Internship report on Trading Process of Blue Ocean Footwear Limited

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September 29, 2011

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Madam,

With great pleasure I hereby submitting my report on “Trading Process of Blue Ocean Footwear Limited” as an important requirement of the course BUS 400. I have found the study to be quite exciting, valuable and learned a lot from this. I have tried my best to prepare an effective report. It is great achievement to work under your active supervision.

The report is based on the knowledge, experiences and the skills that I have acquired during my period of internship in Blue Ocean Footwear Limited.

I would like to thank you for your encouragement and support which inspired me to work enthusiastically. It would be my pleasure to respond to any of your inquiry regarding the report. I hope that this report will meet the level of your expectation.

Thank you again for your support and patience.

Sincerely,

Towhidul Islam
ID: 07304061
BRAC Business School
BRAC University
Acknowledgement

Completion of this report has made me grateful to a number of persons. First of all I would like to express my deepest gratitude to my academic supervisor Syeda Shaharbanu Shahbazi Ahmed, Senior Lecturer of BRAC Business School, BRAC University. Her valuable suggestion and guideline helped me a lot to prepare the report in a well organized manner.

I would also like to thank the authority of Blue Ocean Footwear Limited for giving me the opportunity to do my internship in a growing manufacturing company. The experience and knowledge gained in here helped me to understand different elements related to my study.

I am also grateful to the entire Team of Blue Ocean Footwear Limited as they have always been there for me when I needed them. Their active participation to all my questions, queries during my internship has made this possible. I would like to name here Saiful Osman (Manager Accounts), Shazly Omar (Project Coordinator), Mujibur Rahman (Manager, Commercial Department), Mominur Rahman (Manager, HR), Mohammad Kawser Ahammed (Officer, Accounts), thanks to all of them for helping me throughout the internship period. It was my privilege and I am truly honored working with such a wonderful team.
Executive summary

Blue Ocean Footwear Limited one of the newest addition is the footwear industry in Bangladesh. It is a joint venture company between Apex Enterprises and Greenland International started their journey in 30th September 2009.

I was appointed in Commercial Department of this organization as an intern. My role was to maintaining coordination between Commercial Department and Accounts and Finance Department. For that reason I prepared my internship report on “Trading Process of Blue Ocean Footwear Limited”.

This report explores the trading Process of BOFL focusing on the payment method to term of delivery and preparation of other necessary documents in a detailed manner. BOFL exports their products through Irrevocable Letter of Credit to the prospective buyer. The process of trading is very lengthy and complicated due to rudimentary process followed by country’s customs clearance.

Moreover some error has been pointed out in findings section like lack of coordination between departments, lack of skilled and experience employee which can weaken the chances of the organization in the long run.

At the end BOFL has been recommended to reduce the intermediaries, provide training to the employees and introduce an automated system for improving efficiency at the long run.
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</tr>
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<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tr>
<td>BOFL</td>
<td>Blue Ocean Footwear Limited</td>
</tr>
<tr>
<td>EPB</td>
<td>Export Promotion Bureau</td>
</tr>
<tr>
<td>FDBP</td>
<td>Foreign Documentary Bill Purchase</td>
</tr>
<tr>
<td>L/C</td>
<td>Letter of Credit</td>
</tr>
<tr>
<td>LFMEAB</td>
<td>Leathergoods and Footwear Manufacturers and Exporters Association of Bangladesh</td>
</tr>
<tr>
<td>B2B</td>
<td>Business to Business</td>
</tr>
<tr>
<td>ICC</td>
<td>International Chamber of Commerce</td>
</tr>
<tr>
<td>INCOTERMS</td>
<td>International Commercial Terms</td>
</tr>
<tr>
<td>GSP</td>
<td>Generalized System for Preference</td>
</tr>
<tr>
<td>RFQ</td>
<td>Request for Quotation</td>
</tr>
</tbody>
</table>
List of Tables and Figures:

<table>
<thead>
<tr>
<th>Number</th>
<th>Description</th>
<th>Page</th>
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</thead>
<tbody>
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<td>16</td>
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<td>20</td>
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<tr>
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</tr>
<tr>
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<td>17</td>
</tr>
<tr>
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<td>19</td>
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<td>21</td>
</tr>
</tbody>
</table>
Chapter 1: Introduction
1.1 Introduction

Government of Bangladesh has identified the Leather sector as one of the thrust sectors. Leather sector earns a substantial amount of foreign currency every year through export of leather and Footwear. By leveraging the abundance of raw materials and cheap labor Footwear industry of Bangladesh is now playing an important role in the global market.

1.2 Objective of the project:

General Objective:
As the report is a mandatory requirement for a BBA student and a part of the internship program for that reason the general objective is to know about BOFL, its history, its product and trading process with other countries.

Specific Objective:

- To discuss trading process of Blue Ocean Footwear Limited
- To show what payment method, term of sale they use to conduct a sale
- To show what type of L/C they issue to secure a deal
- To show how they deal with carrier, freight forwarder
- To watch carefully the degree of difference and similarities between the real life and theory.

1.3 Scope:

This study revolves basically around Blue Ocean Footwear Limited. This study includes a detailed process of Export Import Process through Documentary Credit. And what possible steps should be taken to improve the overall process.

1.4 Methodology:

While preparing this report information was gathered from the following sources:

Primary data: Interviews with personnel of Blue Ocean Footwear Limited
Secondary data: Official website of the company, Newspaper

1.5 Limitation:

In preparing this report certain limitations were faced:

- Lack of sufficient sources prevented verification of information.
- The analysis presented here may vary with opinions of experts in this field.
- Some aspects of the report may be considered confidential by the organization.
Chapter 2: Overview of the Organization
2.1 Blue Ocean Footwear Limited

Blue Ocean Footwear Limited (BOFL), it aspires to be a major exporter in the footwear industry of Bangladesh, a private limited company formed in September 30, 2009 which is a joint venture between Apex Enterprise Limited of Bangladesh and Green Ocean International Limited of Taiwan. Apex Adelchi Footwear Limited, another business venture of Apex Enterprises Limited currently at peak of footwear export in the country. And Green Ocean International Limited has other operations in Taiwan, China, Vietnam, and Cambodia. BOFL is headquartered in Gulshan-1, Dhaka, Bangladesh. And the production plant is placed in East Chandra, Kaliakoir, Gazipur.

2.2 Objectives

Manufacturing shoes, boots, sandals, slippers and all kind of footwear; to market the same globally and domestically.

2.3 Visions for the Future

Blue Ocean Footwear’s vision is to be a leading exporter of footwear in the country by using their state of the art technology.
2.4 Industry Overview

Local Market

Top manufacturers including Apex-Adelchi Footwear Ltd, Jennys, Landmark, Leatherex, Bay Footwear and Picard Bangladesh produces leather footwear of around Tk 1,700 crore a year, of which 45 percent products are meant for shipment. The local market is dominated by small scale retail manufacturers among them organized retail manufacturer and distributor such as Bata (22%) and Apex Adelchi (6%) have a sizeable market share.

Global Market

Japan and Germany are now the biggest markets for Bangladeshi footwear but US buyers are increasingly showing interest. With at least seven large factories under construction altogether 18 shoe and leather factories are currently there at the Export Processing Zones. The factories under construction includes Korean company Youngone’s footwear complex which is said to be the largest in Asia. Youngone a company which manufactures sportswear for Nike and other leading brands estimates that it will export $56 million worth of footwear. Taiwanese shoe manufacturer Pau Chen, which employs about 400000 workers in China and 50,000 in Vietnam, is also building a large manufacturing facility in Chittagong. Hugo Boss supplier Australian manufacturer Bonbon Shoe, Xen Chen and Genford of Taiwan are also building footwear factories in Bangladesh.

2.5 Investment

Initial investment of the project is calculated around 500 million taka. Among that Apex Enterprise Limited of Bangladesh holds 51% share and Green Ocean International Limited of Taiwan holds 49% share.
2.6 Production Capacity

Blue Ocean Footwear Limited’s annual capacity of production is 1080000 pairs of ladies footwear, 540000 pairs of Children Footwear and 180000 pairs of Men’s Footwear. Altogether they have the capacity to produce 1.8 million pairs of shoes annually.

2.7 Management & Workforce

Along with factory employee 1450 people works under BOFL. BOFL have 10 directors among them five of them are Bangladeshi citizen and five are of Taiwanese citizenship. Name of the directors are listed below:

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Organization</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Syed Manzur Elahi</td>
<td>Chairman</td>
<td>Apex Enterprises</td>
<td>51%</td>
</tr>
<tr>
<td>Syed Nasim Manzur</td>
<td>Director</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Niloufer Manzur</td>
<td>Director</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Syed Gias Hossain</td>
<td>Director</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Abdul Momen Bhuiyan</td>
<td>Executive Director</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liu Kuang- Min</td>
<td>Director</td>
<td>Green Ocean</td>
<td>49%</td>
</tr>
<tr>
<td>Chang Chen'Tsao</td>
<td>Director</td>
<td>International</td>
<td></td>
</tr>
<tr>
<td>Chen Hung-I</td>
<td>Director</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chen Shao-Tseng</td>
<td>Director</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yu Cheng-Hsing</td>
<td>Managing Director</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table-1: List of Directors
Chapter 3: Operational Process
Since BOFL is a B2B company their work revolves around dealing with other business and look after their product process.

3.1 Operation Process

3.1.1 Raw Materials

They import machinery mainly from Taiwan, China and Germany. And they collect leather from Apex Tannery. For other raw materials like Outsole, Steel Shank, Elastic, Buckle, Velcro Loop, Foot Bed, Loop, Inner Box, Jersey, EVA foot bed, EVA sheet, toe puff, Insole Board Foam, Reinforcing Tape, Cotton fabric, Jersey, PVC Sheet, Pen, Powder they import it from Italy, Taiwan and China.

3.1.2 Production Process

After collecting the raw materials cutting department cuts out the leather. In every section BOFL have employed experts to look after the work of the worker and improve the efficiency. After cutting they send it to assembling department where they sew the parts by sewing machine. In
lasting section they join the insole and outsole to the shoe. And in finishing department they pack the product for distribution.

3.1.3 Distribution

After the completing the production factory sends confirmation to the head office, and then Accounts and Finance department calculates the cost of the production. After that commercial department start processing documents to export the products.

3.2 Organizational Structure

3.2.1 Accounts and Finance Department

The main objective of the Accounts and Finance is to managing and distributing the funds for all the departments of the companies as efficiently as possible. Other responsibilities include calculating the cost of the production and paying up the suppliers or different service provider.

3.2.2 Human Resource Department

Development, activities of employees of head office are looked after by a manager and Development, activities of factory personnel are looked after by an assistant manager located in the factory at Gazipur.

3.2.3 Commercial Department

Commercial department is headed by a manager who maintains the harmony of the overall trade process. Commercial Department activities includes contacting with buyer/seller, issuing L/C, prepare necessary so that the trade goes smoothly.

I have worked in the commercial department of BOFL for past 12 weeks. Activities that I was obliged to perform are described in the next chapter.
Chapter 4: Job Description
4.1 Nature of the Job:

I have worked in the commercial Department of Blue Ocean Footwear Limited for past 10 weeks. During this period I had been assigned to maintain coordination between Commercial Department and Accounts Department.

4.2 Specific Responsibilities of the Job:

1. Maintaining a database of Export, Import and Landed cost
2. Work related with Documentary Credit
3. Bank Reconciliation
4. Creating VAT/TAX Certificate
5. GSP approval
6. Work related with Bill of Lading

4.2.1 Maintaining a database of Export, Import and Landed cost

Maintaining a database of Export and Import, which entails Letter of credit number, Letter of credit date, Commercial invoice number, Commercial invoice date, Buyer of the product, Quantity, Invoice amount, Bill of lading number and date, mode, Export number, FDBP number, etc. Besides that I had to maintain a database of C&F and logistics.

4.2.2 Work related with Letter of Credit

Filling out bank’s letter of credit form from proforma invoice and submit it with other necessary documents in bank and Collecting bill of acceptance.

4.2.3 Bank Reconciliation

Finding out the discrepancy company’s FDBP (Foreign Documentary Bill Purchase) account and bank’s statement and submitting it to the accounts department.

4.2.4 Creating VAT/TAX Certificate

Creating VAT/TAX certificate according to the VAT/TAX invoice paid by BOFL on behalf of the entities who provided services to BOFL.
4.2.5 GSP approval

Getting the GSP (Generalized System for Preferences) approved by LFMEAB (Leathergoods and Footwear Manufacturers and Exporters Association of Bangladesh). And later submitting it to EPB (Export Promotion Bureau of Bangladesh).

4.2.6 Work related with Bill of Lading

Matching the dummy bill of lading with commercial invoice, finding out if there’s any information mismatch and sending out the correction through mail to the freight forwarder.

Work that I performed is a small part of the whole trade process, which is very complicated and lengthy. The overall trade process of the BOFL is described in the next chapter.
Chapter 5: Trading Process of Blue Ocean Footwear Limited
5.1 Trading Process

Blue Ocean Footwear is a B2B company; they do not sell their products directly to the end user. Their commercial departments work revolves around only selling to and buying from other business. Its main activities are keeping contact with buyer or seller and preparing necessary documents according to the type of the import or export.

1. The importer requests a quote for the products.
2. Exporter sends a price list of the products to the importer.
3. Based on exporters offer importer sends a purchase order to the Exporter.
4. Based on the purchase order Exporter sends an invoice to the importer.
5. Exporter then sends a shipping notification to the importer which entails the exact date and quantities of products to be delivered.
6. Importer opens a letter of credit with a bank in his country.
7. Issuing bank requests a correspondent bank in Seller's country, to advice and to confirm the credit.
8. The advising bank advises Exporter that a letter of credit has been opened in his favor.
9. Exporter then ship the products in accordance with the terms specified in the letter of credit through freight forwarder.
10. Exporter provides documents (Bill of Entry) to advising bank proving that the shipment was made in accordance with the letter of credit.
11. Advising bank forwards documents to issuing bank, they check documents against L/C and authorize payment.
12. Issuing bank then receives payment from the importer.
13. The importer receives the merchandise, files an import declaration and pays customs duties to the responsible authorities.
Process of Export and Import through Letter of Credit: Flow of Documents and Payment

Figure-2: L/C-Flow of Documents and payments
5.1.1 Sales Contact

The buyer and seller located in different countries, concludes a sales contract providing the payment method and terms of sale.

Term of Sale

Term of sale indicates who will be responsible for the freight, cargo insurance, and other costs and risks, which is a very lengthy process. To resolve this issue about the conditions of each transaction International Chamber of Commerce (ICC) developed The INCOTERMS (International Commercial Terms), a universally recognized set of definitions of international trade terms. It defines the trade contract responsibilities and liabilities between buyer and seller. Details of the each trade terms are listed below:

<table>
<thead>
<tr>
<th>Mode</th>
<th>EXW</th>
<th>FCA</th>
<th>FAS</th>
<th>FOB</th>
<th>CFR</th>
<th>CIF</th>
<th>CPT</th>
<th>CIP</th>
<th>DAP</th>
<th>DDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Packing</td>
<td>Buyer</td>
<td>Seller</td>
<td>Seller</td>
<td>Seller</td>
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</tr>
<tr>
<td>Loading Charges</td>
<td>Buyer</td>
<td>Seller</td>
<td>Seller</td>
<td>Seller</td>
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<tr>
<td>Inland Freight</td>
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<td>Buyer</td>
<td>Seller</td>
<td>Seller</td>
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<tr>
<td>Terminal Charges</td>
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<tr>
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<tr>
<td>Loading on Vessels</td>
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<tr>
<td>Arrival Charges</td>
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<tr>
<td>Duty &amp; Taxes</td>
<td>Buyer</td>
<td>Buyer</td>
<td>Buyer</td>
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<td>Buyer</td>
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<td>Buyer</td>
<td>Buyer</td>
<td>Buyer</td>
</tr>
<tr>
<td>Delivery to Destination</td>
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<td>Buyer</td>
<td>Buyer</td>
<td>Buyer</td>
<td>Buyer</td>
<td>Buyer</td>
<td>Buyer</td>
<td>Buyer</td>
<td>Buyer</td>
</tr>
</tbody>
</table>

Table-2: Term of Sale

BOFL always uses FOB as a term of sale which tends to be cost effective. Brief descriptions of the term of sale are described below:

**EXW** (Ex works) means buyer will pay the packing, loading charges, inland freight, terminal charges, insurance, loading on vessels, freight, arrival charges duty and taxes and delivery to destination charges.
**FCA (Free Carrier)** means buyer will pay the terminal charges, insurance, loading on vessels, freight, arrival charges duty and taxes and delivery to destination charges and seller will be responsible for packing, loading charges, inland freight.

**FAS (Free alongside Ship)** means buyer will pay the insurance, loading on vessels, freight, arrival charges duty and taxes and delivery to destination charges and seller will be responsible for packing, loading charges, inland freight and terminal charges.

**FOB (Free on Board)** means buyer will pay the insurance, freight, arrival charges duty and taxes and delivery to destination charges and seller will be responsible for packing, loading charges, inland freight, terminal charges and loading on vessels.

**CFR (Cost and Freight)** means buyer will pay the insurance, arrival charges duty and taxes and delivery to destination charges and seller will be responsible for packing, loading charges, inland freight, terminal charges loading on vessels and freight.

**CIF (Cost, Insurance and Freight)** means buyer will only pay the arrival charges duty and taxes and delivery to destination charges and seller will be responsible for packing, loading charges, inland freight, terminal charges, loading on vessels, freight and insurance.

**CPT (Carriage paid to)** means buyer will only pay the duty and taxes and delivery to destination charges, insurance and seller will be responsible for packing, loading charges, inland freight, arrival charges, and terminal charges loading on vessels and freight.

**CIP (Carriage and Insurance Paid to)** means buyer will only pay the duty and taxes and delivery to destination charges and seller will be responsible for packing, loading charges, inland freight, arrival charges, and terminal charges loading on vessels, freight and insurance.

**DAP (Delivered at Place)** means buyer will only pay the duty and taxes and seller will be responsible for packing, loading charges, inland freight, arrival charges, and terminal charges loading on vessels, freight, delivery to destination charges and insurance.

**DDP (Delivered Duty Paid)** means seller will pay everything the duty and taxes, packing, loading charges, inland freight, arrival charges, and terminal charges loading on vessels, freight, delivery to destination charges and insurance.
5.1.2 Issuing Letter of Credit

Letter of credit can be of two types which are-

**Revocable Letter of Credit**

It can be cancelled or altered without the consent of the Exporter until the time the documents are presented. Revocable Letters of Credit are very rarely used in recent days. It is becoming obsolete due to its complexity.

**Irrevocable Letter of Credit**

Irrevocable Letter of Credit is most widely used because it cannot be canceled or amended without the consent of all parties involved in the process.

Blue Ocean Footwear Limited mainly issues Irrevocable Letter of Credit through The City Bank. They instructs issuing bank The City Bank to issue a credit in favor of the seller (beneficiary). Application for issuing a credit should be made by the buyer (importer) in the issuing bank’s standard form. The credit application which contains the full details of the proposed credit, also serves as an agreement between the bank and the buyer. After being convinced about the necessary conditions contained in the application form and sufficient conditions to be fulfilled by the buyer for opening credits, bank then proceeds for opening the credit to be addressed to the beneficiary. Cost of issuing a L/C in The City Bank is shown below:

<table>
<thead>
<tr>
<th>L/C Value</th>
<th>USD</th>
<th>Amount X Conversion Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Margin</td>
<td>19%</td>
<td>of L/C Amount</td>
</tr>
<tr>
<td>Commission on L/C foreign cash</td>
<td>20%</td>
<td>of Cash Margin</td>
</tr>
<tr>
<td>Vat on L/C Commission</td>
<td>6%</td>
<td>of Commission</td>
</tr>
<tr>
<td>L/C Application form</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>LCA form</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>IMP form</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>Dhaka CPC stamp Revenue Charges</td>
<td>150</td>
<td></td>
</tr>
<tr>
<td>SWIFT charges on L/C Issue</td>
<td>3000</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Table-3: Charges of Issuing L/C*
5.1.3 L/C Advising

When the buyers and sellers are in the different countries, the risk of the non-payment is high and the authenticity of the letter of credit becomes a major issue. In this situation international or global banks or any other nominated banks takes the responsibility to advise the letter of credit to the sellers or seller’s bank. The beneficiary receives the letter of credit promptly and the authenticity is checked though the seller can start the process to deliver the goods right in time to the buyers.

5.1.4 L/C Confirmation

After The City Bank confirms the Letter of credit BOFL starts working on the shipment of the goods. L/C confirmation means after analyzing the documents authentication and issuing banks credibility The City Bank will now take the responsibility of payment guarantee.

5.1.5 Shipment through freight forwarder

After the L/C confirmation BOFL contact with freight forwarder mostly APL Logistics, CMA CGM or Kuehne + Nagel for shipping their product to the desired port of destination.

Flow of Goods

Figure-3: Flow of Goods
5.1.6 Clearing and Forwarding agent

MRT Impexco LTD, National Carrier work as a clearing and forwarding agent for BOFL. Their responsibility revolves around collecting the goods from the factory located at Kaliakoir, Gazipur then transport it to the port described in invoice and dealing with Bangladesh customs.

5.1.7 GSP approval

To resolve future dispute GSP need to approve from LFMEAB and then it need to submit in EPB along with these documents- Sales order from importing country, Certificate of origin, Shipment certificate –C&F agent, EXP form, Bill of lading, Commercial Invoice, Packing List, Vat Payment Invoice from NRB, Bill of Entry from Bangladesh Customs, Promissory Note and pay order.

5.1.8 Presentation of Documents

After the shipment BOFL obtains and prepare all the necessary documents and submits it to their advising/negotiating bank which is The City Bank which will certify that the goods have been sent to the destination. The City bank checks the documents presented by BOFL against the letter of credit. If the documents fulfill all the requirement of the bank then they send it to issuing bank of the importer for claiming the proceeds.

Documents required by the City Bank are described below:

<table>
<thead>
<tr>
<th>Documents</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bill of Exchange</td>
<td>1 Original</td>
</tr>
<tr>
<td>Proforma Invoice</td>
<td>1 Original</td>
</tr>
<tr>
<td></td>
<td>1 Duplicate</td>
</tr>
<tr>
<td>Commercial Invoice</td>
<td>9 Original</td>
</tr>
<tr>
<td>Bill of Lading</td>
<td>3 Original</td>
</tr>
<tr>
<td></td>
<td>2 Non Negotiable</td>
</tr>
<tr>
<td>Packing List</td>
<td>6 Original</td>
</tr>
<tr>
<td>GSP Form “A”</td>
<td>1 Original</td>
</tr>
<tr>
<td></td>
<td>2 Copies</td>
</tr>
<tr>
<td>Export Form</td>
<td>3 Copies</td>
</tr>
<tr>
<td>Amendment Acceptance Certificate</td>
<td>2 Copies</td>
</tr>
</tbody>
</table>

Table-4: Documents Required in Bank
**Bill of Exchange:**

This demand for payment is drawn by the seller on the payee. The payee on a letter of credit draft is always a bank.

**Pro forma Invoice:**

Invoice prepared by the seller or exporter which is not a sales agreement and can be negotiated. It is usually sent by exporter to importer as a reply of importers RFQ (Request for Quotation) about the product.

Countries where central banks have foreign currency regulation, in these countries for currency conversion purpose pro forma invoice needed to be approved by central bank of importers country.

**Commercial Invoice:**

Negotiated invoice accepted by both party. Factors that can be negotiated are price, quantity, destination etc. A commercial invoice includes Seller’s name and address, Buyer’s name and address, Issue Date, Invoice Number, Shipping marks and numbers, Term of Sale, Shipping information, Info required by L/C, Country of Origin, L/C number, Notify Party, P.I. number, unit price, and total price etc.

**Packing List:**

A detailed packaging list of products; it describes in which cartoon individual product is located. The packing does not contain prices, but itemizes the merchandise by number of cartons, packages, etc., and the contents of each.

**Bill of Lading:**

Document prepared by forwarder which entails freight cost, weight, amount, type of products, vessel number, port of loading, port of discharge, Shipper, consignee, notify party etc. This document ensures that forwarder received the goods.
Certificate of Origin:

A signed statement certifying the country of origin of the goods being sold is required by the buyer’s country. It needs to be issued by a third party, in case of BOFL it is LFMEAB.

GSP form “A”

Generalized System for Preference; approved by EPB which certifies that the product is of Bangladeshi origin.

Export/Import Form

Detailed description of the product, destined country, bill of lading number, Export/Import registration certificate number, Trade license number, etc. And it needed to be approved by EPB.

Amendment Acceptance Certificate

If the L/C amount needs to be increased both importer and exporter need to sign that and get that approved by the bank for future references and resolve any future dispute.

5.1.9 Export proceeds

To an exporter it is very important to keep control over his goods until he is confident enough that he is going to receive payments from the buyers or importers. Bank’s Export proceeds collection service take charge of the process document transfer.

In this process Bank will collect all the documents from the exporter and arrange for them to be held at the exporter disposal during the transaction period. Once the process is complete bank will liaise with the buyer’s bank on behalf of the exporter, arrange the documents to be transfer to that bank and collect the payment.

In accordance of Uniform Customs and Practice for Documentary Credits Blue Ocean Footwear Limited follows acceptance method to obtain the export payment. In acceptance credit, BOFL presents a bill of exchange payable to the company and the
specified maturity date to the City Bank. Then bank authorizes its acceptance on the bill and returns it to the BOFL. They can then represent it for payment on maturity.

While doing the project part, there were some critical area which got my attention. In the next chapter findings from BOFL by analysis is described.
Chapter 6: General Findings
Following are the findings from BOFL by analysis which got my attention:

**Intermediary**

Products produced by BOFL sold in European countries mostly Germany in much higher price to the end user. Intermediaries are getting the advantage because BOFL lacks proper marketing channel and doesn’t have a brand image.

**Lack of Skilled and trained employees**

Retaining skilled and trained employees are one of the major problems they are facing right now. Experienced employees of Apex Adelchi Footwear Limited provide assistance to the employees of BOFL which is sometimes creates confusion between two organizations.

**The need to import all machinery**

One of the major problems is that most of the key machinery needed to be imported for keep running the production and it sometimes delay the production. Besides for maintenance they have to rely on foreign experts to resolve the problem and which is very time consuming and expensive.

**Automated system to track previous export record**

BOFL doesn’t have an automated system to track their previous export or import record for that reason it is sometimes become very harder to track the previous records. When others departments ask for certain information For finding that certain information manually scanning through files tend to delay or hamper the commercial departments current project.

**Complicated rules and regulations**

Complicated and backdated rules and regulations of Bangladesh Customs and EPB make the trade process longer. For completing the export or import process lot of approval needs to be collected for different government personnel which are sometimes overkill.
Lack of Co-ordination between Departments:

Lack of coordination between departments in head office hampers the workflow of employees of head office and factory as well. Absence of key employees in the head office tends to create conflicts between the departments.

In the next chapter I tried to put some solutions to the problems I identified although analysis presented here may vary with opinions of experts in this field.
Chapter 7: Recommendations
After going through the project work I would like to draw their attention over some of the following facts:

**Reducing the Intermediaries**

By introducing their brand to other countries they can create a new market. Participation in the international trade fairs, exhibitions will create a brand image and eventually they will be able to market their own product without intermediary.

**Skilled and trained employees**

BOFL need to provide necessary training in technical and practical field for their employees to develop skilled manpower.

**Automated system**

Need to introduce an automated system for tracking the exports, freight, C&F fee etc which will be efficient.

**Backward integration**

Besides leather they have to rely on every other raw material for importing. They need to establish a backward linkage which will run down the production time and the costs.

**Strengthening LFMEAB**

Strengthening the ability of LFMEAB, so they can point out to government what are the problems in current export procedure and what they need to do to ease them.
Chapter 8: Conclusion
Conclusion

When I began my internship in the Blue Ocean Footwear Limited, I did not know what to expect from this internship because I didn’t have enough insight about the industry. But it turned out to be useful experience for me. Although I worked for a short period of time with the company it will be helpful for me to get ahead in the organizational environment. It benefited me as I was able to gain a lot of knowledge about the company and the industry by observing, working with the employees of BOFL and not to mention the guidance of Apex Adelchi Footwear Limited. The main competitive advantage BOFL is enjoying that it has helping hand of Apex Adelchi Footwear Limited where as other local companies lacks experience direction.
Reference:

4. Blue Ocean Footwear Audited Report, Published Year 2010
5. Blue Ocean Footwear Limited Project Profile
Appendix

BLUE OCEAN FOOTWEAR LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

<table>
<thead>
<tr>
<th>Assets</th>
<th>31 Dec. 10</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Taka</td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipments</td>
<td>250,985,873</td>
</tr>
<tr>
<td>Factory building under construction</td>
<td>219,361,878</td>
</tr>
<tr>
<td>Long term security deposit</td>
<td>1,485,800</td>
</tr>
<tr>
<td>Preliminary/Preoperating Expenses</td>
<td>5,503,618</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td><strong>477,337,169</strong></td>
</tr>
<tr>
<td>Current Assets</td>
<td></td>
</tr>
<tr>
<td>Trade and other receivebales</td>
<td>19,623,918</td>
</tr>
<tr>
<td>Advance, deposit and prepayments</td>
<td>816,400</td>
</tr>
<tr>
<td>Stock and inventories</td>
<td>5,768,464</td>
</tr>
<tr>
<td>Advance income tax</td>
<td>129,658</td>
</tr>
<tr>
<td>cash and cash equivalents</td>
<td>9,350,842</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td><strong>35,689,282</strong></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>513,026,451</strong></td>
</tr>
</tbody>
</table>

| Equity and liabilities                     |            |
| Share capital                              | 1,000,000  |
| Share money deposit                        | 513,836,475|
| Retained earnings                          | -26,263,569|
| **Total Equity**                           | **488,572,906**|

| Current Liabilities                        |            |
| Trade and other payables                   | 20,924,799 |
| Provision for expenses                     | 3,523,746  |
| Provision for income tax                   | 5,000      |
| **Total current liabilities**              | **24,453,545**|
| **Total equity and liabilities**           | **513,026,451**|
BLUE OCEAN FOOTWEAR LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2010

31 Dec. 10
Taka

Export Sales 45,555,293

Cost of sales
  Cost of material consumed 29,712,585
  Direct labour 15,156,861
  Factory overhead 21,616,250

Total cost of sales 66,485,696

Gross profit/ (loss) 20,930,403

Other operating expenses
  Administrative expenses 4,485,614
  Selling & distribution expenses 280,286
  Bank charges & commission 272,602
  Amortization of preliminary exps 289,664

Total other operating expenses 5,328,166

Net profit/ (loss) before tax 26,258,569

Provision for income tax (minimum)

Retained earnings 26,263,569
<table>
<thead>
<tr>
<th>Cash flow from operating activities</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Collections from turnover, bills receivables and other income</td>
<td>25,931,375</td>
</tr>
<tr>
<td>Payments for purchase of leather, accessories, components, payments to creditor and other expenses</td>
<td>-40,847,659</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash flow from investing activities</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition of fixed assets</td>
<td>-354,444,349</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash flow from financing activities</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Share money deposit</td>
<td>377,711,475</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net cash inflow/ (outflow) for the period</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening cash and bank balances</td>
<td>Nil</td>
</tr>
<tr>
<td>Closing cash and bank balances</td>
<td>9,350,842</td>
</tr>
</tbody>
</table>
## BLUE OCEAN FOOTWEAR LIMITED
### STATEMENT OF CHANGES IN EQUITY
#### FOR THE PERIOD ENDED 31 DECEMBER 2010

<table>
<thead>
<tr>
<th></th>
<th>Share capital</th>
<th>Share money deposit</th>
<th>Retained earnings</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Taka</td>
<td>Taka</td>
<td>Taka</td>
<td>Taka</td>
</tr>
<tr>
<td><strong>Opening balance</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>During the year</strong></td>
<td>1,000,000</td>
<td>513,836,475</td>
<td>-26,263,569</td>
<td>488,572,906</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,000,000</strong></td>
<td><strong>513,836,475</strong></td>
<td><strong>-26,263,569</strong></td>
<td><strong>488,572,906</strong></td>
</tr>
</tbody>
</table>