

# 国际贸易实务(双语版)

## Chapter 8

### Price of Goods



# **Chapter 8 Price of Goods**

## **Teaching Plan 6**

### **Teaching Contents**

#### **Section Three Price calculation**

##### **5. Calculation of unit price**

**1) Unit price components of FOB, CFR and CIF:**

**2) Calculation of unit price based on CIFC**

#### **Section Four Price clauses in sales contract**

**Teaching time: Two-class hour (90 minutes)**

### **Learning Objectives**

**1. Clearly understand the unit price components of FOB, CFR and CIF:**

**2) Master the methods of calculating unit price based on CIFC**

**3) Master the price clauses in sales contract**



# **Chapter 8 Price of Goods**

## **Teaching Plan 6**

### **Important Points:**

- 1) Unit price components of FOB, CFR and CIF**
- 2) Methods of calculating unit price based on CIFC**
- 3) Application of price clauses in sales contracts**

### **Difficult Points:**

- 1) Methods of calculating unit price based on CIFC**
- 2) Application of price clauses in sales contracts**

### **Teaching Methodology:**

**Questions and Answers; Presentation; Group discussion; case analysis**

### **Teaching Aids:**

**PPT, blackboard, multimedia classroom**



# **Chapter 8 Price of Goods**

## **Teaching Plan 6**

### **Important Points:**

- 1) Unit price components of FOB, CFR and CIF**
- 2) Methods of calculating unit price based on CIFC**
- 3) Application of price clauses in sales contracts**

### **Difficult Points:**

- 1) Methods of calculating unit price based on CIFC**
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## **1) Unit price components of FOB, CFR and CIF:**

### **(1) General unit price components**

**Generally speaking, the unit price components include three parts: cost, charges and profit.**

**Cost: purchase cost, real cost**

**Charges: domestic charges, export charges**

**Profit**

### **(2) Unit price components of FOB, CFR and CIF**

**① FOB = Cost + Domestic charges + profit**

**② CFR = Cost + Domestic charges + export freight + profit**

**③ CIF = Cost + Domestic charges + export freight + export premium + profit**



### **(3) Kinds of each component and calculation**

**Cost + charges + profit**



### **(3)Kinds of each component and calculation**

#### **①Cost :purchase cost and real cost**

#### **Calculation of real cost**

$$\begin{aligned}\text{Real cost} &= \text{purchase cost} - \text{drawback (amount)} \\ &= \text{purchase cost} - \text{purchase cost} \div (1 + \text{VAT rate}) \\ &\quad \times \text{drawback rate}\end{aligned}$$

**A Chinese company will export ABC, the purchase cost is CNY90/piece, the VAT rate is 17% and the drawback rate is 13%. Please calculate the real cost of each piece.**

$$\begin{aligned}\therefore \text{Real cost} &= \text{purchase cost} - \text{purchase cost} \div (1 + \text{vat rate}) \times \text{drawback rate} \\ &= 90 - 90 \div (1 + 17\%) \times 13\% \\ &= 90 - 10 \\ &= \text{CNY80/PC}\end{aligned}$$

**$\therefore$ The real cost is CNY80/PC**



### **(3)Kinds of each component and calculation**

#### **②Charges**

##### **A.Domestic charges**

**PACKING CHARGES** 包装费

**WAREHOUSING CHARGES** 仓储费

**DOMESTIC TRANSPORT CHARGES** 国内运费

**CERTIFICATION CHARGE** 认证费

**PORT CHARGES** 港区港杂费

**INSPECTION CHARGE** 检验费

**DUTIES AND TAXES** 税捐

**INTEREST** 垫款利息

**OPERATING CHARGES** 业务费用

**BANKING CHARGES** 银行费用

**OTHER CHARGES(UNEXPECTED CHARGES**

其他费用（不可预见费）





### **(3)Kinds of each component and calculation**

#### **②Charges**

**Interest = Amount × interest rate/360 × days**

**Interest = Amount × interest rate/12 × months**

**Amount in advance: CNY10000, interest rate per year : 5%, period of time: 60days.**

**Calculate the interest:**

**Interest = Amount × interest rate/360 × days**

**= CNY10000 × 5%/360 × 60**

**= CNY83.33**

**B.Foreign charges :foreign (export) freight, Foreign (export) premium, commission and/or discount**



### **(3)Kinds of each component and calculation**

**③Profit: Amount or Percentage on the basis of quoted price/concluded price/invoice value**

**If profit is calculated on the basis of percentage of the quoted price,they are two ways:**

**A.Based on cost**

**Quoted price(including profit)=cost × (1+profit rate)**

**B.Based on quoted price**

**Quoted price(including profit)=cost / (1-profit rate)**

**Please pay attention to the differences**



### **(3)Kinds of each component and calculation**

#### **③Profit:**

**For example, if the cost is CNY50000, the profit rate is 15%, then**

##### **A.Based on cost**

$$\begin{aligned}\text{Quoted price(including profit)} &= \text{cost} \times (1 + \text{profit rate}) \\ &= 50000 \times (1 + 15\%) \\ &= \text{CNY57500}\end{aligned}$$

##### **B.Based on quoted price**

$$\begin{aligned}\text{Quoted price(including profit)} &= \text{cost} / (1 - \text{profit rate}) \\ &= 50000 / (1 - 15\%) \\ &= \text{CNY58823.53}\end{aligned}$$



## 2) Calculation of unit price based on CIFC

A Chinese company will export ABC to London. Please calculate the unit price on the basis of CIFC5% according to the following information:

Purchase cost: CNY90/piece, VAT rate: 17%, Drawback rate: 13%, Quantity: 10000pieces, Warehouse charges: CNY 1000, Certificate charges: CNY 300, Domestic freight charges: CNY 500, Port charges: CNY 1000, Interest rate: 2.5%/year, 28days on the basis of purchase cost, Banking charges: advising charges CNY 200, Export freight: USD 0.5/piece, Export premium: All risk 0.8%, War Risk 0.3%, Profit rate: 15% on the basis of CIFC5%, Exchange rate: USD:CNY=1:7.7/7.8 .



## **2) Calculation of unit price based on CIFC**

**① List the information of cost, charges and profit.**

**Quantity: 10000 pieces**

### **A. Cost**

**Purchase cost: CNY 90 / piece,**

**VAT rate: 17%,**

**Drawback rate: 13%**

### **B. Domestic charges:**

**Warehouse charges: CNY 1000,**

**Certificate charges: CNY 300,**

**Domestic transport charges: CNY 500,**

**Port charges: CNY 1000,**

**Interest rate: 2.5% / year, 28 days on the basis of purchase cost,**

**Banking charges: advising charges CNY 200**



## **2) Calculation of unit price based on CIFC**

**① List the information of cost, charges and profit.**

**C. Foreign charges:**

**Export freight: USD 0.5/piece**

**Export premium: All risk 0.8% War Risk 0.3%**

**Commission: Commission rate: 5% on the basis of CIFC5%**

**D. Profit: 15% on the basis of CIFC5%**

**E. Exchange rate: USD1=CNY7.7/7.8**

**② Calculate CIFC5% London**

**When you calculate the unit price, please pay close attention to the consistence of the measurement unit and the consistence of pricing currency**



## A. Cost

**Actual cost = purchase cost - purchase cost ÷ (1 + vat rate) × drawback rate**

$$= \text{CNY } 90 - 90 \div (1 + 17\%) \times 13\%$$

$$= \text{CNY } 90 - 10$$

$$= \text{CNY } 80 / \text{ piece}$$



## **B.Domestic charges**

$$\text{a. Interest} = \text{amount} \times \text{interest rate} \times \text{days} \div 360$$

$$= \text{CNY } 90 \times 2.5\% \times 28 \div 360$$

$$= \text{CNY } 0.175 / \text{PIECE}$$

$$\text{b. Domestic charges} = \text{Warehouse charges} + \text{Certificate charges} + \text{Domestic transport charges} + \text{Port charges} + \text{Banking charges} + \text{Interest}$$

$$= \text{CNY} (1000 + 300 + 500 + 1000 + 200) \div 10000 + 0.175$$

$$= \text{CNY } 0.3 + 0.175$$

$$= \text{CNY } 0.475 / \text{piece}$$





## Calculation

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### C.Foreign charges

§ **Export freight = USD0.5×7.7 =CNY3.85 /pc**

§ **Export premium**

**= CIF × (1+ rate of insurance addtion ) × premium rate**

**= CIFC5% × (1+10%) (0.8%+0.3%)**

**= CIFC5% × 1.21% /pc**

§ **Commission= commission included price × commission rate**

**= CIFC5% × 5% /pc**

## Calculation

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### Foreign charges

= Export freight + Export premium + Commission

= CNY3.85 + CIFC5% × 1.21% + CIFC5% × 5%

= CNY3.85 + CIFC5 (1.21% + 5%)

= CNY03.85 + CIFC5 × 0.0621/pc

### D.Profit

= Quoted price(CIFC) × profit rate

= **CIFC5 × 15%**



## Calculation

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$$\begin{aligned}\therefore \text{CIFC5\%} &= \text{Actual cost} + \text{Charges} + \text{profit} \\ &= \text{CNY } 80 + \text{CNY } 0.475 + 3.85 + \text{CIFC5\%} \times 1.21\% \\ &\quad + \text{CIFC5\%} \times 5\% + \text{CIFC5\%} \times 15\% \\ &= \text{CNY } 84.325 + \text{CIFC5\%} \times 0.2121\end{aligned}$$

$$\text{CIFC5\%} - \text{CIFC5\%} \times 0.2121 = \text{CNY } 84.325$$

$$\text{CIFC5\%} (1 - 0.2121) = \text{CNY } 84.325$$

$$\begin{aligned}\text{CIFC5\%} &= \text{CNY } 84.325 \div (1 - 0.2121) \\ &= \text{CNY } 84.325 / 0.7879 \\ &= \text{CNY } 107.025 / \text{piece}\end{aligned}$$

※ Convert CNY into USD

$$\begin{aligned}\text{CIFC5\%} &= \text{CNY } 107.025 \div 7.7 \\ &= \text{USD } 13.8993 / \text{piece} \\ &= \text{USD } 13.90 / \text{pc}\end{aligned}$$

**So the unit price is USD 13.90/PIECE CIFC5% LONDON**



If you are quite familiar with the calculation, you may calculate it

as follows:

**Equation**

$$\text{Unit price} = \frac{\text{Cost} + \text{charges}}{[1 - (1 + \text{rate of insurance addition}) \times \text{premium rate} \times \text{profit rate} \times \text{commission rate} \times \text{discount rate}]}$$

**Calculation**

$$\begin{aligned} \text{Unit price} &= \frac{\text{Cost} + \text{charges}}{[1 - (1 + \text{rate of insurance addition}) \times \text{premium rate} \times \text{profit rate} \times \text{commission rate}]} \\ &= \frac{[80 + 0.175 + (1000 + 300 + 500 + 1000 + 200) \div 10000 + 3.85]}{[1 - (1 + 10\%) (0.8\% + 0.3\%) \times 15\% \times 5\%]} \\ &= \text{CNY}107.025 / \text{piece} \end{aligned}$$

※ Convert CNY into USD

$$\begin{aligned} \text{CIFC5\%} &= \text{CNY}107.025 \div 7.7 \\ &= \text{USD}13.8993 / \text{piece} \\ &= \text{USD}13.90 / \text{pc} \end{aligned}$$

**So the unit price is USD13.90/PIECE CIFC5% LONDON**



## Section Four Price clauses in sales contract

- 1.USD 20/pc FOB Guangzhou
- 2.USD 20 per piece CIF New York
- 3.USD20.00 per yard FOB Dalian net
- 4.USD 20 per piece CIFC5% New York
- 5.USD 20 per piece CIFC5 New York
- 6.Your commission 3% on FOB value has been included in the above price.
- 7.USD 120/ carton CFR London including 2% commission
- 8.USD 100/pc CIF New York less 2% discount.
- 9.USD 100/pc CIFD2% New York
- 10.USD 100/pc CIFR2 New York





**Thank You !**