

**CTO – Freight forward operation
and tariff classification**

T068

**Tuesday, 27/7/2021
08:30 – 11:30 AM**

TVET NATIONAL EXAMINATION, RTQF LEVEL 5, 2020-2021

OPTION/TRADE: CUSTOMS AND TAX OPERATIONS

SUBJECT: Freight forward operation and tariff classification

DURATION: 3 hours

INSTRUCTIONS TO CANDIDATES:PART II

The paper is composed of two (2) main Sections as follows:

Section I: Attempt all the Twelve (12) questions (60 marks)

Section II: Attempt any Four (4) questions out of Six (6) (40 marks)

MARKING GUIDE

Section I: Attempt all the Twelve (12) questions **(60 marks)**

01. Define the following elements: /5marks

ANSWER:

a) Packaging: is the protecting product for distribution, storage, sale and use

b) External environment: is defined as the interventions from outside the organization.

c) Internal environment: is defined as the aggregate of all inside factors that influence the operations and performance of an organization from within

d) Packing: is the protection and containment of the consignment during its transit from the seller's to the buyer's premises

02. Explain any three (3) advantages and disadvantages of consolidation (freight forwarder)/5marks

ANSWER:

Advantages

- ✓ Consolidation of freight by different individual consignees this minimizing on the cost freight
- ✓ Minimizing on the container utilisation
- ✓ Minimize on the time of shipment

Disadvantages

- ✓ It may take a long to fill up a container load
- ✓ Which may result to the delay of shipment
- ✓ High charges by consolidators at the port of loading and discharge
- ✓ No control of own

03. Explain any five (5) roles of freight forwarder/5marks

ANSWER:

- ✓ Tracking in land transportation
- ✓ Preparation of import and export document
- ✓ Freight consolidation
- ✓ Cargo insurance
- ✓ Booking cargo space
- ✓ Negotiating of freight charges

04. List down and explain any five (5) incoterms used by business./5marks

ANSWER:

Incoterms is an international commercial term refers to services of sales that are used by business through out of the world.

The main incoterms are the following:

- CIF: Cost Insurance and Freight
- CFR: Cost and Freight
- FOB: Free On Board
- DDP: Duty Delivery Paid
- DAP: Delivery at Place
- FAS: Free Alongside Ship

05. a) State any four (4) cargo/2marks

ANSWER:

- ✓ Live animals
- ✓ Perishable goods
- ✓ Project cargo
- ✓ Dangerous goods

b) List down any three (3) importance of marking and labeling. /3marks

ANSWER:

- ✓ Easy identification
- ✓ Marketing
- ✓ Information transmission
- ✓ Barrier protection

06. Write down five (5) structures of EAC-customs tariff/5 marks

ANSWER:

- ✓ 21 sections
- ✓ 96 chapters
- ✓ 1244 heading
- ✓ 5212 sub-heading
- ✓ Legal notes
- ✓ General interpretative rules

07. a)Urwunge Ltd manufactures the Computers and they want to pack them from china to Dar-es-Salam. What are four (4) factors that they will consider? /2marks

ANSWER:

- The nature of the goods
- Their fragility
- Their value
- Their hazardous nature

- Their duration of transport in different transit corridors
- Their mode of transport and their handling equipment

b) Enumerate any three (3) factors to determine freight rate in EAC/**3marks**

ANSWER:

Freight rate: is a price at which a certain cargo (freight is delivery from one point to another).

- ✓ The form of cargo
- ✓ Mode of transport
- ✓ The weight of the cargo
- ✓ The distance to the delivery destination
- ✓ The value of goods

08. a) Identify any four (4) roles of packaging in freight forwarding/**2marks**

ANSWER:

- ✓ Physical protection
- ✓ Easy packing
- ✓ Hazard protection
- ✓ Marketing
- ✓ Information transmission
- ✓ Safe arrival destination
- ✓ Prevention of unnecessary damage
- ✓ Barrier protection
- ✓ Security

b) Explain categories of freight forwarder/**3marks**

ANSWER:

- ✓ **National freight forwarder:** is refers to handle national/local shipment
- ✓ **International freight forwarder:** it refers to handle international shipments and preparation and processing customs documentation

09. a) Explain the different between consignee and consignment (**2marks**)

ANSWER:

Consignee: means a person, organization or government, which is entitled to take delivery of a consignment

Consignment: means any package or packages of any goods presented by a consignor for transport

b) Mention any three (3) activities of logistics (**3 marks**)

ANSWER:

- ✓ Warehousing
- ✓ Material handling
- ✓ Packaging and packing
- ✓ Order processing
- ✓ Market forecasting and consumer service

10. Define the following terms: (5marks)

ANSWER:

- a) **Carrier:** means any person actually performing the carriage of the goods with his own means of transport
- b) **Special cargo:** means cargo which require special attention
- c) **Freight rate:** is a price at which a certain cargo/ freight is delivery from one point to another
- d) **Consignor:** refers to a person or company who puts goods in the care of others (forwarding agent, freight forwarder, carrier, transport operator) to be delivered to a consignee
- e) **Freight forwarder:** is a person or legal person who arrange issues of transportation, he is an intermediate between a consignor and transporter or carrier

11. a) List any three (3) examples of dangerous goods. (3marks)

ANSWER:

- Petroleum
- Fuel
- Gas
- Chemical product
- Flammable liquid

b) State any four (4) means of transport used in transportation of special goods

(2 marks)

ANSWER:

- Transport by sea
- Transport by road
- Transport by rail way
- Transport by air way
- Transport by pipeline

12. Identify any five (5) uses (5marks)

ANSWER:

Uses of harmonised system

- ✓ Used for statistical purpose
- ✓ A basis for customs tariff
- ✓ As a basis for rules of origin
- ✓ As a basis for trade negotiations
- ✓ As a basis for the collection of internal taxes

Section II: Attempt any Four (4) questions out of Six (6) (40 marks)

13.A) state the condition that must be fulfilled for a container to be classified according to rule 5A /2 marks

ANSWER:

- ✓ Goods are classified with their containers
- b)List any two (2) example of containers to be classified under rule 5A and two (2) examples under rule 5B /2 marks

ANSWER:

Examples for rule 5 A: -guns and its bags are classified together
-guitar and its bags are classified together

Examples for rule 5B: -Oil and drums are classified separately
-Gas and bottles are classified separately

c) Identify at least six (6) users of harmonized system/6 marks

ANSWER:

- ✓ Clearing agencies
- ✓ Customs department
- ✓ Port authorities
- ✓ Importers/exporters
- ✓ Bank institution
- ✓ Traders
- ✓ Shipping lines
- ✓ Governments
- ✓ Transporters
- ✓ International organization

14.The harmonized commodity describes and coding system (HS) forms a framework on that makes it possible to arrange 98% of all goods in the world in a systematic way:

Required:

a) identify any five (5) main importance of ware housing/**5marks**

ANSWER:

- ✓ handling
- ✓ documentation
- ✓ product mixing
- ✓ consolidation
- ✓ distribution
- ✓ repacking
- ✓ customs clearance

b) state three (3) principles used in the arrangement of section in the HS/**5marks**

ANSWER:

- ✓ material
- ✓ usage
- ✓ degree of processing

15. a) In the harmonized system structure, every section is composed of chapter headings and subheadings. Based on section IV prepared foodstuffs beverages spirits and vinegar tobacco and manufactured tobacco substitutes. Indicate if numbers below represent either chapter heading or subheading: **/5marks**

a) **87.04.23:** sub heading

b) **65.05:** heading

c) **23:** chapter

d) **46.02:** heading

e) **57.05.20:** sub heading

b) As a future freight forwarder, outline five (5) determinants of freight rate (**5 marks**)

ANSWER:

- ✓ The form of cargo
- ✓ Mode of transport
- ✓ The weight of the cargo
- ✓ The distance to the delivery destination
- ✓ The value of goods

16. **GIR 5 has two sections: GIR 5(a) and GIR 5 (b). These two sections deal with various types of containers presented with the articles for which they are intended: (10marks)**

- a) Explain which container of goods to be classified using GIR 5(a) or GIR 5(b) and provide appropriate example(s) for each type of classification. **(6 marks)**

ANSWER:

Examples: -

GIR 5 A: - guns and its bags are classified together
- Guitar and its bags are classified together

GIR 5 B: - oil and drums are classified separately
- Bottles for gas are classified separately

- b) In case of packaging materials or packing containers clearly suitable for repetitive use, how are those containers to be classified? **(4 marks)**

ANSWER:

- Goods are classified with their containers

- 17. Incoterms not only describe seller's and buyer's obligation and specify the point when the responsibility for the transportation cost shift from the seller to the buyer; explain briefly the group E, C, D, and F (15marks)**

ANSWER:

- **"E" DEPARTURE term-** seller makes goods available to the buyer at the seller's premises or other place named by the seller
 - **"F" MAIN CARRIAGE UNPAID terms-** seller is responsible to deliver the goods to the export shipment point and carrier designated by the buyer
 - **"C" MAIN CARRIAGE PAID terms-** seller is responsible for contracting carriage of goods to the place of destination, but does not assume risk of loss or damage to goods, or additional costs due to events occurring after shipment
 - **"D" ARRIVAL terms-** seller is responsible for all costs and risks associated with delivering goods to the named place in the country of destination
18. The harmonized commodity description and coding system (HS) forms a framework that makes it possible to arrange 98% of all goods in the world in a systematic way.

Required:

- a) State and explain three principles used in the arrangement of sections and chapters in the HS. **(5marks)**

ANSWER:

- ✓ **Raw material:** it's according to what that goods is made of
- ✓ **Usage:** they classify according to the use or function of that goods
- ✓ **Degree processing:** it's according to the degree of processing of that goods

- b) **What are importance of harmonized system (5marks)**

ANSWER:

- ✓ It is uniform and consistent
- ✓ It is used for statistical purpose
- ✓ There is no Re-classification
- ✓ Harmonized system helps in trade organization
- ✓ Customs terminologies are standardized