

国际贸易实务(双语版)

Chapter 8

Price of Goods



Chapter 8 Price of Goods

Teaching Plan 3

Teaching Contents

Section 2 Pricing Methods

2.Selection of Money of Account

3.Construction of the price of a contract

4.Exchange rate conversion of pricing currencies

Teaching time: Two-class hour (90 minutes)

Learning Objectives

1.Master how to selecting money of account

2.Master the construction of the price in a contract

3.Master the ways of converting exchange rate of pricing currencies



Chapter 8 Price of Goods

Teaching Plan 3

Important Points:

- 1.Construction of the price of a contract**
- 2.Selection of Money of Account**
- 3.Exchange rate conversion of pricing currencies**

Difficult Points:

Exchange rate conversion of pricing currencies

Teaching Methodology:

Questions and Answers; Presentation; Group discussion; case analysis

Teaching Aids:

PPT, blackboard, multimedia classroom



Section 2 Pricing Methods

2. Construction of the price of a contract

The price term in a sales contract involves unit price and total price. Generally speaking, a unit price consists of four parts: pricing currency, pricing per unit, measurement unit and the most important of all, trade terms. Component of the previous price terms “USD 20/pc FOB Guangzhou” is listed in the following chart, which indicates that the seller would sell the subject goods at 20 U.S. Dollars for each piece, and the seller should bear cost and risk to bring the goods on board the vessel at the named port of shipment.

Unit price:

USD
pricing currency

20
pricing per
unit

/pc (per piece)
measurement unit

FOB Guangzhou
trade term



国家或地区	币种	原符号	标准符号
俄罗斯	卢布 Russian Ruble (or Rouble)	Rbs. Rbl.	SUR
德国	马克 Deutsche Mark	DM.	DEM
瑞士	瑞士法郎 Swiss Franc	SF.;SFR.	CHF
英国	英镑 Pound, Sterling	£ ; £ Stg.	GBP
法国	法郎 French Franc	F.F.;Fr.Fc.; F.FR.	FRF
加拿大	加元 Canadian Dollar	Can. \$	CAD
美国	美元 U.S.Dollar	U.S. \$	USD



国家或地区	币种	原符号	标准符号
中国香港	港元 HongKong Dollars	HK\$	HKD
中国	人民币元 Renminbi Yuan	RMB¥	CNY
日本	日圆 Japanese Yen	¥;J.¥	JPY
新加坡	新加坡元 Ssingapore Dollar	S.\$	SGD
澳大利亚	澳大利亚元 Australian Dollar	\$A.	AUD
新西兰	新西兰元 New Zealand Dollar	\$NZ.	NZD
欧洲货币联盟	欧元 Euro	EUR	EUR



Section 2 Pricing Methods

Unit price:

1) Net price (净价) :

USD 20/pc FOB Guangzhou

USD 20 per piece CIF New York

2) Commission concluded price (含佣价) :

USD 20 per piece CIFC5% New York

3) Discount price (折扣价)

USD 20 per piece CIFD5% New York

USD 20 per piece CIFR5% New York



Section 2 Pricing Methods

Expression of unit price and total value in a contract

货物名称及规格 Name of Commodity and Specification	数量 Quantity	单价 Unit Price	金额 Amount
Chinese Ceramic Dinnerware		CIF Toronto	
1.DS1511 30-Pieces Dinnerware and Tea Set	542SETS	USD23.50/ set	USD12,737.00
2.DS2201 20-Pices Dinnerware Set	800SETS	USD20.40/set	USD 16,320.00
3.DS4504 45-Pieces Dinnerware Set	443SETS	USD23.20/set	USD 10,277.60
4.DS5120 95-Pices Dinnerware Set	254SETS	USD30.10/set	USD 7,645.40
买方有权在 10 %内多装或少装，金额相应增减。 Within 10 % more or less both in quantity and amount at the sellers' option.		总金额： Total amount:	USD46,980.00

总值：计肆万陆仟玖佰捌拾美元整。

Total value: Say US dollars forty six thousand nine hundred and eighty only.



3. Selection of Money of Account

1) The money of account can be selected in three manners

(1) In the seller's currency

It may be possible for the exporter to eliminate exchange risks as to the amount receivable by stating the contract price in the seller's currency. Accordingly, this puts all exchange risks to the buyer. The seller knows exactly what will be received, but the buyer does not know how much he or she has to pay.



(2) In the buyer's currency

On the contrary, when adopting the buyer's currency in sales contract, the exchange risks will be transferred to the seller, yet the buyer knows exactly what he or she will have to pay.

(3) In a third party currency upon which both parties have agreed

Prices can also be stated in a third party currency, by which the exchange risk is shared equally.

Brainstorm: Do you think it is true that it is at the buyer's advantage when the contract price is presented in the buyer's currency? Why? If it is true, what premise should we mention?



4. Pricing Currency

However, most of Chinese exports are settled in foreign currencies, predominantly US dollars. When selling goods for a price expressed in currency other than your own domestic currency, an exporter should determine the price equivalent in CNY at the time of quoting for the sale and commitment of the commercial transaction.

But the rate at which one currency exchanges for another tends to fluctuate continuously because of the changes in the demand for and supply of each currency. These exchange rate fluctuations must and do affect international transactions in the same way as price changes.



Section 2 Pricing Methods

Brainstorm: With your knowledge about International Finance, explain why the seller knows exactly how much he or she will receive, whilst the buyer does not know how much he or she has to pay when the contract price is presented in the seller's currency.



Section 2 Pricing Methods

4. Exchange rate conversion of pricing currencies

计价货币汇率 折算

Introduction to some concepts

1) Exchange rate

Exchange rate is the value of one nation's currency in terms of the currency of another nation.

2) Buying rate, selling rate and medium rate: from the banks' point of view

3) Hard currency and soft currency

4) Exchange rate conversion of pricing currencies

(1) Home currency is converted into foreign currency

(Buying rate ,Export)

Foreign currency = Home currency / exchange rate
(buying rate) / 100





4. Exchange rate conversion of pricing currencies

A Chinese company will export toys, the value is CNY40,000, and it is asked to make an offer on the basis of US dollars. The exchange rate is

USD100=CNY827.21/829.69.

$\therefore \text{Foreign currency} = \text{Home currency} / \text{exchange rate}$
 $(\text{buying rate}) / 100$

$\therefore \text{USD} = \text{CNY}40000 / 827.21 / 100$
 $= \text{USD}4835.53$

So the company will make an offer at USD4835.53



4. Exchange rate conversion of pricing currencies

(2) Foreign currency is converted into home currency
(Selling rate ,Import)

**Home currency = Foreign currency × exchange rate
(selling rate) / 100**

4. Exchange rate conversion of pricing currencies

A Chinese company will import toys, the value is USD4835.53, how much CNY will the company pay to the bank if the exchange rate is USD100=CNY827. 21/829.69

$\therefore \text{Home currency} = \text{Foreign currency} \times \text{exchange rate}$
 $(\text{selling rate}) / 100$

$$\therefore \text{CNY} = \text{USD}4835.53 \times 829.69 / 100$$
$$= 40000$$

So the company will pay to the bank CNY40000.



4. Exchange rate conversion of pricing currencies

(3) Foreign currency A is converted into foreign currency B.

① Convert foreign currency A and foreign currency B into home currency respectively.

Foreign currency A

= exchange rate of Foreign currency A to CNY

Foreign currency B

= exchange rate of Foreign currency B to CNY

② Selling rate for import and buying rate for export.

③ When foreign currency A is converted into foreign currency B respectively, the same exchange rate (selling rate or buying rate) is used.

4. Exchange rate conversion of pricing currencies

④ Equation

**Foreign currency A = exchange rate of Foreign currency A
to CNY / exchange rate of Foreign
currency B to CNY
= Foreign currency B**

4. Exchange rate conversion of pricing currencies

Example:

Foreign currency A is converted into foreign currency B

A Chinese company will export ABC, offering GBP300/T CIF New York. But it is asked to make another offer based on US dollars. how many US dollars will the company offer if the exchange rates are USD100=CNY371.21/373.14, GBP100=CNY618.54/621.65.



4. Exchange rate conversion of pricing currencies

$$\begin{aligned}\therefore \text{USD}100 &= \text{CNY}371.27/373.14, \\ \text{GBP}100 &= \text{CNY}618.54/621.65.\end{aligned}$$

$$\begin{aligned}\text{Foreign currency A} &= \text{exchange rate of Foreign currency} \\ &\quad \text{A to CNY} / \text{exchange rate of Foreign} \\ &\quad \text{currency B to CNY} \\ &= \text{Foreign currency B}\end{aligned}$$

$$\begin{aligned}\text{GBP}1 &= 618.54/371.27 \\ &= \text{USD}1.6666\end{aligned}$$

$$\begin{aligned}\therefore \text{GBP}300 &= \text{USD}1.6666 \times 300 \\ &= \text{USD}499.98\end{aligned}$$

So the company will make an offer at **USD499.98/T CIF New York.**



**∴ USD100=CNY371.27/373.14,
GBP100=CNY618.54/621.65.**

**Foreign currency A=exchange rate of Foreign currency
A to CNY/exchange rate of Foreign
currency B to CNY
= Foreign currency B**

**GBP1= 618.54/371,27
=USD1.6666**

**∴.GBP300=USD1.6666X300
=USD499.98**

**So the company will make an offer at USD499.98/T CIF
New York.**





Thank You !