

# 国际贸易实务(双语版)

## Chapter Eleven Payment of Goods



# Chapter 11 Payment of Goods

## Teaching Plan 10

### Teaching Contents

Section 2 Methods of payment in international trade

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8. Advantages and disadvantages of L/C

Section 3 Payment clauses in sales contract

Teaching time: Two-class hour (90 minutes)

### Learning Objectives

1. Master beneficiary's practice of L/C

2. Master Advantages and disadvantages of L/C

3. Master payment clauses in sales contract



# Chapter 11 Payment of Goods

## Teaching Plan 10

### Important Points:

1. Beneficiary's practice of L/C
2. Payment clauses in sales contract

### Difficult Points:

1. Beneficiary's practice of L/C
2. Payment clauses in sales contract

### Teaching Methodology:

Questions and Answers; Presentation; Group discussion; case analysis

### Teaching Aids:

 PPT, blackboard, multimedia classroom

## 8. Beneficiary's Practice of L/C

**As for beneficiary (exporter), the practice of L/C usually includes three steps:**

### **1) Asking for L/C (催证)**

**After the contract is signed, the beneficiary (seller) should ask the applicant (buyer) within a reasonable time to open the L/C through the issuing bank.**

### **2) Checking L/C (审证); and/ or**

**After receipt the L/C, the beneficiary (seller) should check the L/C carefully to make sure whether the terms and conditions are in accordance with the contract**

### **3) Amending L/C (改证)**



## **Amending L/C (改证)**

**Upon receipt of the letter of credit, the seller must review the letter of credit carefully against the sales contract. If any discrepancies or some clauses to which the seller does not agree or cannot fulfill are found, the seller should send an advice to the buyer, asking him to make amendment. Sometimes an unexpected situation with regard to supply, shipping, etc may arise. In this case, an amendment to the letter of credit will also be required. For example, the credit specifies that the total price is to include shipping whereas the seller originally quoted a price without shipping or the seller may find that the date for shipping goods cannot be met. Not only can the seller ask for amendment to an L/C, the buyer can also ask for amendment if he finds something in the L/C needs to be changed.**





## **Amending L/C (改证)**

**The procedure of L/C amendment is quite simple: the seller/beneficiary requests the buyer/applicant to make an amendment to the L/C. If the applicant agrees, he will instruct the issuing bank to issue the amendment. Then the issuing bank amends the L/C and notifies the advising bank. The advising bank advises the beneficiary of the amendment. An issuing bank is bound by an amendment when it issues the amendment. A confirming bank may extend its confirmation or do not extend its confirmation to the amendment. The terms and conditions of the original L/C will remain in force for the beneficiary until the beneficiary accepts the amendment and notifies the bank that advised such amendment. Partial acceptance of an amendment is not allowed and will be regarded to reject the amendment.**



## **Amending L/C (改证)**

**The terms and conditions of the original credit will remain in force for the beneficiary until the beneficiary communicates its acceptance of the amendment to the bank that advised such amendment. The beneficiary should give notification of acceptance or rejection of an amendment. If the beneficiary fails to give such notification, a presentation that complies with the credit and to any not yet accepted amendment will be deemed to be notification of acceptance by the beneficiary of such amendment. As of that moment the credit will be amended.**



## **8. Advantages and disadvantages of L/C**

**A credit is a sophisticated payment method, offering high quality payment security to a business transaction for both parties - the seller and the buyer. The seller can rely on that he will receive payment for his goods if he meets all conditions prescribed by the L/C. The buyer can rely on that the payment will be forwarded only after the L/C conditions are met.**





## **8. Advantages and disadvantages of L/C**

**Under the mode of payment by the L/C, there are some advantages, as well as some disadvantage to the seller and the buyer .**

**1) To the seller**

**(1) Advantages**

**The L/C shifts credit risk from the buyer to the issuing bank, which is more secure for seller. If the L/C is not issued as agreed, the seller is not obligated to ship against it. And when the seller meets all terms and conditions of the L/C, there is an undertaking from the issuing bank that payment will be made.**



## **8. Advantages and disadvantages of L/C**

### **(2) Disadvantages**

**However, statistics show that in as many as 50% of transactions using L/C, the seller's documents will be rejected by the banks at presentation because of documents discrepancies. This can be an extreme source of frustration to seller.**

**Therefore, documents must be prepared in strict compliance with the requirements stipulated in the L/C. Non-compliance leaves the exporter/seller exposed to risk of non-payment and removes the protection afforded by the issuing bank since the final decision on the documents rests with the buyer.**



## **8. Advantages and disadvantages of L/C**

### **2) To the buyer**

#### **(1) Advantages**

**L/C is an option to reduce business risk to a minimum by setting the L/C conditions and obtain more favourable price terms through payment security provided to seller. The buyer makes payment only when the documents are in exact accordance with the L/C terms. And the buyer is sure to get the documents once they have been released by the seller. What's more, it can motivate the seller to perform delivery in an agreed time and according to the L/C conditions.**



## **8. Advantages and disadvantages of L/C**

### **2) To the buyer**

#### **(2) Disadvantages**

**However, in letters of credit transactions, banks deal only with documents, not with goods and services. Merchandise may not be as represented in the documents. In addition, the buyer bears much cost of the arrangement of the L/C. There are quite a lot of commissions and fees that banks will charge in L/C opening, advising, amendment, and negotiation.**





**In essence, a letter of credit is a written document that is guaranteed by the banker's credit for the transaction parties concerned. The development and wide application of letters of credit have profoundly reflected the value quality of good faith. Good faith plays a great role in the development of world individuals and the development of world economy and trade. On the contrary, if good faith misses, both individuals and economical and trade exchanges extending to the social level or the world probably will pay a heavy price.**

**Good faith is a long-lasting virtue of people all over the world and has been treasured. Honest people has been respected through history in all parts of the world. So we should adhere to the principle of good faith, do things in good faith and be a man of good faith.**



# 信用证单据不符点的处理

## Deal with discrepancies

### 1、凭保议付

受益人出具保证书承认单据瑕疵，申明如开证行拒付，由受益人偿还议付行所垫付的款额和费用，同时电请开证行授权议付行付款。

### 2、表提

议付行把不符点开列在寄单函上，征求开证行的意见，由开证行接洽开证申请人是否同意付款。接到肯定答复后议付行即付款；如果开证申请人不予接受，开证行退单，议付行照样退单给受益人。



# 信用证单据不符点的处理

## Deal with discrepancies

### 3、电提

议付行暂不向开证行寄单，而是用电传通知开证行单据不符点，如开证行同意付款，再行议付并寄单；若不同意，受益人可以及早收回单据，设法改证。

### 4、改为托收



# **Section Three Payment clauses in sales contract**

## **1.Payment by remittance**

**1)The buyers shall pay 100% of the sales proceeds in advance by Demand Draft to reach the sellers not later than June 25,2019.**

**2)The buyers shall pay 30% of the sales proceeds by T/T. The remaining part will be paid by T/T to the sellers within 5 days after the buyers' receipt of the fax concerning original B/L**

## **2.Payment by collection**

**1)Upon first presentation the buyers shall pay at sight against documentary draft drawn by the sellers. The shipping documents are to be delivered against payment only.**

**2)The buyers shall pay against documentary draft drawn by the the sellers at 60 days sight.The shipping documents are to be delivered against payment only.**





## Section Three Payment clauses in sales contract

### **3.Payment by L/C**

**By confirmed irrevocable L/C for 100% invoice value available by sight draft, the L/C is to reach sellers not later than May 20, 2019.**

### **4.Combination of different methods of payment**

**The buyers shall open through a bank acceptable to the sellers an irrevocable sight letter of credit to reach the sellers 20 days before the month of shipment, stipulating that 50% of the invoice value available against clean draft at sight while the remaining 50% on documents against payment at sight on collection basis. The full set of shipping documents shall accompany the collection draft and shall only be released after full payment of the full invoice value, the shipping documents shall be held by the issuing bank at the seller's disposal.**





**Thank You !**