

## INCOTERMS (International Commercial Terms)

To understand what incoterms are, we must begin by first defining what it is. Incoterms are the general global rules of transactions that both the buyer and the seller must adhere to. Incoterms are universally accepted trade rules. These rules help to specify costs, tasks and risks involved for both parties throughout the entire phase of a transaction.

The International Chamber of Commers, commonly known as the ICC is the body that publishes these set of rules. The rules must relate to International Commercial Law. Any purchase, based on its incoterms, clearly outlines the party that legally incurs the costs and risks of the transaction.

### **Types of Incoterms**

#### *a) EXW- Ex Works/Ex Warehouse:*

The seller is not responsible for loading the goods to the buyer's vehicle. If the seller does so, the buyer is liable to risks of the transaction. The buyer must collect the goods from the seller's premise or pick up point.

#### *b) FCA- Free Carrier*

The seller takes responsibility to load the goods to the carrier as well as the customs clearance. The seller passes the risk (loss, cost, damage etc) to the buyer once the goods are loaded.

#### *c) DDP- Delivery Duty Paid*

In this agreement, the seller assumes all risks and costs until the goods are delivered. They are in charge clearing the goods for both import and export stages.

#### *d) FAS- Free Alongside Ship*

The seller is responsible until the goods are delivered alongside the vessel and is only responsible for the export license. The only mode of transportation agreed on is by the sea, port-to-port. The buyer pays for the cost of goods delivered and takes care of other expenses and risks after delivery

#### *e) FOB-Free On Board.*