



# Preparing for Export Finances

# Factors to consider

- Need for financing to make the sale
- Costs of financing (interest rates & fees)
- Length of time (short, medium, long term)
- Risks associated with the transaction (eg: credit-worthiness of the buyer)

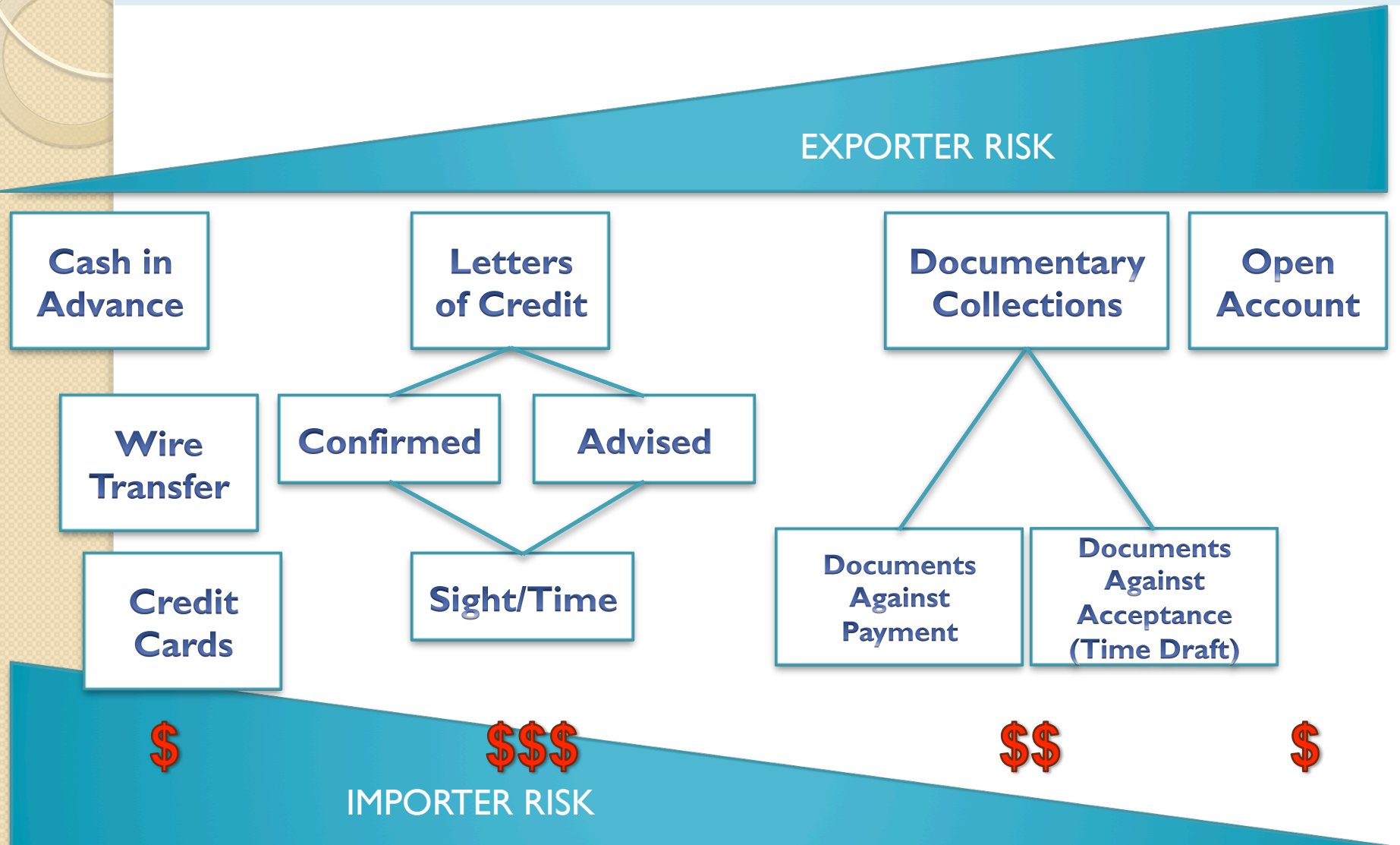
# Two major types of financing

- Pre-shipment: financing to produce or purchase product/service
- Post-shipment: financing of the account/ accounts receivable (factoring)

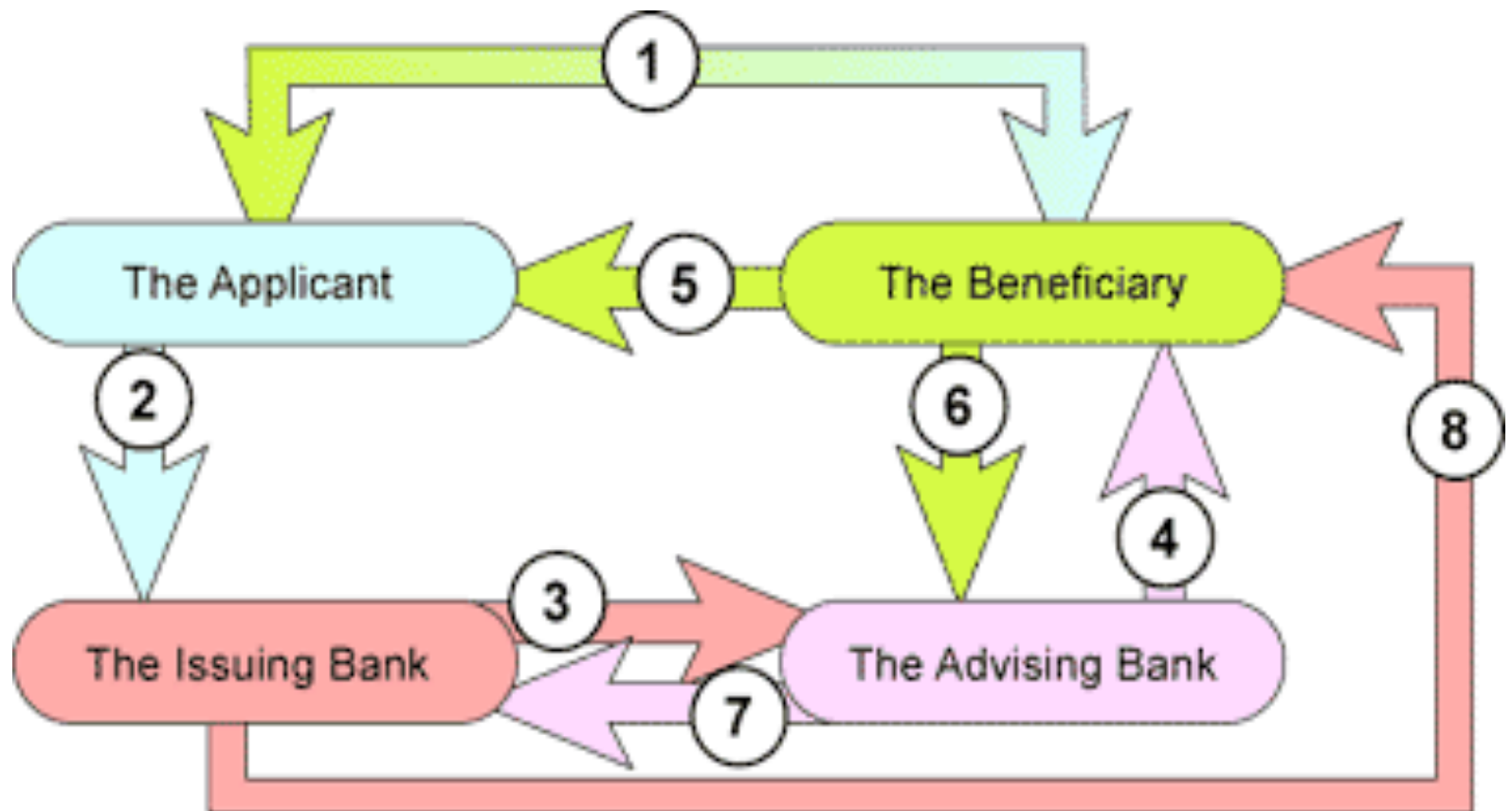
# Getting Paid

- Type of payment include:
  - Cash in advance (CIA)
    - Wire Transfer
    - Credit Card
  - Letters of credit (L/C)
  - Documentary Collections
  - Open account (OA)
  - Consignment
  - Barter or countertrade
  - Escrow

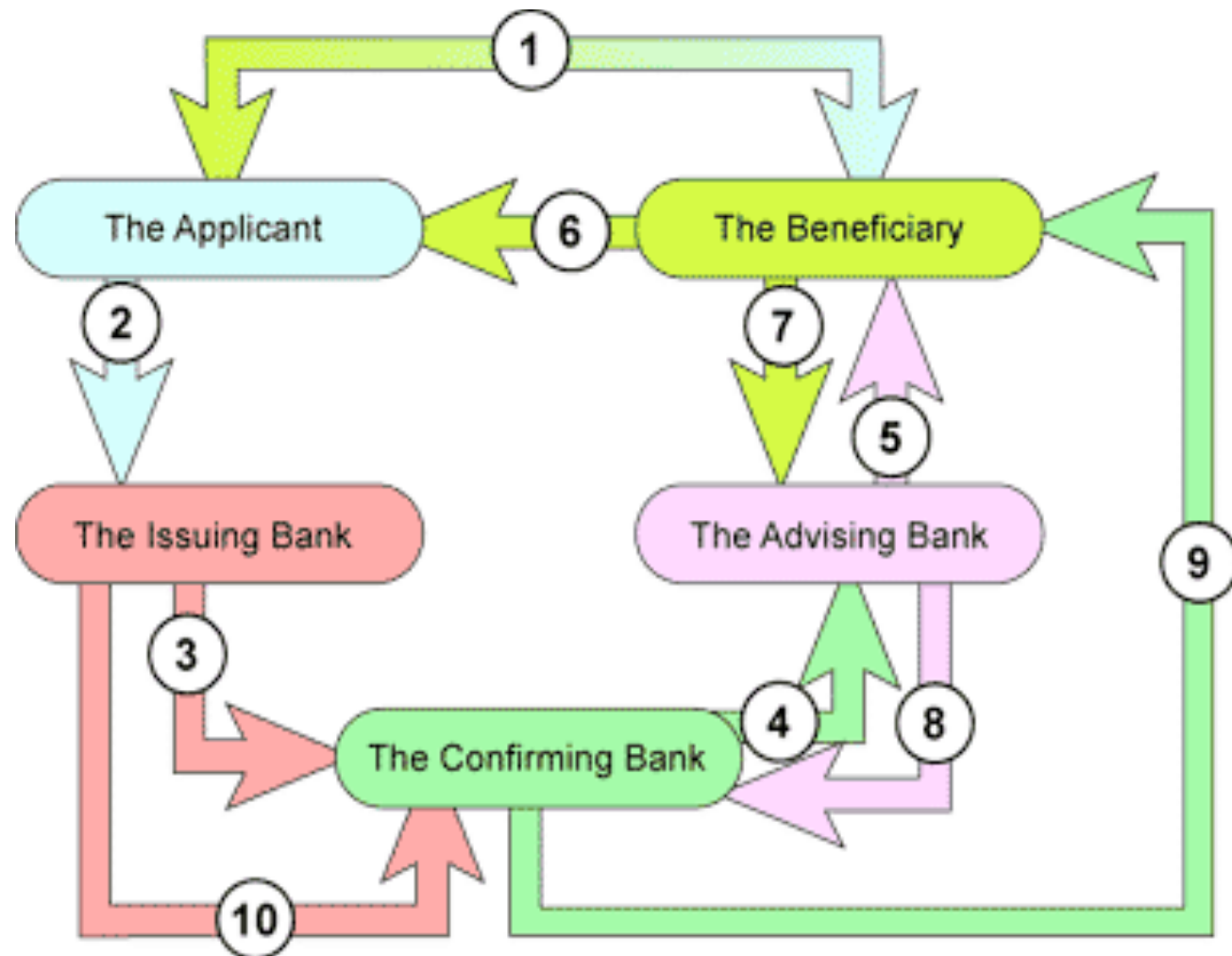
# Payment vs Risk and Cost



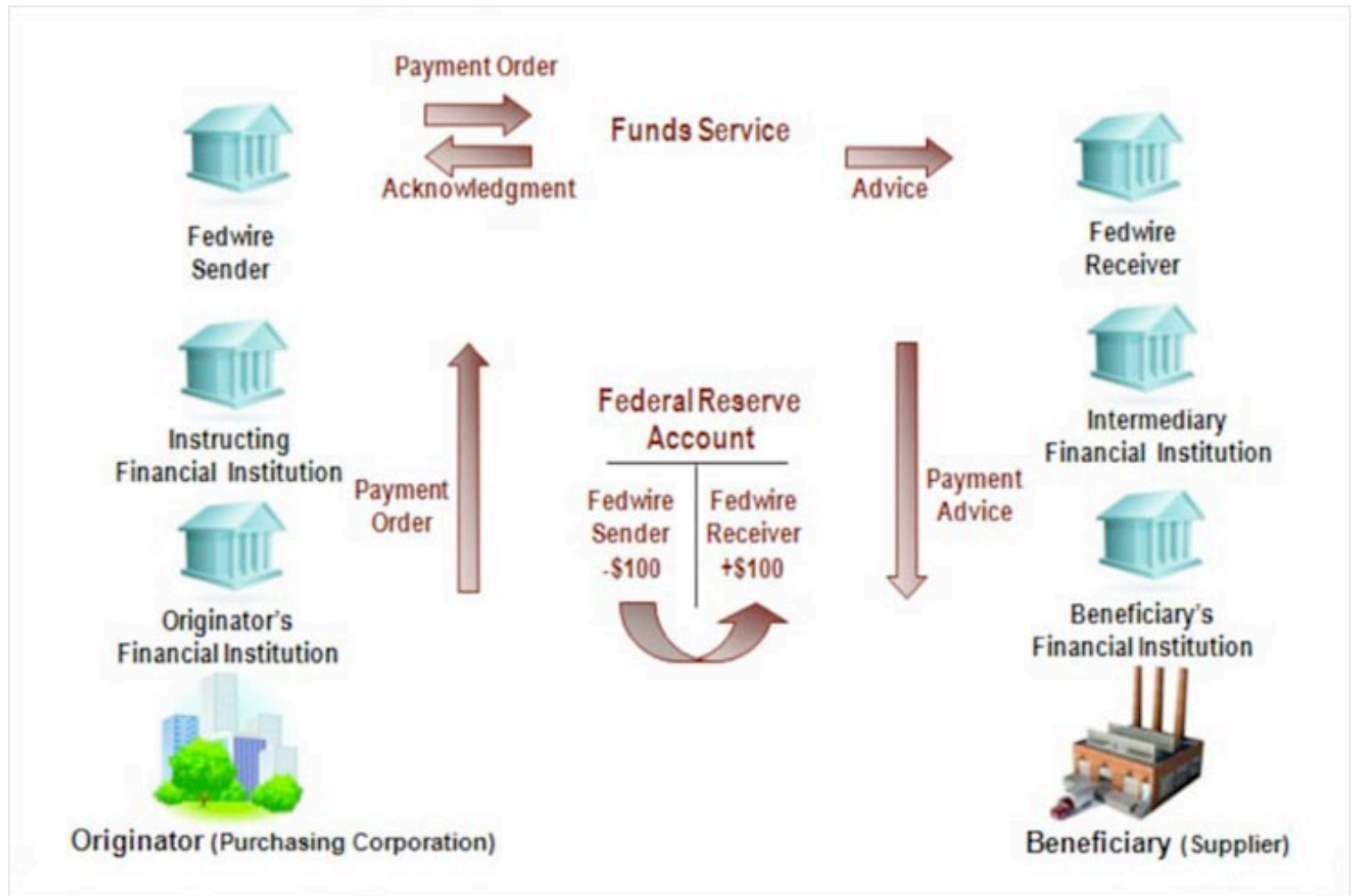
# Letter of Credit



# Confirmed Letter of Credit



# Wire Transfer



Different than "Remittance" which starts with Person



# Managing Cost and Risk

- Manage Total Cost of Operation
  - Product Cost
  - Marketing and Sales
  - Management
  - Other Overhead
  - Exchange Rates
- Reduce Risk and Insure