[Summary]

Payment System Part - 1

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

Summary

Most of the beginners of exports may worry about the terms of payment. Because, unlike other domestic business, you are dealing with a buyer who is located thousands of miles away from one's place crossing borders of your country. One may or may not know the financial condition or credit worthiness of one's buyer. Also one may not be meeting the buyer personally at initial stage, may not be aware of the specific policy of trade of buyer's country, no idea about political status or natural calamity chances of the region etc.etc. Payment term in any business is a major part of sales contract. Terms of payment in exports and imports plays an important role in international business. Ranked in order from most secure for the exporter to least secure, the basic methods of payment are: cash in advance, letter of credit, documentary collection or draft, open account, and other payment mechanisms, such as consignment sales, foreign currency, counter trade and barter. Also we talked about how to reduce credit risk by having credit checks and the collection problem arising in collection and how to solve it.