



## **[Glossary]**

### **Payment System Part - 1**

<b>Subject:</b>	Business Economics
<b>Course:</b>	B. A. (Hons.), 6 <sup>th</sup> Semester, Undergraduate
<b>Paper No. &amp; Title:</b>	Paper – 611 International Finance
<b>Unit No. &amp; Title:</b>	Unit – 5 Payment Systems
<b>Lecture No. &amp; Title:</b>	Lecture – 1 Payment System Part – 1

## **Glossary**

- Simple barter is the direct exchange of goods or services between two parties; no money changes hands.
- Under open account, the exporter simply bills the customer, who is expected to pay under agreed terms at a future date. Some of the largest firms abroad make purchases only on open account.
- A letter of credit adds a bank's promise of paying the exporter to that of the foreign buyer when the exporter has complied with all the terms and conditions of the letter of credit.
- Cash in advance before shipment may seem to be the most desirable method of all, since the shipper is relieved of collection problems and has immediate use of the money if a wire transfer is used.