



Competency Based Learning Material (CBLM)

Apparel Merchandising

Level-4

Module: Interpreting the Process of Commercial and Banking Activities

Code: CBLM-RMGT-AM-06-L4-EN-V1



**National Skills Development Authority
Prime Minister's Office
Government of the People's Republic of Bangladesh**

Copyright

National Skills Development Authority

Prime Minister's Office

Level: 10-11, Biniyog Bhaban,

E-6 / B, Agargaon, Sher-E-Bangla Nagar Dhaka-1207, Bangladesh.

Email: ec@nsda.gov.bd

Website: www.nsga.gov.bd.

National Skills Portal: <http://skillsportal.gov.bd>

Copyright of this Competency Based Learning Material (CBLM) is reserved by National Skill Development Authority (NSDA). This CBLM may not be modified or modified by anyone or any other party without the prior approval of NSDA.

The CBLM on “Interpret the Process of Commercial and Banking Activities” is developed based on NSDA approved Competency Standards and Competency Based Curriculum under Apparel Merchandising Level-4 Occupation. It contains the information required to implement the Apparel Merchandising Level-4 standard.

This document has been prepared by NSDA with the help of relevant experts, trainers/professionals.

All Government-Private-NGO training institutes in the country accredited by NSDA can use this CBLM to implement skill-based training of Apparel Merchandising Level-4 course.

Approved by
---th Authority Meeting of NSDA
Held on -----

How to use this Competency Based Learning Material (CBLM)

The module, Maintaining and enhancing professional & technical competency contains training materials and activities for you to complete. These activities may be completed as part of structured classroom activities or you may be required you to work at your own pace. These activities will ask you to complete associated learning and practice activities in order to gain knowledge and skills you need to achieve the learning outcomes.

1. Review the **Learning Activity** page to understand the sequence of learning activities you will undergo. This page will serve as your road map towards the achievement of competence.
2. Read the **Information Sheets**. This will give you an understanding of the jobs or tasks you are going to learn how to do. Once you have finished reading the **Information Sheets** complete the questions in the **Self-Check**.
3. **Self-Checks** are found after each **Information Sheet**. **Self-Checks** are designed to help you know how you are progressing. If you are unable to answer the questions in the **Self-Check** you will need to re-read the relevant **Information Sheet**. Once you have completed all the questions check your answers by reading the relevant **Answer Keys** found at the end of this module.
4. Next move on to the **Job Sheets**. **Job Sheets** provide detailed information about *how to do the job* you are being trained in. Some **Job Sheets** will also have a series of **Activity Sheets**. These sheets have been designed to introduce you to the job step by step. This is where you will apply the new knowledge you gained by reading the Information Sheets. This is your opportunity to practise the job. You may need to practise the job or activity several times before you become competent.
5. Specification **sheets**, specifying the details of the job to be performed will be provided where appropriate.
6. A review of competency is provided on the last page to help remind if all the required assessment criteria have been met. This record is for your own information and guidance and is not an official record of competency

When working through this Module always be aware of your safety and the safety of others in the training room. Should you require assistance or clarification please consult your trainer or facilitator.

When you have satisfactorily completed all the Jobs and/or Activities outlined in this module, an assessment event will be scheduled to assess if you have achieved competency in the specified learning outcomes. You will then be ready to move onto the next Unit of Competency or Module

Table of Contents

Copyright	i
How to use this Competency Based Learning Material (CBLM)	v
Module Content	1
Learning Outcome 1: Process the Commercial and Banking Requirements	2
Learning Experience 1: Process the Commercial and Banking Requirements	3
Information Sheet 1: Process the Commercial and Banking Requirements	4
Self-Check Sheet - 1: Process the Commercial and Banking Requirements.....	10
Answer Key - 1: Process the Commercial and Banking Requirements	11
Job Sheet-1.1: Interpret the Legal Requirements for Apparel Business	12
Learning Outcome 2: Perform the Procedures for Letter of Credit (L/C)	13
Learning Experience 2: Perform the Procedures for Letter of Credit (L/C)	14
Information Sheet 2: Perform the Procedures for Letter of Credit (L/C).....	15
Self-Check Sheet - 2: Perform the Procedures for Letter of Credit (L/C)	21
Answer Key - 2: Perform the Procedures for Letter of Credit (L/C).....	22
Job Sheet-2.1: Prepare Documentation in Apparel Merchandising.....	23
Learning Outcome 3: Perform Documentation for Payment	24
Learning Experience 3: Perform Documentation for Payment.....	25
Information Sheet 3: Perform Documentation for Payment	26
Self-Check Sheet - 3: Perform Documentation for Payment.....	29
Answer Key - 3: Perform Documentation for Payment	30
Task Sheet-3.1: Prepare of Payment Documentation as per L/C terms in Apparel Merchandising.....	31
Review of Competency	32
Development of CBLM:	33

Module Content

Unit Title: Interpret the process of commercial and banking activities.

Unit Code: OU- RMGT-AM-06-L4-V1

Module Title: Interpreting the process of commercial and banking activities

Module Description: This module covers the skills, knowledge and attitude required to Interpret the process of commercial and banking activities It specifically includes processing the commercial and banking requirements, performing the procedures for letter of credit (L/C) and performing documentation for payment.

Nominal Duration: 30 Hours

Learning Outcomes:

Upon completion of this module the trainees must be able to:

1. Process the commercial and banking requirements
2. Perform the procedures for letter of credit (L/C)
3. Perform documentation for payment

Assessment Criteria:

1. Legal requirement for apparel business is interpreted.
2. Commercial documentation is performed.
3. International commercial terms (INCOTERMS) are interpreted.
4. Banking requirements for apparel business are followed and applied.
5. Different types letter of credits is interpreted.
6. Purpose of letter of credit (L/C) is recognized.
7. L/C documentation are prepared.
8. L/C procedures are followed and applied.
9. Payment documentation are identified.
10. Purpose of payment documentation is interpreted.
11. Payment documents are prepared as per L/C terms.

Learning Outcome 1: Process the Commercial and Banking Requirements

Assessment Criteria	<ol style="list-style-type: none"> 1. Legal requirement for apparel business is interpreted. 2. Commercial documentation is performed. 3. International commercial terms (INCOTERMS) is interpreted. 4. Banking requirements for apparel business are followed and applied.
Conditions and Resources	<ol style="list-style-type: none"> 1. Real or simulated workplace 2. CBLM 3. Handouts 4. Laptop 5. Multimedia Projector 6. Paper, Pen, Pencil, Eraser 7. Internet facilities 8. White board and marker
Contents	<ol style="list-style-type: none"> 1 Legal requirement 2 Commercial documentation 3 International Commercial Terms (INCOTERMS) 4 Banking requirements for apparel business
Training Methods	<ol style="list-style-type: none"> 1. Discussion 2. Presentation 3. Demonstration 4. Guided Practice 5. Individual Practice 6. Project Work 7. Problem Solving 8. Brainstorming
Assessment Methods	<ol style="list-style-type: none"> 1. Written Test 2. Demonstration 3. Oral Questioning

Learning Experience 1: Process the Commercial and Banking Requirements

In order to achieve the objectives stated in this learning guide, you must perform the learning steps below. Beside each step are the resources or special instructions you will use to accomplish the corresponding activity.

Learning Steps	Resources specific instructions
1. Student will ask the instructor about interpret the process of commercial and banking activities	1. Instructor will provide the learning materials process of commercial and banking requirements
2. Read the Information sheet/s	2. Information Sheet No:1 process of commercial and banking requirements
3. Complete the Self-Checks & Answer key sheets.	3. Self-Check No: 1- process of commercial and banking requirements Answer key No. 1- process of commercial and banking requirements
4. Read the Job/ Task sheet and Specification Sheet	4. Job/ task sheet and specification sheet Task Sheet No:1-1: Interpret the legal requirements for apparel business.

Information Sheet 1: Process the Commercial and Banking Requirements

Learning Objective:

After completion of this information sheet, the learners will be able to explain, define and interpret the following contents:

- 1.1 Legal requirement
- 1.2 Commercial documentation
- 1.3 International commercial terms (INCOTERMS)
- 1.4 Banking requirements for apparel business

1.1 Legal requirement

In Bangladesh, the apparel industry is a significant sector of the economy, and there are several legal requirements that apparel businesses must comply with. Here are some of the key legal requirements for an apparel business in Bangladesh:

- **Business Registration:** Register your apparel business with proper authority like the Registrar of Joint Stock Companies and Firms to establish a legal entity. You will need to obtain a trade license from the local government authority as well.
- **Factory Registration:** Register your apparel factory with the Department of Inspection for Factories and Establishments under the Ministry of Labor and Employment. This registration ensures compliance with labor and safety regulations.
- **Labor Laws:** Comply with the labor laws of Bangladesh, which include provisions related to minimum wages, working hours, overtime, benefits, leave entitlements, and health and safety standards. Ensure proper employment contracts and worker documentation are in place.
- **Compliance with the Bangladesh Labor Act:** Adhere to the provisions of the Bangladesh Labor Act, which covers various aspects of employment, including recruitment, termination, disciplinary actions, and grievance handling. This includes providing appropriate working conditions, fire safety measures, and emergency exits in factories.
- **Factory Inspections:** Prepare for and cooperate with regular inspections conducted by the Department of Inspection for Factories and Establishments or other authorized agencies to ensure compliance with labor and safety standards.

- **Environmental Regulations:** Comply with environmental regulations related to waste management, water usage, and effluent treatment in line with the guidelines provided by the Department of Environment (DOE).
- **Export Processing Zone (EPZ) Compliance:** If your apparel business operates within an Export Processing Zone, ensure compliance with the EPZ regulations, which may have additional requirements and benefits for export-oriented industries.
- **Import and Export Requirements:** Comply with the customs regulations and documentation requirements for importing raw materials and exporting finished apparel products. This includes obtaining relevant licenses, permits, and adhering to rules related to duties, taxes, and quotas.
- **Intellectual Property Rights:** Protect your apparel designs, trademarks, and copyrights by registering them with the Department of Patents, Designs, and Trademarks (DPDT) to prevent infringement and unauthorized use.

With the above legal requirements, following permission/ certification / approval is needed to establish an RMG business.

- Trade License.
- Bank Solvency Certificate
- Export Registration Certificate for (E.R.C)
- Import Registration Certificate (I.R.C)
- Approval of Factory Layout Plan.
- Fire License.
- Factory Permit
- Environment Certificate.
- Membership of association
- Certificate of Value Added Tax (VAT) Registration
- Export Promotion Bureau Enrolment Certificate.
- Tax Identification number (TIN)
- BOND License & General BOND (where applicable) etc.

1.2 Commercial documentation

For an apparel business in Bangladesh, there are several commercial documents that are commonly used. These documents play a crucial role in various stages of the business, including procurement, production, sales, and exports. Here are some of the essential commercial documents used in the apparel industry in Bangladesh:

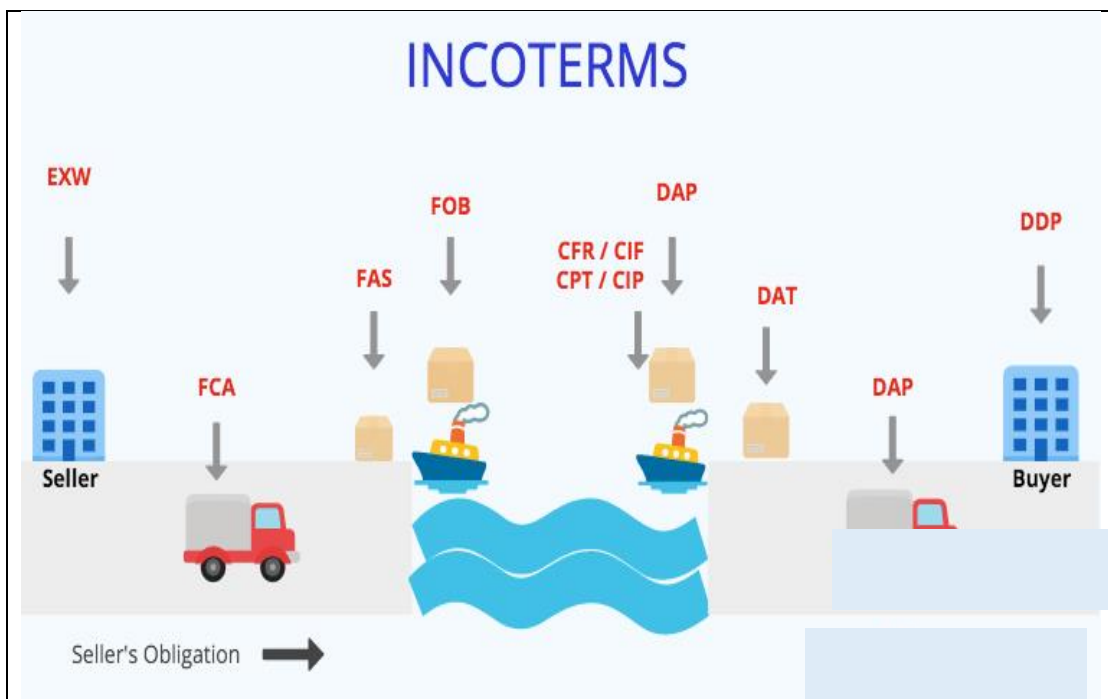
- **Purchase Order (PO):** A purchase order is issued by the buyer to the supplier or manufacturer to initiate the procurement of goods. It includes details such as product specifications, quantities, prices, delivery terms, and payment terms.
- **Proforma Invoice:** A proforma invoice is a preliminary invoice provided by the seller to the buyer before the actual shipment. It includes details of the goods, prices, terms of sale, and other relevant information. It serves as a quotation and helps the buyer in arranging payments and customs clearance.
- **Commercial Invoice:** A commercial invoice is a document issued by the seller to the buyer after the goods are shipped. It provides a detailed breakdown of the products, quantities, prices, and other relevant information. It serves as proof of the transaction and is used for customs clearance, payment settlement, and record-keeping purposes.
- **Packing List:** A packing list provides a detailed inventory of the contents of each package or carton in a shipment. It includes information such as item descriptions, quantities, weights, dimensions, and packaging details. It assists in customs clearance, cargo handling, and inventory management.
- **Bill of Lading (B/L):** A bill of lading is a transportation document issued by the carrier or freight forwarder. It serves as a receipt of goods, evidence of the contract of carriage, and a document of title. It contains information about the shipment, including the consignor, consignee, vessel details, port of loading, port of discharge, and terms of shipment.
- **Certificate of Origin (CO):** A certificate of origin is a document that certifies the country in which the goods were manufactured or produced. It is required for customs clearance and may be necessary for availing trade preferences or benefits under certain trade agreements.
- **Export Declaration Form (EDF):** An export declaration form is required for exporting goods from Bangladesh. It contains details of the exporter, consignee, goods, value, and other relevant information. It is submitted to the customs authority to obtain permission for export.

- **Insurance Certificate:** An insurance certificate provides evidence of insurance coverage for the goods during transit. It includes information about the insured parties, coverage terms, risks insured, and the insurance company.
- **Certificate of Compliance:** A certificate of compliance is a document issued by an authorized body or testing laboratory, certifying that the goods comply with applicable standards, regulations, or specifications. It may be required for certain products, such as those related to safety or quality.

The specific documents required may vary depending on the nature of the transaction, the involved parties, and the destination country's regulations. It is advisable to consult with trade professionals, customs agents, or legal experts to ensure compliance with the specific commercial documentation requirements for your apparel business in Bangladesh.

1.3 International commercial terms (INCOTERMS)

International Commercial Terms, commonly known as INCOTERMS, are a set of standardized trade terms that define the rights and obligations of buyers and sellers in international trade transactions. INCOTERMS are recognized worldwide and provide clarity on the allocation of costs, risks, and responsibilities between the parties involved. Here are the commonly used INCOTERMS:



- **EXW (Ex Works):** The seller makes the goods available at their premises, and the buyer is responsible for all transportation, customs clearance, and associated costs and risks.
- **FCA (Free Carrier):** The seller delivers the goods, cleared for export, to the carrier nominated by the buyer at a specified location. The buyer assumes responsibility from that point forward.
- **FAS (Free Alongside Ship):** The seller is responsible for delivering the goods alongside the vessel at the named port of shipment. The buyer takes charge of the goods and bears the costs and risks from that point.
- **FOB (Free on Board):** The seller is responsible for delivering the goods on board the vessel at the named port of shipment. Once on board, the buyer assumes responsibility for the goods and any further costs and risks.
- **CFR (Cost and Freight):** The seller is responsible for delivering the goods on board the vessel at the named port of shipment and covers the cost of freight to the named port of destination. The buyer is responsible for insurance and any costs and risks after the goods have been loaded onto the vessel.
- **CIF (Cost, Insurance, and Freight):** Similar to CFR, but the seller also arranges and pays for insurance coverage for the goods during transit to the named port of destination. The buyer assumes responsibility for costs and risks after the goods have been loaded onto the vessel.
- **CPT (Carriage Paid To):** The seller delivers the goods to the carrier or another person nominated by the seller at a named place. The seller covers the transportation costs to the named place, while the buyer assumes responsibility from that point.
- **CIP (Carriage and Insurance Paid To):** Similar to CPT, but the seller also arranges and pays for insurance coverage for the goods during transit to the named place. The buyer assumes responsibility from the named place.
- **DAP (Delivered at Place):** The seller is responsible for delivering the goods to the buyer at a named place, excluding unloading. The seller bears the risks and costs until the goods are ready for unloading at the named place.
- **DDP (Delivered Duty Paid):** The seller is responsible for delivering the goods to the buyer at the named place, including import customs clearance and payment of duties and taxes. The seller bears all risks and costs until delivery to the named place.

1.4 Banking requirements for apparel business

To operate an apparel business in Bangladesh, there are certain banking requirements that need to be fulfilled. These requirements are in line with the regulations set by the central bank of Bangladesh, known as the Bangladesh Bank. Here are some key banking requirements for an apparel business in Bangladesh:

- **Business Bank Account:** Open a business bank account with a commercial bank in Bangladesh. This account will be used for various financial transactions related to your apparel business, such as receiving payments from customers, making supplier payments, and managing day-to-day financial operations.
- **Required Documents:** Provide the necessary documents to the bank to open a business bank account. Typically, the required documents include:
 - Business registration certificate from the Registrar of Joint Stock Companies and Firms.
 - Tax identification number (TIN) certificate.
 - Trade license obtained from the local government authority.
 - Memorandum and Articles of Association (for limited companies).
 - National ID cards or passports of the business owners or directors.
 - Proof of address, such as utility bills or rental agreements.
- **Foreign Currency Account:** If your apparel business engages in international trade and deals with foreign currencies, you may need to open a foreign currency account. This account allows you to hold and transact in foreign currencies, facilitating import and export transactions.
- **Export and Import Documentation:** Provide necessary export and import documentation to the bank for trade-related transactions. This may include export invoices, shipping documents, customs declarations, and import bills of entry.
- **Financing and Credit Facilities:** If you require financing for your apparel business, you can explore credit facilities provided by banks in Bangladesh. These may include working capital loans, trade finance, export financing, and other types of credit facilities tailored to the needs of the apparel industry.
- **Online Banking and E-Payments:** Most banks in Bangladesh offer online banking services and electronic payment systems. Consider setting up online banking facilities to manage your account, make payments, and access banking services conveniently.
- **Compliance with Anti-Money Laundering (AML) and Know Your Customer (KYC) Regulations:** Ensure compliance with AML and KYC regulations set by Bangladesh Bank. This involves providing accurate information about the business, its ownership, and the source of funds used in financial transactions.
- **Reporting Requirements:** Comply with the reporting requirements of Bangladesh Bank, such as submitting periodic financial statements, transaction reports, and other required information as mandated by the central bank.

Self-Check Sheet - 1: Process the Commercial and Banking Requirements

Questionnaire:

1. What is the purpose of a commercial invoice?

Answer:

2. What does a packing list include?

Answer:

3. Why is a bill of lading important in international trade?

Answer:

4. What is the purpose of a certificate of origin?

Answer:

Answer Key - 1: Process the Commercial and Banking Requirements

1. What is the purpose of a commercial invoice?

Answer: The purpose of a commercial invoice is to provide a detailed breakdown of the transaction, including the description of the goods, quantity, price, and payment terms.

2. What does a packing list include?

Answer: A packing list includes a detailed inventory of the contents of each package or container, specifying the description of the goods, quantity, weight, and packaging type.

3. Why is a bill of lading important in international trade?

Answer: A bill of lading is important in international trade as it serves as a receipt for the goods, evidence of the contract of carriage, and proof of shipment.

4. What is the purpose of a certificate of origin?

Answer: The purpose of a certificate of origin is to certify the country of origin of the goods, confirming that they originated from a specific country, such as Bangladesh

Job Sheet-1.1: Interpret the Legal Requirements for Apparel Business

Objectives:

- Understand the legal requirements applicable to the apparel business.
- Develop the necessary skills to interpret and understand legal regulations and obligations specific to the apparel industry.
- Ensure compliance with relevant laws, regulations, and standards governing the apparel business.

Working Procedure:

1. Identify the key legal frameworks that apply to the apparel business, such as international, national, and local laws, regulations, and industry-specific standards.
2. Interpret legal documents, such as statutes, regulations, contracts, and agreements relevant to the apparel business
3. Interpret legal principles and concepts to understand the rights, obligations, and implications for the apparel business.

Learning Outcome 2: Perform the Procedures for Letter of Credit (L/C)

Assessment Criteria	<ol style="list-style-type: none"> 1. Different types letter of credits is interpreted. 2. Purpose of letter of credit (L/C) is recognized. 3. L/C documentation are prepared. 4. L/C procedures are followed and applied
Conditions and Resources	<ol style="list-style-type: none"> 1. Real or simulated workplace 2. CBLM 3. Handouts 4. Laptop 5. Multimedia Projector 6. Paper, Pen, Pencil, Eraser 7. Internet facilities 8. White board and marker
Contents	<ol style="list-style-type: none"> 1 Types letter of credits 2 Purpose of letter of credit (L/C) 3 L/C documentation 4 L/C procedures
Training Methods	<ol style="list-style-type: none"> 1. Discussion 2. Presentation 3. Demonstration 4. Guided Practice 5. Individual Practice 6. Project Work 7. Problem Solving 8. Brainstorming
Assessment Methods	<ol style="list-style-type: none"> 1. Written Test 2. Demonstration 3. Oral Questioning

Learning Experience 2: Perform the Procedures for Letter of Credit (L/C)

In order to achieve the objectives stated in this learning guide, you must perform the learning steps below. Beside each step are the resources or special instructions you will use to accomplish the corresponding activity.

Learning Steps	Resources specific instructions
1. Student will ask the instructor about interpret the process of commercial and banking activities	1. Instructor will provide the learning materials perfrom the procedures for letter of credit (L/C)
2. Read the Information sheet/s	2. Information Sheet No:2 perfrom the procedures for letter of credit (L/C)
3. Complete the Self-Checks & Answer key sheets.	3. Self-Check No: 2- perfrom the procedures for letter of credit (L/C) Answer key No. 2- perfrom the procedures for letter of credit (L/C)
4. Read the Job/ Task sheet and Specification Sheet	4. Job/ task sheet and specification sheet Task Sheet No:2-1: Prepare documentation in apparel merchandising

Information Sheet 2: Perform the Procedures for Letter of Credit (L/C)

Learning Objective:

After completion of this information sheet, the learners will be able to explain, define and interpret the following contents:

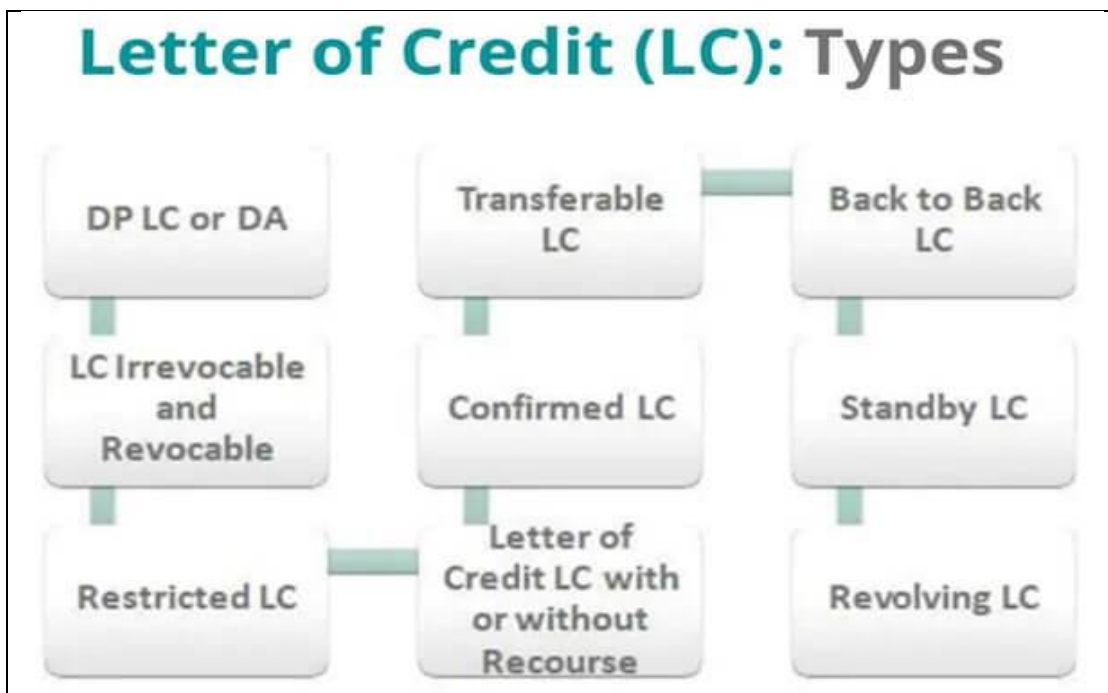
- 2.1 Types letter of credits
- 2.2 Purpose of letter of credit (L/C)
- 2.3 L/C documentation
- 2.4 L/C procedures

Letter of credit

A letter of credit (LC), also known as a documentary credit, is a financial instrument used in international trade transactions to provide payment security to both the buyer and the seller. It is issued by a bank on behalf of the buyer (importer) to guarantee that the seller (exporter) will receive payment upon fulfilling the terms and conditions of the sales contract.

2.1 Types letter of credits

In the apparel industry of Bangladesh, Letter of Credit (LC) is a commonly used payment method for international trade transactions. LCs provide a secure payment mechanism for buyers and sellers, ensuring that payment will be made once certain conditions are met. There are different types of LCs that can be used in the apparel industry in Bangladesh. Here are some of the common types:



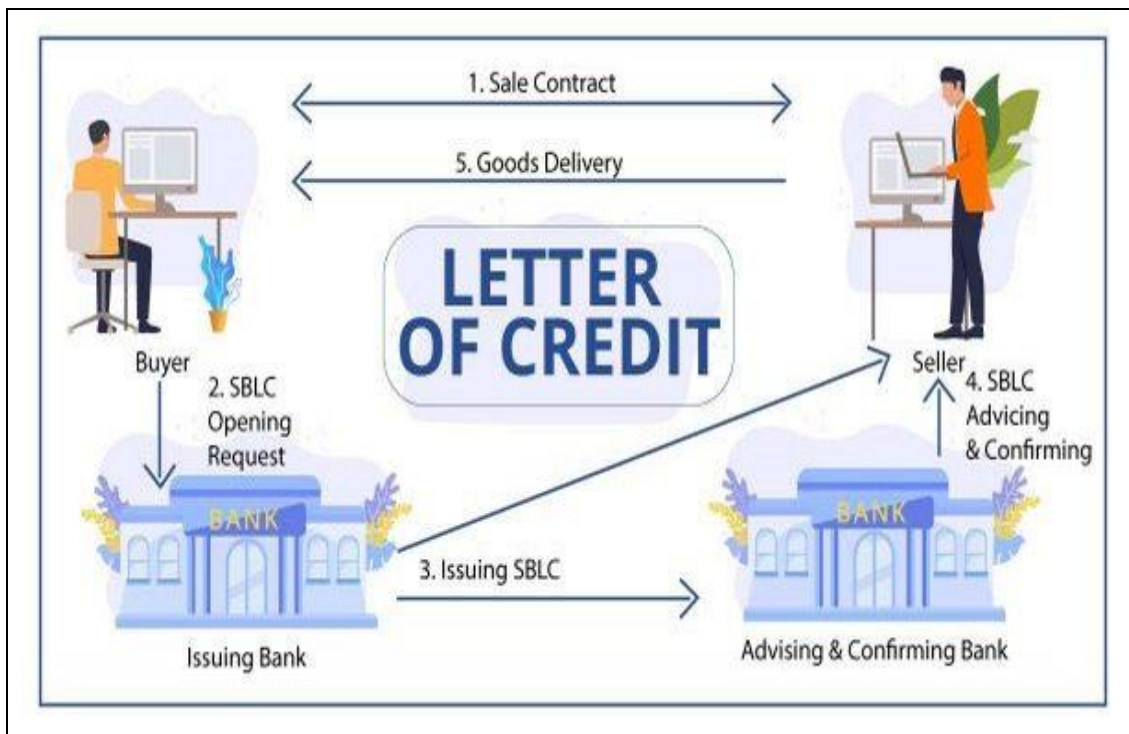
- **Revocable Letter of Credit:** A revocable LC can be amended or canceled by the issuing bank without prior notice to the beneficiary (seller). It is rarely used in international trade transactions as it provides minimal security to the seller.
- **Irrevocable Letter of Credit:** An irrevocable LC cannot be amended or canceled without the consent of all parties involved, including the beneficiary, the buyer, and the issuing bank. It provides more security to the seller compared to a revocable LC.
- **Confirmed Letter of Credit:** A confirmed LC involves the involvement of an additional bank, known as the confirming bank, in addition to the issuing bank. The confirming bank adds its commitment to honor the LC to provide an extra level of security to the beneficiary (seller). This type of LC is often used when the seller is concerned about the creditworthiness of the issuing bank.
- **Standby Letter of Credit:** A standby LC serves as a guarantee of payment, typically used as a backup measure in case of default or non-performance by the buyer. It is not intended for regular payment purposes but acts as a financial instrument to ensure the seller's security.
- **Transferable Letter of Credit:** A transferable LC allows the beneficiary (seller) to transfer all or part of the LC amount to one or more secondary beneficiaries. This type of LC is commonly used when the primary beneficiary is a middleman or an intermediary involved in the supply chain.
- **Back-to-Back Letter of Credit:** A back-to-back LC involves the use of two separate LCs. The first LC is issued in favor of the intermediary or middleman, who then uses it as collateral to obtain a second LC in favor of the actual supplier or manufacturer. This type of LC is often used when the intermediary does not have sufficient financial resources to fulfill the buyer's requirements.

It's important to note that the choice of LC type depends on the specific requirements and agreements between the buyer and the seller in an apparel transaction. The terms and conditions of the LC, including the type, should be clearly specified in the sales contract to avoid any misunderstandings or disputes.

When dealing with LCs, it is advisable to consult with banks, trade professionals, or legal advisors who are well-versed in international trade finance to ensure that the chosen LC type is appropriate for your specific transaction and provides the necessary security and payment guarantee.

2.2 Purpose of letter of credit (L/C)

In the apparel industry in Bangladesh, a Letter of Credit (L/C) serves as an important financial instrument that facilitates international trade transactions between buyers and sellers. It provides a level of assurance and security to both parties involved in the transaction. Here are some key purposes of a Letter of Credit in the apparel industry in Bangladesh:



- **Payment Security:** The primary purpose of an L/C is to ensure that the seller receives payment for the goods or services provided. When an L/C is established, the buyer's bank guarantees to make payment to the seller upon the presentation of specified documents that comply with the terms and conditions outlined in the L/C. This reduces the risk of non-payment or payment delays for the exporter, especially when dealing with unknown buyers or in situations where trust may be limited.
- **Risk Mitigation:** An L/C helps mitigate various risks associated with international trade. For exporters in Bangladesh, it reduces the risk of non-payment, non-performance, or fraud by the buyer. By requiring the buyer to open an L/C, the exporter ensures that the buyer has the financial capability to make the payment and is committed to the transaction. The L/C also specifies the terms and conditions that both parties must adhere to, providing clarity and reducing misunderstandings.
- **Financing:** In some cases, an L/C can serve as a financing tool for the exporter. The L/C can be used as collateral to obtain pre-shipment or post-shipment financing from banks.

This allows the exporter to access funds that can be used to cover production costs, purchase raw materials, or fulfill other financial obligations related to the export order.

- **Compliance with Regulations:** International trade involves compliance with various legal and regulatory requirements. The L/C helps ensure compliance by outlining the necessary documents and procedures that must be followed. This includes providing evidence of compliance with import/export regulations, quality standards, shipping requirements, and other relevant laws.
- **Trust and Credibility:** Bangladesh is a major exporter in the global apparel industry, and many international buyers rely on its manufacturers for their sourcing needs. By using an L/C, both buyers and sellers can establish trust and credibility in their business relationships. The L/C provides assurance to the buyer that the seller will fulfill their contractual obligations, while also assuring the seller of payment upon fulfilling the agreed-upon terms.

2.3 L/C documentation

The documentation required for a Letter of Credit (L/C) plays a critical role in facilitating the smooth execution of international trade transactions and ensuring that both the buyer and seller comply with the agreed-upon terms and conditions. The specific documents required may vary depending on the nature of the transaction and the terms of the L/C. However, here is a list of common L/C documentation:

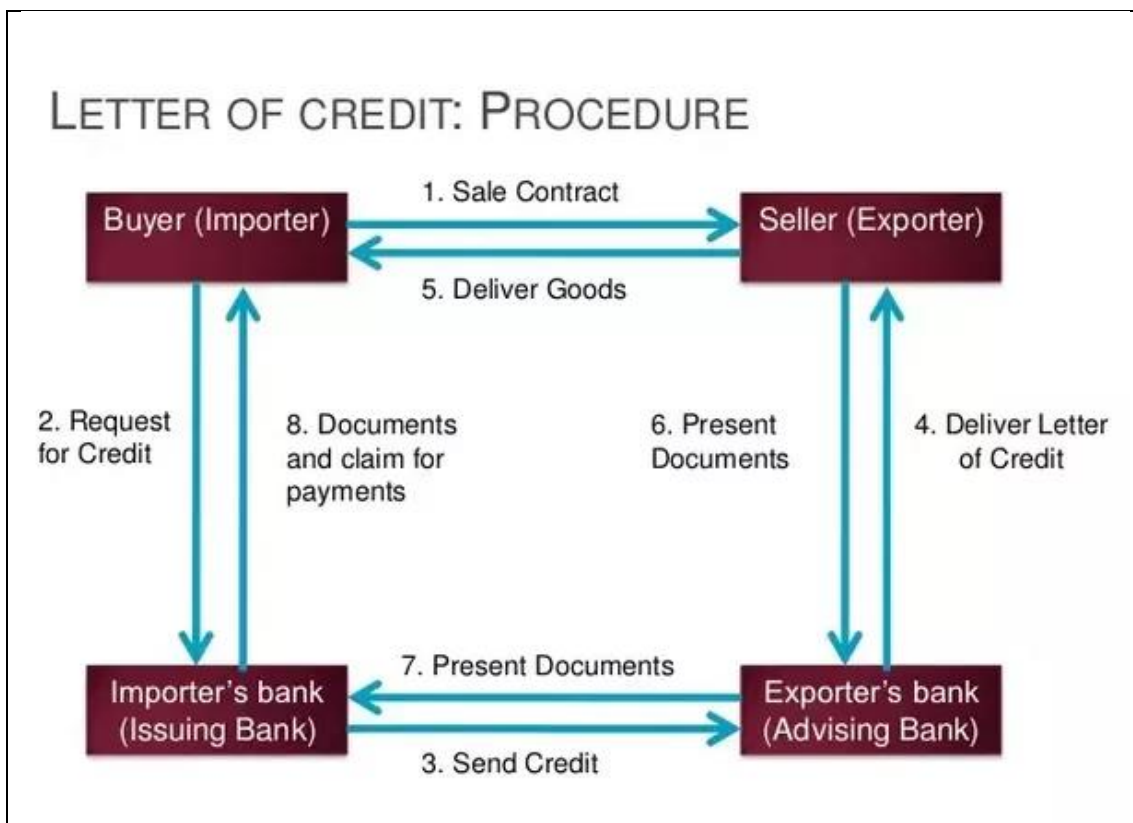
- **Bill of Lading (B/L):** A bill of lading is a crucial document issued by the shipping company or carrier. It serves as evidence of the shipment of goods and outlines the details of the cargo being transported, including the type, quantity, and destination.
- **Commercial Invoice:** The commercial invoice provides a detailed breakdown of the goods being sold, their unit prices, total value, payment terms, and other relevant information. It is typically issued by the seller and serves as a request for payment.
- **Packing List:** The packing list itemizes the contents of each package in the shipment, including the quantity, description, and weight of each item. This document helps in verifying that the correct goods are shipped.
- **Certificate of Origin:** The certificate of origin is a document that confirms the country of origin of the goods. It may be required for customs clearance and to qualify for preferential trade agreements or tariffs.
- **Insurance Certificate:** An insurance certificate provides evidence that the goods in the shipment are insured against loss or damage during transit. The insurance should cover the full value of the goods being shipped.

- **Inspection Certificate:** An inspection certificate may be required if the L/C stipulates that the goods need to undergo a specific quality inspection before shipment.
- **Transport Document:** Depending on the mode of transportation (e.g., air, sea, road, or rail), specific transport documents may be required, such as an airway bill, sea waybill, trucking document, or rail bill.
- **Certificate of Conformity:** Some L/Cs may require a certificate of conformity, which verifies that the goods meet specified quality, safety, and regulatory standards.
- **Draft or Bill of Exchange:** The draft or bill of exchange is a payment order, usually drawn by the seller on the buyer, requesting payment on a specified date or upon presentation of certain documents.
- **Any Other Document Specified in the L/C:** Depending on the terms and conditions of the specific L/C, additional documents may be required, such as a certificate of analysis, phytosanitary certificate, or export license.

2.4 L/C procedures

- Once the buyer gives the purchase order to the seller (apparel company), then he approaches his bank (issuing bank) to open a L/C.
- The bank instructs the seller to fill the form for opening an L/C. Along with required documents, copy of purchase order is enclosed for opening the L/C. Seller details, seller bank details are also clearly mentioned in the form.
- Once the buyer maintains the required margin amount, buyer's bank issues the L/C to the exporter's bank which is also known as advising bank or negotiating bank based on the role played by the bank.
- The exporter is advised by the exporter's bank that L/C has been opened with him as the beneficiary and gives the L/C to the exporter so that he can start working the order and also use the L/C to arrange for pre-shipment funds.
- The exporter ships the goods once manufactured to the importer on the agreed terms of delivery and shipment mode along with invoice.
- Then the exporter submits all those documents to his bank and those documents are sent by his bank to the issuing bank to issue the payment.

- The issuing bank will check with the importer to ascertain that the goods are received by him as per L/C terms and conditions. On confirmation from the importer, the issuing bank accepts the bill for payment and pays the exporter's bank.
- In case of more margin given to the buyer by his bank, it waits for the buyer to make the payment and then transfers the payment to the exporter's bank.
- The exporter's bank releases payment to the exporter and issuing bank releases all the original documents to the buyer thereby completing the transaction and L/C is closed.



Self-Check Sheet - 2: Perform the Procedures for Letter of Credit (L/C)

Questionnaire:

1. What is the purpose of a Letter of Credit (L/C)?

Answer:

2. Who issues the Letter of Credit in a typical transaction?

Answer:

3. What is the role of the advising bank in the L/C process?

Answer:

4. What happens when the seller presents the documents to the advising bank?

Answer:

5. What are the key procedures involved in a Letter of Credit (L/C) transaction?

Answer:

6. Why is it essential for both the buyer and seller to agree on the L/C terms and conditions before initiating the transaction?

Answer:

Answer Key - 2: Perform the Procedures for Letter of Credit (L/C)

1. What is the purpose of a Letter of Credit (L/C)?

Answer: The purpose of a Letter of Credit is to provide a secure method of payment for international trade transactions, ensuring that the seller will receive payment and the buyer will receive the goods as per the agreed terms.

2. Who issues the Letter of Credit in a typical transaction?

Answer: The Letter of Credit is issued by the buyer's bank (the issuing bank) on behalf of the buyer, providing a guarantee of payment to the seller.

3. What is the role of the advising bank in the L/C process?

Answer: The advising bank is typically the local branch of the issuing bank in the seller's country. Its role is to authenticate and transmit the Letter of Credit to the seller (exporter).

4. What happens when the seller presents the documents to the advising bank?

Answer: The advising bank examines the presented documents to ensure compliance with the terms and conditions of the Letter of Credit. If the documents are in order, the advising bank forwards them to the issuing bank for payment.

5. What are the key procedures involved in a Letter of Credit (L/C) transaction?

Answer: The key procedures involved in a Letter of Credit (L/C) transaction include the buyer and seller agreeing on the terms and conditions of the trade, the buyer applying for the L/C from their issuing bank, the issuing bank opening the L/C in favor of the seller, the seller ensuring compliance with the L/C's terms and conditions, and the presenting of required documents by the seller to the issuing bank for payment.

6. Why is it essential for both the buyer and seller to agree on the L/C terms and conditions before initiating the transaction?

Answer: Agreeing on the L/C terms and conditions before initiating the transaction is essential to avoid misunderstandings and disputes later on. Both parties need to be clear on the payment terms, shipping terms, documentation requirements, and other details to ensure a smooth and successful trade transaction.

Job Sheet-2.1: Prepare Documentation in Apparel Merchandising

Objectives:

- Understand the process of preparing L/C documentation in apparel merchandising.
- Develop the necessary skills to accurately create L/C documents that comply with industry standards and meet buyer requirements.
- Ensure adherence to the terms and conditions specified in the Letter of Credit (L/C) to facilitate successful payment transactions.

Working Procedure:

1. Understand the L/C issued by the buyer, focusing on the specific requirements applicable to apparel merchandising.
2. Identify key details such as the L/C number, issuing bank, beneficiary, expiry date, shipping terms, and the required documentation.
3. Identify the specific L/C documents required based on the buyer's instructions and industry standards.
4. Collect all necessary supporting documents, including purchase orders, sales contracts, shipping documents, and any other relevant records specific to apparel merchandising.
5. Verify that the supporting documents align with the L/C requirements and provide accurate information for the preparation of L/C documents.
6. Create a commercial invoice that complies with the L/C requirements and industry standards for apparel merchandising.
7. Create a detailed packing list that accurately reflects the contents of each package or carton being shipped.
8. Provide necessary information and instructions to ensure proper handling, packaging, and labeling of the goods in accordance with the L/C requirements.
9. Identify any additional L/C documents required, such as the bill of lading, certificate of origin, inspection certificate, or insurance certificate.
10. Conduct a thorough review of all L/C documents to ensure accuracy, consistency, and alignment with the L/C terms specific to apparel merchandising.
11. Prepare L/C documents to the relevant internal stakeholders, such as the finance department or senior merchandisers, for review and approval.
12. Submit the finalized L/C documents, as per the L/C terms, to the issuing bank responsible for processing the payment for the apparel merchandise.

Learning Outcome 3: Perform Documentation for Payment

Assessment Criteria	<ol style="list-style-type: none"> 1. Payment documentation are identified. 2. Purpose of payment documentation is interpreted. 3. Payment documents are prepared as per L/C terms.
Conditions and Resources	<ol style="list-style-type: none"> 1. Real or simulated workplace 2. CBLM 3. Handouts 4. Laptop 5. Multimedia Projector 6. Paper, Pen, Pencil, Eraser 7. Internet facilities 8. White board and marker
Contents	<ol style="list-style-type: none"> 1. Payment documentation 2. Purpose of payment documentation 3. Preparation of Payment documents
Training Methods	<ol style="list-style-type: none"> 1. Discussion 2. Presentation 3. Demonstration 4. Guided Practice 5. Individual Practice 6. Project Work 7. Problem Solving 8. Brainstorming
Assessment Methods	<ol style="list-style-type: none"> 1. Written Test 2. Demonstration 3. Oral Questioning

Learning Experience 3: Perform Documentation for Payment

In order to achieve the objectives stated in this learning guide, you must perform the learning steps below. Beside each step are the resources or special instructions you will use to accomplish the corresponding activity.

Learning Steps	Resources specific instructions
1. Student will ask the instructor about interpret the process of commercial and banking activities	1. Instructor will provide the learning materials perfrom documentation for payment
2. Read the Information sheet/s	2. Information Sheet No:3 perfrom documentation for payment
3. Complete the Self-Checks & Answer key sheets.	3. Self-Check No: 3- perfrom documentation for payment Answer key No. 3- perfrom documentation for payment
4. Read the Job/ Task sheet and Specification Sheet	4. Job/ task sheet and specification sheet Task Sheet No:3-1: Prepare of Payment Documentation as per L/C terms in Apparel Merchandising

Information Sheet 3: Perform Documentation for Payment

Learning Objective:

After completion of this information sheet, the learners will be able to explain, define and interpret the following contents:

- 3.1 Payment documentation
- 3.2 Purpose of payment documentation
- 3.3 Preparation of Payment documents

3.1 Payment documentation

In the apparel industry of Bangladesh, various payment documentation is involved in facilitating international trade transactions. Some common payment documentation used includes:

- **Commercial Invoice:** The commercial invoice is a crucial payment document issued by the exporter/seller to the buyer. It provides a detailed breakdown of the transaction, including the description of the goods, quantity, unit price, total amount, payment terms, and other relevant commercial information. The commercial invoice serves as evidence of the agreed-upon value of the goods and is used for customs clearance and payment purposes.
- **Packing List:** The packing list provides a comprehensive inventory of the contents of each package or container being shipped. It includes details such as the description of the goods, quantity, weight, packaging, and any other relevant information. The packing list helps in verifying the accuracy of the shipment and facilitates customs clearance and inspection processes.
- **Bill of Lading:** The bill of lading (B/L) is a transport document issued by the shipping carrier or freight forwarder. It serves as a receipt for the goods and evidence of the contract of carriage between the shipper (exporter) and the carrier. The B/L contains important information such as the names and addresses of the shipper, consignee, and notify party, description of the goods, quantity, packaging, and vessel details. It acts as proof of shipment and is essential for the release of the goods at the destination port.
- **Certificate of Origin:** The certificate of origin (COO) is a document that certifies the country of origin of the goods being exported. It confirms that the goods originated from a particular country, such as Bangladesh, and may be issued by a recognized authority such as a Chamber of Commerce or a government agency. The COO is necessary for customs clearance and may be required for claiming preferential trade benefits under certain trade agreements.

- **Inspection Certificates:** In the apparel industry, various inspection certificates may be required to ensure compliance with quality standards and buyer's specifications. These certificates may include pre-shipment inspection certificates, product quality certificates, textile testing reports, or any other inspection-related documents issued by accredited inspection agencies or laboratories.
- **Insurance Documents:** If the buyer has requested insurance coverage for the goods during transit, insurance documents such as a certificate of insurance or an insurance policy may be required. These documents provide evidence of insurance coverage and help protect against potential risks and losses during transportation.
- **Payment Instructions:** Alongside the aforementioned documents, payment instructions are typically provided to the buyer's bank to initiate the payment process. These instructions may specify the method of payment, such as a telegraphic transfer (TT) or a documentary collection, and provide details of the beneficiary's bank account for the transfer of funds.

It's important to note that the specific payment documentation required may vary depending on the terms and conditions of the trade agreement, the payment method chosen, and any additional requirements set by the buyer or the relevant authorities. Exporters and importers in the apparel industry should consult with their respective banks, trade advisors, or legal experts to ensure compliance with the necessary payment documentation.

3.2 Purpose of payment documentation

The purpose of payment documentation in the apparel industry of Bangladesh serves several important functions, including:

- Record of Transaction
- Payment Verification
- Legal Protection
- Customs Clearance
- Financial and Accounting Purposes
- Compliance Requirements
- Risk Mitigation

Overall, payment documentation serves as a vital component in the smooth execution of commercial transactions, enabling accurate record-keeping, verification of payment obligations, legal protection, compliance with regulations, and effective financial management in the apparel industry of Bangladesh.

3.3 Preparation of Payment documents

In the apparel industry of Bangladesh, the following payment documents are commonly used:

- Commercial Invoice
- Packing List
- Bill of Lading
- Certificate of Origin
- Inspection Certificates
- Insurance Documents
- Payment Instructions

These payment documents are essential for conducting international trade transactions in the apparel industry of Bangladesh. It's important for exporters and importers to ensure the accuracy and compliance of these documents to facilitate smooth payment processes and customs clearance.

Self-Check Sheet - 3: Perform Documentation for Payment

Questionnaire:

1. What is the purpose of a commercial invoice in payment documentation?

Answer:

2. Why is a packing list important in payment documentation?

Answer:

3. What role does the bill of lading play in payment documentation?

Answer:

4. What is the purpose of a certificate of origin in payment documentation?

Answer:

5. Why are inspection certificates included in payment documentation?

Answer:

6. How do payment instructions contribute to payment documentation?

Answer:

Answer Key - 3: Perform Documentation for Payment

1. What is the purpose of a commercial invoice in payment documentation?

Answer: The purpose of a commercial invoice is to provide a detailed breakdown of the transaction, including the description of the goods, quantity, price, and payment terms, serving as proof of the agreed-upon value of the goods.

2. Why is a packing list important in payment documentation?

Answer: A packing list is important in payment documentation as it provides an inventory of the contents of each package or container, helping to verify the accuracy of the shipment and facilitating customs clearance and inspection processes

3. What role does the bill of lading play in payment documentation?

Answer: The bill of lading serves as a receipt for the goods, evidence of the contract of carriage, and proof of shipment, making it an essential document in payment documentation.

4. What is the purpose of a certificate of origin in payment documentation?

Answer: The purpose of a certificate of origin is to certify the country of origin of the goods being exported, ensuring compliance with customs regulations and trade agreements.

5. Why are inspection certificates included in payment documentation?

Answer: Inspection certificates are included in payment documentation to provide evidence that the goods meet quality standards and buyer's specifications, ensuring compliance and mitigating potential risks for the buyer.

6. How do payment instructions contribute to payment documentation?

Answer: Payment instructions specify the method of payment and provide details of the beneficiary's bank account, ensuring that funds are transferred correctly and facilitating the payment process in payment documentation.

Task Sheet-3.1: Prepare of Payment Documentation as per L/C terms in Apparel Merchandising

Objectives:

- Understand the process of preparing payment documents in compliance with Letter of Credit (L/C) terms specific to the apparel merchandising industry.
- Develop the necessary skills to accurately create payment documents that adhere to the L/C requirements for apparel transactions.
- Ensure adherence to the terms and conditions specified in the L/C to facilitate successful payment transactions in apparel merchandising.
- Enhance efficiency and accuracy in the preparation of payment documents by following best practices tailored to the apparel industry and L/C compliance.

Working Procedure:

1. Understand the L/C issued by the buyer, focusing on the specific requirements applicable to apparel merchandising.
2. Identify key details such as the L/C number, issuing bank, beneficiary, expiry date, shipping terms, and the required payment documents.
3. Identify the apparel-specific payment documents required based on the L/C terms.
4. Gather all necessary supporting documents such as purchase orders, sales contracts, shipping documents, and relevant records specific to apparel merchandising.
5. Verify that the supporting documents align with the L/C requirements and provide accurate information for the preparation of payment documents.
6. Create a commercial invoice tailored to apparel merchandising, ensuring compliance with the L/C requirements and industry standards.
7. Include crucial details such as the buyer's and seller's information, invoice number, L/C number, description of apparel items, quantities, unit prices, total amount, and any other information specified in the L/C.
8. Obtain the apparel-specific shipping and transport documents required by the L/C terms.
9. Verify that each payment document, including the commercial invoice and shipping documents, complies with the specific requirements outlined in the L/C for apparel merchandising.
10. Conduct a thorough review of all payment documents to ensure accuracy, consistency, and alignment with the L/C terms specific to apparel merchandising.
11. Present the prepared payment documents, including the commercial invoice and apparel-specific shipping documents, to the relevant internal stakeholders, such as the finance department or senior merchandisers, for review and approval.
12. Submit the finalized payment documents, as per the L/C terms, to the issuing bank responsible for processing the payment for the apparel merchandise.
13. Follow the prescribed timeline for submitting the documents to ensure timely processing and payment.
14. Maintain a record of the handling and transmission of the payment documents

Review of Competency

Below is yourself assessment rating for module **interpret the process of commercial and banking activities.**

Assessment of performance Criteria	Yes	No
1. Legal requirement for apparel business is interpreted.		
2. Commercial documentation is performed.		
3. International commercial terms (INCOTERMS) are interpreted.		
4. Banking requirements for apparel business are followed and applied.		
5. Different types letter of credits is interpreted.		
6. Purpose of letter of credit (L/C) is recognized.		
7. L/C documentation are prepared.		
8. L/C procedures are followed and applied.		
9. Payment documentation are identified.		
10. Purpose of payment documentation is interpreted.		
11. Payment documents are prepared as per L/C terms		

I now feel ready to undertake my formal competency assessment.

Signed:

Date:

Development of CBLM:

The Competency Based Learning Material (CBLM) of '**Interpret the Process of Commercial and Banking Activities**' (Occupation: Apparel Merchandising, Level-4) for National Skills Certificate is developed by NSDA with the assistance of SIMEC System, ECF consultancy & SIMEC Institute JV (Joint Venture Firm) in the month of June 2023 under the contract number of package SD-9A dated 07th May 2023.

Sl No.	Name & Address	Designation	Contact number
1	Shahjahan Begum	Writer	01918 32 48 61
2	Md. Maksud	Editor	01975 990 575
3	Md. Amir Hossain	Co-Ordinator	01631 670 445
4	Syed Azharul Haque	Reviewer	01711 047 815