## *What is a IMO*

**An International Money Order** is very similar in many aspects to a regular money order except that it can be used to make payments abroad. With it, a buyer can easily pay a seller for goods or services if he or she resides in another country. International money orders are often issued by a buyer's bank and bought in the currency that the seller accepts. International money orders are thought to be safer than sending currency through the post because there are various forms of identification required in order to cash an international money order often including a signature, and a form of photo identification.

## What in IMO used for ?

## IMOs are suitable for small transactions such as subcription, gifts, order or small import order. Therefore, there are not so popular.

## Are IMOs popular in foreign trade ?

## No. I’m afraid. As I mention earlier IMOs are suitable for small transactions such as subcription, gifts, order or small import order. Therefore, there are not so popular. The value of each transaction in foreign trade is often 1000 USD. In addition, they are usually paid in sterling or US dollars. As you know, currently we have 5 major currenties. They are US dollar, Pound sterling Euro, Chinese Yuan, Japanese Yen and Indian Rupee. And finally, if you want to pay a person or a business abroad in any other currency, ask a bank official for advice This is very trouble for exporters or importers.

## Can IMOs be replacement for Letter of Credit ?

## No, I’m afraid. As you know, IMOs are the tool for payment like banknotes. On the other hand, Letter of Credit is the guarantee of a bank for payment on behalf of the buyer, so IMOs can’t be replaced by a Letter of Credit.

## *What are Incoterms®?*

The term, Incoterms®, is an abbreviation for International Commercial Terms. They are a set of rules which define the responsibilities of sellers and buyers for the delivery of goods under sales contracts for domestic and international trade. They are published by the International Chamber of Commerce (ICC) and are widely used in international commercial transactions. The first Incoterms® were issued in 1936. The most recent version of Incoterms®, Incoterms® 2010, were launched in September 2010 and became effective January 1, 2011.

## *What are Incoterms® used for?*

Incoterms® provide a common set of rules to clarify responsibilities of sellers and buyers for the delivery of goods under sales contracts. They apportion transportation costs and responsibilities associated with the delivery of goods between buyers (importers) and sellers (exporters) and reflect modern-day transportation practices. Incoterms® significantly reduce misunderstandings among traders and thereby minimize trade disputes and litigation.

1. ***What is a freight forwarder? How does a forwarder help an exporter ?***

Freight forwarder is company licenced by the government agency, a commission or an association. The forwarders assist you with your import-export transactions. They are also in close relationship with international transportation companies. They can help you stay in compliance with Vietnamese export laws and help you determine whether or not you can ship the goods to your customer. Most goods are bought and sold freely around the world but there are certain restriction on goods.

Freight forwarders assist exporters in preparing price quotations by advising on freight costs, port charges, consular fees, costs of special documentation, insurance costs, and their handling fees. They recommend the packing methods that will protect the merchandise during transit or can arrange to have the merchandise packed at the port or containerized. If the exporter prefers, freight forwarders can reserve the necessary space on a vessel, aircraft, train, or truck. The cost for their services is a legitimate export cost that should be included in the price charged to the customer.

1. ***What are the common documents for customs clearance?***

[*Commercial Invoice*](http://export.gov/static/form_12_4_1_129032_eg_main_044744.pdf)

A commercial invoice is a bill for the goods from the seller to the buyer. These invoices are often used by governments to determine the true value of goods when assessing customs duties. Governments that use the commercial invoice to control imports will often specify its form, content, number of copies, language to be used, and other characteristics.

[*Export Packing List*](http://export.gov/static/form_12_8_1_129042_eg_main_044752.pdf)

Considerably more detailed and informative than a standard domestic packing list, an export packing list lists seller, buyer, shipper, invoice number, date of shipment, mode of transport, carrier, and itemizes quantity, description, the type of package, such as a box, crate, drum, or carton, the quantity of packages, total net and gross weight (in kilograms), package marks, and dimensions, if appropriate. Both commercial stationers and freight forwarders carry packing list forms. A packing list may serve as conforming document. It is not a substitute for a commercial invoice. In addition, U.S. and foreign customs officials may use the export packing list to check the cargo.

[*Pro Forma Invoice*](http://export.gov/static/form_13_1_1_129045_eg_main_044755.pdf)

A pro forma invoice is an invoice prepared by the exporter before shipping the goods, informing the buyer of the goods to be sent, their value, and other key specifications. It also can be used as an offering of sale or price quotation.

1. ***What is a Letter of Credit? What does a forwarder do with your Letter of Credit?***

**Letters of credit (LCs)** are among the most secure instruments available to international traders. An LC is a commitment by a bank on behalf of the buyer that payment will be made to the exporter provided that the terms and conditions have been met, as verified through the presentation of all required documents. The buyer pays its bank to render this service. An LC is useful when reliable credit information about a foreign buyer is difficult to obtain, but you are satisfied with the creditworthiness of your buyer’s foreign bank. An LC also protects the buyer since no payment obligation arises until the goods have been shipped or delivered as promised.

In conclusion, the L/C is very important for international business. It will help the exporter and the importer know how to make payment in the international trade and protect their right in transaction.

* **WHAT KIND OF L/C THE MOST FAVORABLE FOR THE EXPORTER?**

The confirmed irrevocable L/C is the most favorable for the exporter because payment is guaranteed by the issuing bank to pay on behalf of the buyer and the advising bank. Payment may be the most concern of the exporter. In this case, the buyer can not cancel the credit. So the payment is certain

When the seller doesn’t know anything about the buyer, a confirmed L/C is requested. The confirmed irrevocable L/C is the safest for the seller because payment is guaranteed by issuing bank and the advising bank

Thus confirmed irrevocable L/C is the most favocable for the exporter because the payment is certain

* **WHY IS L/C POPULAR IN FOREIGN TRADE?**

A Letter of Credit is a very important document in international trade. Because it is a reliable and safe method of payment and it protects the seller as well as the buyer. In foreign trade, the buyer and the seller live in 2 different countries. They are very far away from each other, and any dispute arising may cost a lot of money and time. L/C is considered a safest way for not only the buyer but also the seller. For the buyer, letter is also safer because he or she is ensured of delivery. The bank will hold the shipping documents until the buyer performed his or her duty. In particular, he must accept the draft or pay immediately.

For these and many other reasons, the Letter of Credit is an essential document in international finance.

* **WHO OPENS THE L/C?**

The importer or buyer opens the L/C. Often the buyer must fill out an application form and submit it to the bank. The bank that is issue the L/C is located in the buyer’s country

* **WHAT IS DOCUMENTARY CREDIT?**

Documentary credit is another name of L/C. The advising bank asks the seller to present the shipping documents if the seller wants to get paid. The documents needed include B/L, Commercial Invoice, Insurance Certificate, Certificate of origin, Certificate of fumigations, packing list, and so on.

* **WHO ISSUE THE L/C?**

The bank that issues the L/C is located in the buyer’s country. The issuing bank will be in charge of payment on behalf of the buyer. The issuing bank will also ask the correspondent in the seller’s country to inform the seller of the L/C opening.

* **WHAT ARE THE COMMON METHODS OF PAYMENT BESIDES THE L/C?**

The common methods of payment besides the LC are: transfer, collection, …

1. ***How do you distingwish among these 3 documents : Bill of Lading, CADEX and form B3?***

Bill of Lading is a document that shows the terms and conditions of a contract between a shipper and a transport company and It also acts as a receipt for goods received by the carrier and describes the condition in which case were loaded on board.

CADEX is stand for the Customs Automated Data Exchange and computer system allows electronic Transmission of Duty and Tax information to Canada customs in order to account for commercial goods.

Form B3 is to be completed which includes the following information your importer name and the importer’s or exporter’s account a description of the goods shipment date tariff treatment or trade agreement the country of origin the tariff classification the value of duty. He appropriate to your tax rates and the calculation of duties owing determining some of these elements including tariff classification value for duty and the origin of your goods which may be complex.

1. ***What is a check?***

A Cheque is a negotiable instrument instructing a financial institution to pay a specific amount of a specific currency from a specific demand account held in the maker or depositor's name with that institution. Both the maker and payee may be natural persons or legal entities.

1. ***What is an Invoice ?***

Invoice is a commercial document issued by a seller to a buyer, indicating the products, quantities and agreed prices for products or services that the Seller has already provided the Buyer with. An Invoice indicates that, unless paid in advance, payment is due by the Buyer to the Seller, according to the agreed terms.

1. ***What is a Bill of Lading?***

Bill of Lading is a document. As you know, it’s made by the carrier or transport company. Then it may be given to the shipper for accepting the shipment. The goods on the ship may be in good conditions and then you have a clean Bill of Lading. On the other hand, the goods may be in bad conditions and then you have a dirty or foul Bill of Lading. The Bill of Lading also says the terms of transportation. A through Bill of Lading can cover all modes of transporting goods to their destination. Bill of Lading is an important document and if you don’t have clean Bill of Lading you can’t receive the goods from the shipper.

1. ***What is a postdated check ?***

The postdated check is similar to a normal check. With a normal check, the holder can come to a bank, present the check and withdraw cash on spot. However, with a postdated check, the holder can not withdraw cash on spot. This is because the checking account has run out of money. If you pay for your purchase by check, you must tell the seller the date when he or she can withdraw cash. To recover the check you may request that the funds be transferred from savings to checking account. It is necessary to verify all information about the check before forwarding it to the beneficiary.

1. ***What are the major advantages and disadvantages of ATM ?***

ATM stands for automatic teller machine. ATM is very useful in helping you withdraw cash, and know the information about your account. In addition, it helps you make payments. If you need cash, you don’t need go to bank. You can access your money at an ATM every time of day or night. Also you don’t need carry cash if you go some places which have ATM. So you won’t be in fear of steal. Although your ATM card is stolen, your money is safe because the criminal would need your PIN to access your funds.
 However, it has some disadvantages. Sometimes the dispenser withholds your card. And you also need carry cash because not that there are ATMs everywhere. Moreover, in our country, most of ATM cards allow you to withdraw limited money during the day. If you need withdraw more, you must go to the bank. There are some secure problems such as: the ATM card can be faked, make a loss for banks and users.

1. ***What is a Bill of Exchange ?***

Bill of Exchange is also called draft which is drawn by the exporter on the shipment value. Then the draft will be sent to the importer through banks. The importer may sign the draft if the money is paid 60 days or 90 days later. On the other hand, the importer may pay right when he sees the documents presented by his bank. In this case, the method is called D/A by which the importer accepts the draft to get the shipping document. In this case, the method is called D/P by which the importer pay to get shipping document, with these documents including Bill of Lading, the importer can receive the goods from the ship captain or shipmate. Thus, the exporter draws B/E on the shipment value on the basis of D/A or D/P method.

In conclusion, Bill of Exchange is also called draft which is drawn by the exporter on the shipment value.

1. ***What is a procedure for a letter of credit***

A L/C is very important document in the international trade.

First, the importer requests his/her bank to open an L/C. There are different kinds of L/C : revocable, irrevocable, confirmed or non-comfirmed. According to the relationship between the buyer and the seller, an appropriate kind of L/C must be opened.

Next, the issuing bank will inform the exporter’s bank of the L/C issuance and the exporter will receive a letter to inform this from the advising bank. At this time the shipment will be dispatched.

Then the exporter’s bank sends the full of shipping documents to the issuing bank for payment and acceptance. According to the sales contract, D/P may be applied where the importer pays at sight. However, D/A is more popular, the buyer only accepts the draft and effects payment later.

Thus, L/C is safe for the buyer and the seller and it is often used in imports and exports.