between clean bill of lading and claused bill of lading?

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3. What is the difference between Sight bill and Usance bill?

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4. Fill in the blank with appropriate word.
   i) .... enable the exporter and the importer to discharge their obligations under an export contract.
   ii) Bill of lading is a document of ....
   iii) ....provides protection to cargo owners in the event of loss or damage to cargo in transit.
   iv) .... bridges the time gap between shipment of goods and receipt of sale amount.
   v).................. does not evidence the title to goods.

4.3.2 Legal Regulatory Documents

These documents may be divided into two categories, i.e., documents needed in the exporting and the importing countries. Let us first discuss regulatory documents needed in India.

1) Legal documents for exports from India

Regulatory export documents are of two types. Documents needed for different kinds of registrations of the firm and documents which are specific to a shipment.

In the first category are included applications and supporting documents for obtaining (i) Code Number from the Reserve Bank of India, which once allotted is valid for the firm's life-time: (ii) Importer-Exporter Code Number valid for the firm's life-time, and (iii) Registration-cum-Membership Certificate, (RCMC) from the relevant export promotion council, commodity board, development authority etc., valid for a specified time period. RCMC is strictly not a legal requirement for exporting from India, but is needed for claiming some of the important export incentives.

RBI Code Number is required for the purpose of monitoring the flow of foreign exchange against export of goods by a firm. For obtaining the RBI Code Number, the application in duplicate in the prescribed form, called CNX form is to be made to the Exchange Control Department of the Reserve Bank in whose jurisdiction to the Head/Principal office of the exporter falls. This form is routed through the bankers of the applicant.
The application of the Importer-Exporter Code Number (IEC) is to be made in the prescribed form. Supporting documents to be submitted with the application are i) photocopy of RBI Code allotment letter; ii) photocopy of the registration Certificate of either DGTD or Directorate of Industries, as the case may be; iii) photocopy of industrial licence, if any; iv) photocopy of Registration-cum-Membership Certificate or RCMC and v) photocopy of Permanent Income Tax Account Number.

RCMC is obtained from the concerned registering authority which may either be an export promotion council or commodity board or a development authority. Application is to be made on the prescribed form available from the registering authority.

In the second category are the documents which an exporter or his agent has to prepare for shipment of goods. These documents are :

i) Section 18 of the Foreign Exchange Regulations Act, 1973 requires that all exports other than exports to Nepal and Bhutan, shall be declared on the following forms:
   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 under 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.

   All these documents serve the purpose of monitoring the realisation of sale amount by the exporter in the stipulated manner.

ii) For goods that are subject to the Export Trade Control Policy of the Government of India, documents in the form of applications have been specified. On the basis of that documents either an export licence or an export permit will be granted by the concerned authorities. Licence or permission is generally given on the customs document known as shipping bill. For obtaining export licence from the licensing authorities the application is either the A-X Form or B-X Form which is submitted alongwith the shipping bill and other documents, if any. In many cases, specific permission may have to be obtained from particular government ministries/departments, in which case exporter has to apply on his letter-head.

iii) For a number of products under the Export (Quality Control and Inspection) Act, 1962 and various other regulations, it is obligatory for an exporter to obtain Inspection Certificate from the notified agencies. For obtaining this certificate, the exporter has to apply in a document called intimation for inspection alongwith supporting documents (commercial invoice, technical specifications, etc.) to an Export Inspection Agency. Thereafter, a certificate of inspection will be issued, which along with other documents will be submitted to the customs authorities before permission to ship goods is given.

iv) Under the Indian Customs Act, goods cannot be loaded on board the carriers unless permission from the customs authorities has been obtained. This permission is accorded on a document prescribed by the customs authorities. When goods are sent by sea or by air, this document is known as **Shipping Bill.** When goods are exported by land or by rail it is called **Application for Export.** Post parcel consignment require custom declaration form to be filled in.

There are four types of shipping bills. These are:

i) **Free shipping Bill:** Usually printed on white paper, it is used for export of goods which neither attract any export duty or cess nor are entitled to the duty drawback (an export incentive).
ii) **Dutiable shipping bill:** Printed on yellow paper, it is used in case of goods which are subject to export duty/cess.
iii) **Drawback shipping bill** It is usually printed on green paper and is used for export of goods entitled to duty drawback.
iv) **Shipping bill for shipment ex-bond:** It is printed on yellow paper for use in case of imported goods for re-export which are kept in the customs bounded warehouses.

Application for export is used for seeking Customs permission of export goods to the neighbouring countries like Bangladesh by road, river or rail. This is of three types, namely, for export of "Free", "Dutiable" and "Drawback" cargoes. Customs declaration form for goods sent by post parcel is a standard form for all types of cargo. However, for claiming duty drawback, the exporter has also to file another document known as "Form D".
Port authorities in India have a specified documents for bringing the cargo into the shed for shipment as well as for payment of port charges. This document is called **port-trust copy of shipping bill** in Bombay **dock challan** in Calcutta and **Export application** in Madras and Cochin. Like the shipping bill, this document is prepared by the clearing and forwarding agent of the exporter.

2) **Legal documents in importing countries**
Let us now discuss some of the well-known documents needed in the importing countries because of the legal necessity. These documents are, however, obtained by the exporter to be sent to the importer.
   i) **Consular Invoice:** Usually issued on the specified form, it is signed and stamped by the local consulate of the country to which goods are exported.
   ii) **Customs Invoice:** It is also made out on a specified form prescribed by the customs authority of the importing country. The details given in the document will enable the customs authority of the importing country to levy and charge import duty.
   iii) **Legalised/Visaed invoices:** These invoices constitute a sworn affidavit by the exporter about the genuineness and correctness of the sale. These could be sworn before the appropriate consulate or the chamber of commerce, as the case may be, which will put their stamp on them.
   iv) **Certified invoice:** This is the self-certified invoice by the exporter about the origin of the goods.
   v) **Certificate of origin:** This certificate is issued by independent bodies like the chamber of commerce on a prescribed form.
   vi) **GSP certificate of origin:** Goods which get the benefit of preferential import-duty treatment in countries which implement the Generalised System of Preferences should be accompanied by the GSP certificate of origin. This certificate is given on the forms prescribed by the Importing countries.
   vii) **Health/Veterinary/Sanitary certificates** : These certificates are needed in a number of countries, certifying that the goods are fit for human consumption.

4.3.3 Documents for Claiming Incentives

For providing a number of facilities and incentive to the export goods, a number of documents are required to be made out by the exporter. Some of the important facilities and incentives and the corresponding documents are discussed as follows:

i) **Priority allotment of wagons:** The railways in India allot wagons to export consignments moving to ports for shipment on a priority basis. For this purpose, the exporter has to file forwarding note (a railway document), Wagon registration fee receipt and shipping order, which is issued by the shipping company on reservation of space on the ship.
ii) **Rebate in central excise:** Main documents are Invoice and AR4/AR5 Forms.
iii) **Duty drawback** : For claiming this incentive the main document is the customs attested drawback copy of shipping bill. This is usually to be supported by drawback payment order (format prescribed by the customs authorities), a copy of the final commercial invoice and a copy of bill of lading/airway bill.

Check Your Progress C

1. Name the documents needed for obtaining RBI Code number

....

....

....

2. What is the difference between consular invoice and customs invoice ?

....

....

....

3. What do you mean by 'Application for export"?

....

....

....

4. State whether the following statements are True or False.
   i) GR Form is required to be filled in duplicate for all exports in physical form other than by post.
   ii) RBI Code Number is required for the purpose of monitoring the flow of foreign exchange against export of goods by a firm.
   iii) Softex form is required to be prepared in duplicate for export of computer software in non-physical form.
   iv) When goods are exported by road or by rail, the document used for this purpose is called shipping bill.
   v) Drawback shipping bill is used for export of goods entitled to duty drawback.

5. Fill in the blanks
   i) Under the Foreign Exchange Regulations Act. exporters from India have to declare exports on........... form for all exports in physical form other than by post.
   ii) The application for getting the Export Inspection Certificate is the ....
   iii) Shipping Bill is prescribed by .... authority.
   iv) Customs Invoice is prescribed by the .... country.
   v) The document prescribed for obtaining GSP facility is called........
   vi) .... is the document prescribed by the Indian Railways for getting a priority in the allotment of wagons for movement of export consignments.
   vii) Main documents for claiming rebate in central excise duty are............ and.................

4.4 STANDARDISED PRE-SHIPMENT EXPORT DOCUMENTS

Although documents are essential in export operations, much of the documentation is overlapping in nature. Forms of documents prescribed by different agencies/bodies differ in size and layout even though much of the information is common. Consequently, these documents are required to be prepared individually and separately. This method of preparation of documents caused delays in processing of documents by the concerned agencies/bodies besides resulting in errors and discrepancies.

Considering the problems caused by the non-standardised documentation, a number of countries have been following a system of documentation known as the **"Aligned Documentation System"**. This system is based on the "UN Layout Key" and is in use in a number of countries where exporters have been benefited because of economy, speed, accuracy and convenience in documentation work. By adopting the similar system, Government of India have developed Standardised Preshipment Export Documents. With the help of this system, as many as 17 of the 25 documents can be prepared from only 2 Master Documents. In this method, the information is created on a set of standardised form printed on paper of the same size. This is done in such a way that items of identical information occupy the same position on each of them. The effort has been made to standardise both the Commercial and Regulatory documents. Let us discuss them in detail.

1. **Commercial documents:** As you know that these documents are required for effecting physical transfer of goods and their title from the exporter to the importer and the realisation of export sale proceeds. These documents can be divided into: (i) principal Export

Documents and (ii) Auxiliary Export Documents.

Principal Export Documents are:

Commercial invoice
Packing list
Bill of lading/Combined transport document
Certificate of inspection/quality control
Insurance certificate of policy
Certificate of origin
Bill of exchange
Shipment advice

Auxiliary Export Documents are:

Proforma invoice
Intimation for inspection
Shipping instructions
Insurance declaration
Shipping order
Mate receipt
Application for certificate of origin
Letters to the bank for collection/negotiation of documents

Out of above mentioned 16 documents, 14 documents have been standardised. Two documents shipping order and Bill of exchange have not been standardised. The standardised system involves the use of standardised trade documents which are also aligned in relation to one another. The documents are prepared on the same size of paper which have the requisite information in a standard format. Commercial documents are to be prepared as under:

Standard size of paper

Paper	:	A4		
Size	:	Length	-	297 mm
		Width	-	210 mm
Margins	:	Top	-	10 mm
		Left	-	20 mm
		Right	-	6 mm
		Bottom	-	7 mm

Inside Measurements

Length - 280 mm
Width - 184 mm

Tolerance limits

± 1mm

Since these documents are aligned to one another, a Master Document is first prepared containing the information common to all documents. Thereafter, individual documents are prepared from the master documents with the help of a suitable marking and reproduction technique.

2. **Regulatory documents :** As you know that these documents are required by different Government departments or organisations like central excise, customs, RBI, Export Inspection Council etc. Following documents are required at pre-shipment stage.

Central Excise :
Invoice
AR4/AR5 Forms

Customs :
Shipping bill/Bill of export

Port Authorities (Port Trust)

Export Application/Dock challan/Port Trust copy of Shipping Bill
Receipt for payment of port charges
vehicle/cart ticket/chit

RBI:

GR/PP Form

Others:

Freight Payment Certificate
Insurance premium

Out of these 9 preshipment regulatory documents only 3 documents have been standardised. These three documents are:

Shipping Bill/Bill of Export
GR Form
Export Application/Dock Challan/Port Trust copy of Shipping Bill including receipt for payment of port charges.

Regulatory documents are to be prepared as under:

Standard size of Paper

Paper : Full scape size

Length	-	34.5 cms
Width	-	21.5 cms

Margins:

Top	-	1.5 cms
Left	-	1.8 cms
Right	-	0.5 cms
Bottom	-	1.5 cms

Inside Measurements

Length	-	31.5 cms
Width	-	19.2 cms

Tolerance limits

± 1mm

Reproduction technique is the same as discussed above.

4.5 LET US SUM UP

Documentation in export business is complex but not difficult to understand if one knows the reasons of making documents at different stages of export transactions. Some of these documents are made or secured at the preshipment stage while others are made or secured after the shipment has been made. The need for export documents arises due to commercial, legal and incentive perspectives. Commercial perspective helps in protecting the respective interests of the exporter and importer. Regulatory perspective emphasises to follow the regulatory provisions of that particular country. Incentive perspective helps in getting various incentive according to the prevailing policy of the government.

Main commercial documents in c.i.f. contract are: Commercial invoice, Bill of lading/Airway bill/Post parcel receipt, Insurance Policy/Certificate and Bill of Exchange. The details required to be mentioned in these documents will depend upon the terms and conditions of the export contract/letter of credit.

Commercial invoice performs many functions. It is a document of contents and a bill. It gives information about the shipment and payment terms and also acts as a certificate of origin. Bill of lading and airway bill are transport documents and act mainly as receipt of cargo given by the carrier. Bill of lading, in particular, is also a document of title and for this reason it acquires the transferability. Insurance policy/certificate will enable the assured (exporter/importer/bank, etc.) to claim compensation from the insurance company for loss or damage to the goods caused by the perils insured against. Bill of exchange protects the interests of the exporter by linking the payment for goods with the other documents. In other words, the banking channel will ensure that the importer does not get the change of goods unless he has either paid for the goods or has obligated himself to make the payment after the expiry of an agreed period. This is to be done by accepting and honouring of the bill of exchange by the importer.

The legal regulatory documents fulfil the legal requirements of the concerned countries. In India, law stipulates that for anyone to be in the export business, registrations with RBI (RBI Code No.) and the licensing authorities (Importer-Exporter code No.) is essential. But if such exporter also wants to claim certain specified export incentives, he will have to get the Registration-cum-Membership certificate from the concerned export promotion organisation. In addition, the exporter has to follow documentation and procedural formalities for any consignment that is shipped. Main documents for these purposes are GR/PP/VP/COD/ SOFTEX form (under FERA), Export Licence/Permit, Export Inspection Certificate, Shipping Bill (Customs Clearance) and Port Trust Copy of Shipping Bill/Dock Challan/ Export Application (Port Clearance). In addition to documents needed in exporting country the importing country may also specify documents to be obtained by the exporter. These documents are generally in the nature of certificates of origin and quality. Documents are also needed for claiming export incentives, some of the main documents are Invoice and AR4/ AR5 Forms (excise rebate), Drawback Copy of Shipping Bill (Duty Drawback).

Faced with the problems of the non-standardised documentation, '**Aligned Documentation System**' have been developed. In line with this system, Government of India have also developed Standardised Pre-shipment Export Documents. With the help of this system, several documents can be prepared from a Master document.

4.6 KEY WORDS

Bill of Lading: A document issued by the shipping company as an evidence of receipt for goods and contract of affreightment. It is also a document of title.
Commercial Invoice: A document prepared by the exporter showing details of the goods despatched by him, including identification marks and numbers, description, weight and quantity etc. date and mode of despatch, unit price and total value, currency terms of payment and other charges including freight and insurance premium, if paid.
Consular Invoice: An invoice usually on a prescribed form signed and stamped by the commercial consular of the country where goods are exported.
Certificate of Origin: A document which shows the details of the shipment of goods which are the produce of the exporting country.
CNX Form: A form prescribed by the Reserve Bank of India for allotting the RBI Code Number to an exporting entity.
Importer-Exporter Code Number: The number allotted by the Indian licensing authorities that enables the exporter to ship goods and claim certain incentives.
Institute Cargo Clauses: The cargo insurance clauses which are attached to the insurance policy document and contain the terms and conditions of the insurance cover.
Inspection Certificate: The certificate issued by the concerned export inspection agency for goods which are notified under the Export (Quality Control and Inspection Act) and other Acts. Without this certificate, the Indian customs authorities will not permit shipment of the goods.
Shipping Bill: A document prescribed by the customs authorities showing details of the goods and carrier as well as ports of shipment and destination, on the basis of which permission to ship the goods is granted.

4.7 ANSWERS TO CHECK YOUR PROGRESS

A 3 i) False ii) True iii) True iv) True

B 4 i) Commercial Documents ii) Title iii) Cargo Insurance Policy
iv) Bill of exchange v) Post Parcel Receipt

C 4 i) True ii) False iii) True iv) True v) False
5 i) CNX Form and GR form ii) Intimation for inspection, iii) Customs
iv) Importing, v) GSP Certificate of Origin, vi) Forwarding Note,
vii) Invoice and AR4/AR5 Forms

4.8 TERMINAL QUESTIONS

1) What is the need for documents in international business? Substantiate your answers with suitable example.
2) "In export-import trade people are dealing in documents and not in goods". Critically examine this statement.
3) What are the major Commercial Documents? Write chief characteristics of Bill of lading and bill of exchange.
4) Describe the essential requirements in preparing the Commercial Invoice.
5) Distinguish between "Received for Shipment Bill of Lading" and "On-board Shipped Bill of Lading" as well as between "clean" and "claused" Bill of Lading.
6) What are the documentary requirements for obtaining the RBI Code Number and for getting customs permission for shipment?
7) Describe major documents needed by the importing countries.
8) Explain the main export incentives in India and the documents needed to claiming them.
9) Distinguish between:
   a) Insurance Policy and Insurance Certificate
   b) Consular Invoice and Customs Invoice
   c) Customs Declaration form and 'D' Form
10) Write short notes on:
   i) Law and Export Documents
   ii) Simplified Export Documents

Note: These questions and exercises will help you to understand the unit better. Try to write answers for them. But do not send your answers to the University. These are for your practice only.