

# Payment terms in international trade – examples and exercises

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**C**ash in advance, letter of credit, draft oder open account? Wer mit Unternehmen auf der ganzen Welt zu tun hat, kommt um die *international payment terms* nicht mehr herum. Um nicht bei jedem Vertragsabschluss erneut über die Zahlungsmodalitäten verhandeln zu müssen, haben sich Standardisierungen der gängigsten Zahlungsmethoden eingebürgert.

In dieser Unterrichtseinheit erarbeiten die Schüler Schritt für Schritt die gängigsten *international payment terms* anhand eines durchgängigen Geschäftsfalls: Sie versetzen sich in die Lage einer jungen deutschen Einkäuferin, die bei einem Start-up-Unternehmen angestellt ist. Ausgehend von Angebotsschreiben verschiedener ausländischer Firmen beschäftigen sich die Lernenden mit dem Ablauf der einzelnen Zahlungsmethoden sowie den Risiken, die diese für Käufer und Verkäufer mit sich bringen.



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Wer erfolgreich auf internationaler Ebene Geschäfte machen möchte, sollte gut über die gängigen *payment terms* informiert sein.

VORANSICHT

## Das Wichtigste auf einen Blick

<p><b>Kompetenzen</b></p> <ul style="list-style-type: none"> <li>– die gängigsten Zahlungsmodalitäten im internationalen Geschäftsverkehr sowie deren Ablauf kennen</li> <li>– die Risiken der einzelnen <i>payment terms</i> für Käufer und Verkäufer kennen</li> <li>– Bestellungen (<i>orders</i>) unter Berücksichtigung der <i>payment terms</i> verfassen</li> <li>– Wortschatz zum Thema „internationale Zahlungsmodalitäten“ kennen und anwenden</li> </ul>	<p><b>Dauer</b></p> <p>5 Schulstunden</p> <p><b>Niveau</b></p> <p>B2</p> <p><b>Ihr Plus</b></p> <p>eine Übersicht über die gängigsten <i>international payment terms</i></p>
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## Materialübersicht

### 1./2. Stunde Cash in advance

- M 1 (Ws) *Maurer Bicycles* – getting to know the company  
 M 2 (Tr) Import and export – the new business plan of *Maurer Bicycles*  
 M 3 (Tx) Basic payment terms in international trade – an overview sheet  
 M 4 (Ws) Bicycle tyres from France – an offer  
 M 5 (Ws) Basic payment terms in international trade – a checklist  
 M 6 (Ws) We accept ... – ordering bicycle tyres from France

### 3. Stunde Letter of credit

- M 7 (Ws) Bicycle frames from China – an offer  
 M 8 (Ws) Different types of letters of credit – a worksheet  
 M 9 (Ws) We accept ... – ordering bicycle frames from China

### 4. Stunde Draft and documentary collection

- M 10 (Ws) Derailleurs from Japan – an offer  
 M 11 (Ws) How does a documentary collection work? – A chart

### 5. Stunde Open account

- M 12 (Ws) Brake systems from India – an offer  
 M 13 (Ws) Payment terms and their risks for buyer and seller – a chart

**Vocabulary** International payment terms (M 14)

### Bedeutung der Abkürzungen

**T:** Transparency; **Tr:** Text; **Ws:** Worksheet

#### Minimalplan

Wenn Sie nur zwei Stunden zur Verfügung haben, können Sie die Schüler die Informationen zu den einzelnen *payment terms* in beiden Stunden jeweils arbeitsteilig erarbeiten lassen.

1. Stunde: Cash in advance and letter of credit **M 3, M 4, M 5 und M 7**  
 2. Stunde: Draft, documentary collection and open account **M 3, M 4, M 10 und M 12**

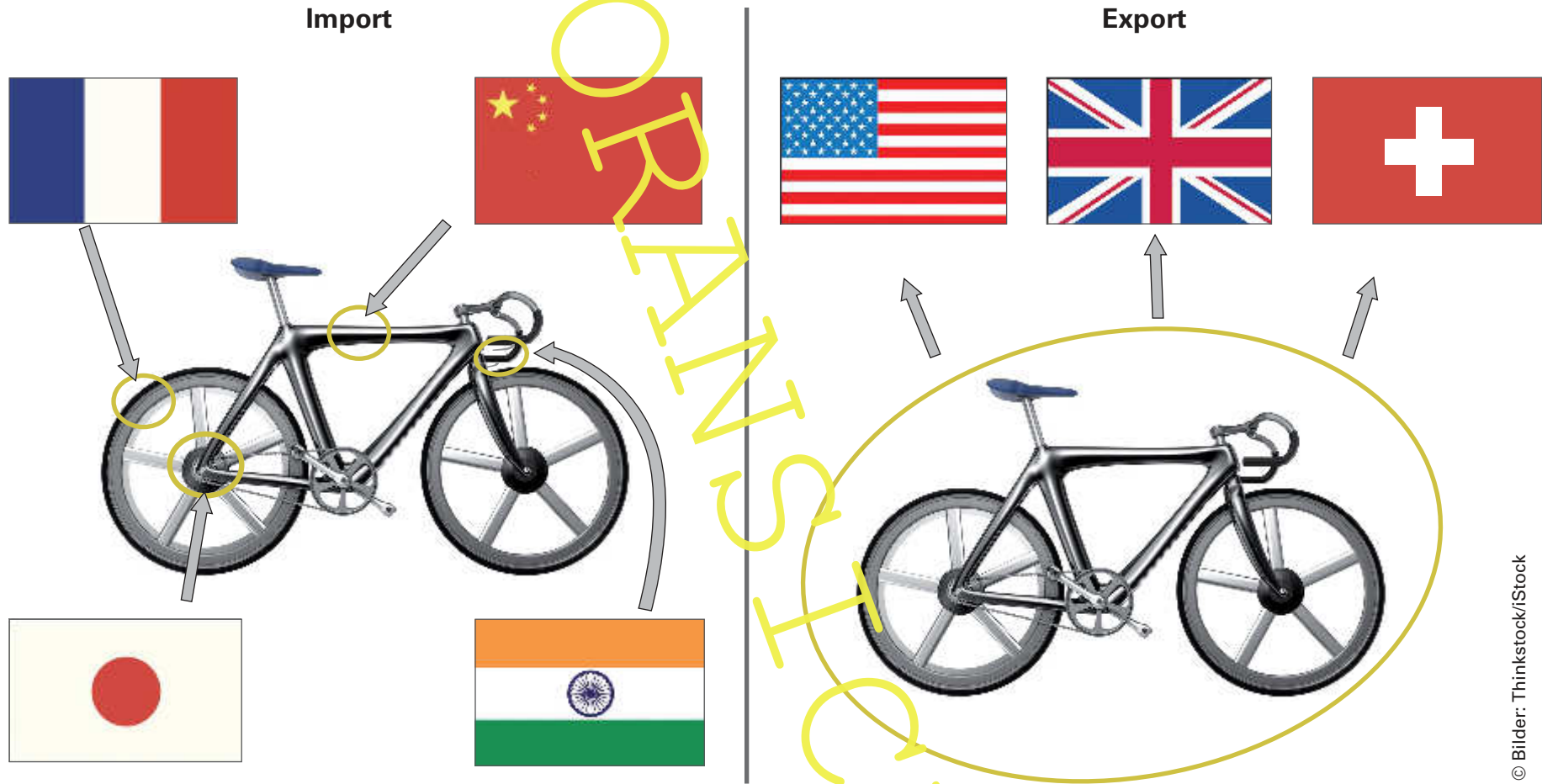
#### Zusatzmaterialien auf CD

- M 6, M 9\_Zusatz\_phrases\_orders (Redemittel zum Schreiben von Bestellungen)  
 M 13\_Zusatz\_einfach (alternatives Arbeitsblatt mit zusätzlichen Hilfestellungen)  
 M 13\_Zusatz\_Schaubild (farbiges Schaubild mit Lösungen, zum Ausdrucken)



## Import and export – the new business plan of *Maurer Bicycles*

During a team meeting Lukas Maurer explains his business plan for international trading to the two new members of staff.



### Tasks

1. Look at the chart and describe *Maurer Bicycles*' business plan for international trading.
2. Think of advantages, disadvantages and risks of the plan.

## Basic payment terms in international trade – an overview sheet

Get an overview of the most important international payment terms.



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Term of payment	Time of payment	Delivery of goods	Involved parties	How it works
<b>Cash in advance</b>	before shipment <sup>1</sup>	after payment	buyer, seller	The buyer transfers the money before the goods are shipped.
<b>Letter of credit (L/C)</b>	usually after shipment	usually after payment	buyer, seller, at least one bank	The bank pays the amount quoted in the letter of credit after being told to do so by the buyer.
<b>Unconfirmed irrevocable<sup>2</sup> letter of credit</b>	after shipment and presentation of documents to the bank	after payment	buyer, seller and the buyer's bank	The buyer's bank pays the amount quoted in the letter of credit after being told to do so by the buyer.
<b>Confirmed irrevocable letter of credit</b>	after shipment and presentation of documents to the bank	after payment	buyer, seller, the buyer's bank, the seller's bank	The two banks exchange documents and payment if the delivery meets all terms and conditions. The seller's bank endorses <sup>3</sup> a letter of credit.
<b>Sight draft<sup>4</sup></b>	on presentation of the draft	after payment	buyer, seller, buyer's bank	The seller draws a cheque against the account of the buyer who pays the money after the presentation of the documents and the approval <sup>5</sup> by the buyer.
<b>Time draft</b>	on maturity <sup>6</sup> of the draft	before payment	buyer, seller, buyer's bank	The check drawn by the seller has a maturity date on it. It can't be turned into money before that date.
<b>Open account</b>	as agreed in the selling contract	before payment	buyer, seller	The buyer sends an invoice to the seller which has to be paid under the negotiated terms and conditions.

### Vocabulary

1 **shipment**: der Versand – 2 **irrevocable**: unveränderbar – 3 **to endorse sth.**: indossieren, einen Wechsel akzeptieren – 4 **draft**: der Wechsel – 5 **approval**: die Zustimmung – 6 **maturity**: hier: die Fälligkeit

## M 4 Bicycle tyres from France – an offer

Friederike Piosek has written an enquiry<sup>1</sup> to a French manufacturer of bicycle tyres asking for prices, terms of payment and delivery. Now she's reading the answer:

<p>Maurer Bicycles Am Hofgarten 22 30175 Hannover Germany</p>	<p><b>MICHELIN BICYCLE TYRES</b> 142 Rue du Chariot d'Or 69004 Lyon France</p>
	<p>19 May 2016 Your ref: FP / 4987-01 Our ref: JL / 25A</p>

Dear Ms Piosek

**Offer for bicycle tyres**

Thank you for your enquiry of 15 May 2016. We would be happy to provide<sup>2</sup> your company with our bicycle tyres at favourable<sup>3</sup> prices as follows:

	price per unit
Advanced MUD CR 34x (Size: 2.25 cm x 27.50 c)	€12.43
Advanced MUD CR 38x (Size: 2.55 cm x 32.50 c)	€13.68
Challenger SO 27 (Size: 1.25 cm x 18.75 c)	€11.65
Challenger SO 36 (Size: 1.65 cm x 29.00 c)	€12.32

We are prepared to deliver within three weeks of order/payment and are willing to grant an introductory<sup>4</sup> discount of 5%. The prices are quoted FCA Lyon. As we have not yet done business with you the payment terms would be cash in advance.

Yours sincerely

Jacques Lebreton

Jacques Lebreton  
Sales Manager

### Task

1. Read the offer. Which reason does *Michelin Bicycle Tyres* give for suggesting *cash in advance*?
2. Read the information about *cash in advance* on the overview sheet. Then fill in the relevant grids on the checklist.
3. Get together with a partner and discuss the following point: Should Friederike Piosek order at *Michelin Bicycle Tyres*? Why (not)?

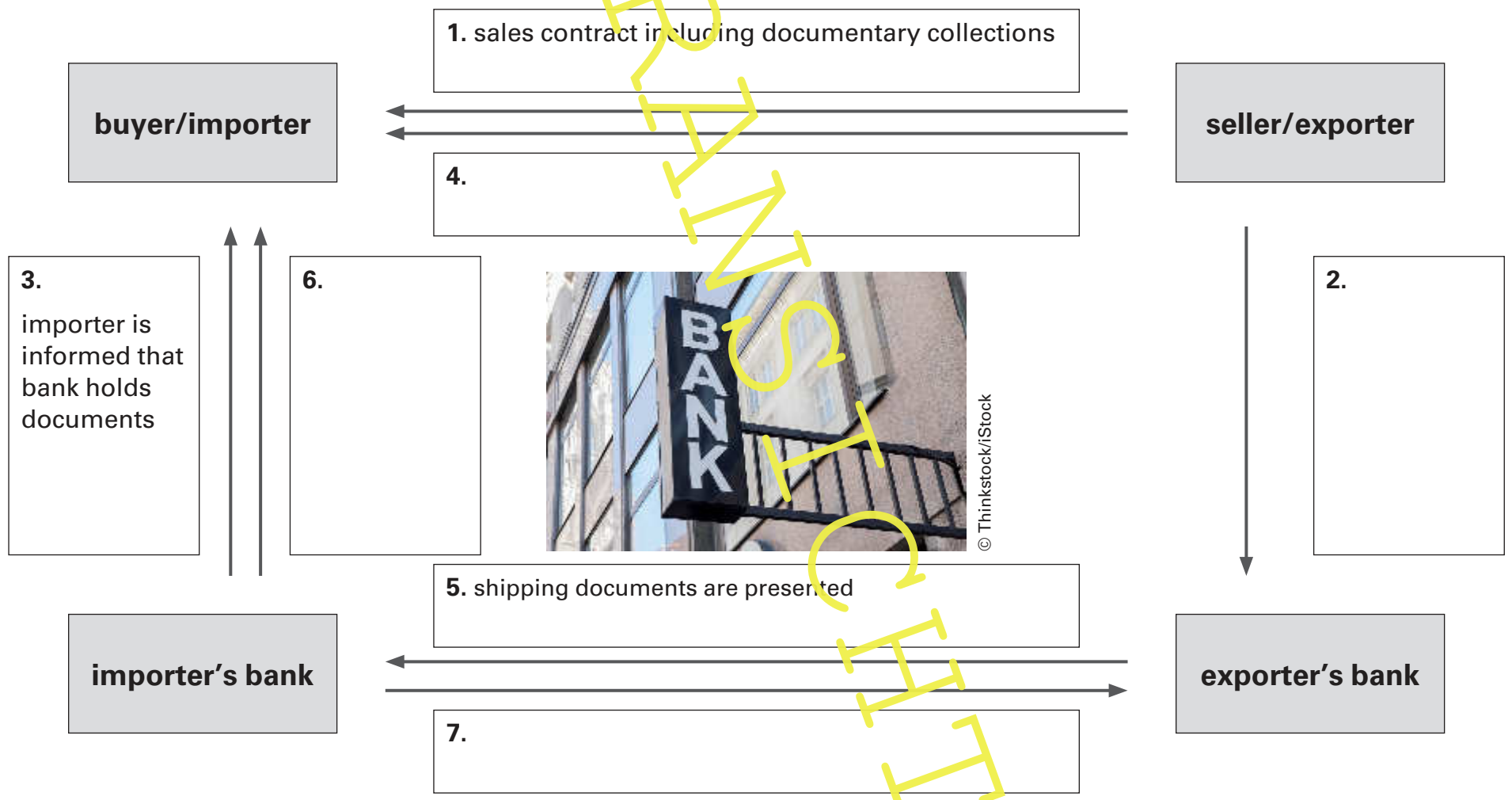
### Vocabulary

1 **enquiry**: die Anfrage – 2 **to provide so. with sth.**: jmdn. mit etw. versorgen/beliefern – 3 **favourable**: günstig, vorteilhaft – 4 **introductory discount**: der Einführungsrabatt

# How does a documentary collection work? – A chart

Ms Piosek has already heard about a documentary collection but couldn't remember the details. She found out that a documentary collection is a means of payment where both exporter and importer have a very limited risk because two banks which control payment and shipment documents are involved. She started working on a visualization which has not been finished yet.

Task: Complete Ms Piosek's chart. The overview sheet will help you.



# Payment terms and their risks for buyer and seller – a chart

**Task:** Fill in the boxes with the payment terms you know considering the risk the seller/buyer has to bear. The overview sheet will help you.  
**Tip:** You have to use one payment term twice.



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