



Certified in Logistics, Transportation and Distribution

**Terms of Sale and
Methods of Payment**



CLTD On-Demand Training for Self-Study Professionals

Are you preparing for the CLTD certification through self-study? As an experienced supply chain professional, you already have strong practical knowledge—but some topics may still need expert clarification. Fhysics Business Consultants bridges that gap with on-demand, topic-oriented CLTD training sessions designed specifically for self-learners.

Whether you need guidance on a single concept or an entire module, our focused training helps you master complex areas quickly and confidently. Get personalized support, strengthen your exam readiness, and elevate your supply chain expertise—on your schedule.

Mobile: +91-900-304-9000 (WhatsApp)

Email: Certifications@Fhysics.net



Terms of Sale and Methods of Payment

1. Role and Purpose of Terms of Sale

Terms of sale define the responsibilities, costs, and risks shared between buyer and seller during an international transaction. They clarify who pays for transportation, insurance, customs duties, handling charges, and documentation. Clear terms help prevent disputes, reduce misunderstandings, and support smooth logistics operations. For CLTD, understanding the strategic importance of terms of sale is essential because they directly influence landed cost, carrier selection, risk exposure, and compliance responsibilities in global trade.

2. Incoterms® Rules Overview

Incoterms® are standardized global trade terms published by the ICC that outline responsibilities for transportation, risk transfer, and documentation between buyers and sellers. Incoterms® do **not** govern ownership transfer or payment terms, which must be separately agreed. The rules are divided into two categories: terms for any mode of transport and terms for sea/inland waterways. Knowing how these terms allocate risk, cost burdens, and obligations is critical for designing import/export strategies and ensuring accurate landed cost calculations.

3. Incoterms® and Risk Transfer Points

A core concept in Incoterms® is identifying where risk in the shipment transfers from seller to buyer. This point differs from where costs shift. Misunderstanding risk transfer can lead to insurance gaps or liability disputes. For example, under FOB, risk transfers once goods are loaded on the

vessel, while under EXW, risk transfers at the seller's premises. For CLTD, understanding how risk points influence insurance decisions, carrier selection, and documentation responsibilities is essential.

4. Cost Allocation Under Incoterms®

Each Incoterm® defines who pays for freight, export clearance, import clearance, insurance, loading/unloading, and terminal charges. Accurate cost allocation is essential for calculating total landed cost and negotiating favorable contracts. Terms like DDP shift nearly all costs to the seller, while EXW shifts nearly all costs to the buyer. CLTD candidates must understand cost implications because transportation budgeting, sourcing strategies, and price comparisons depend on correct application of Incoterms®.

5. Seller's Responsibilities (Export Side)

Seller responsibilities vary across Incoterms®, but typically include preparing goods, packaging, documentation, export clearance, and delivering goods to a specific point. Some terms require arranging transportation and insurance. Sellers must manage compliance risks, documentation accuracy, and coordination with freight forwarders. Understanding seller obligations helps avoid non-compliance, delays, or cost disputes. The CLTD exam frequently tests which seller tasks apply under each Incoterm®.

6. Buyer's Responsibilities (Import Side)

Buyers often handle import clearance, duties, taxes, and post-arrival logistics, depending on the Incoterm®. They also assume risk at a defined point. Understanding buyer

responsibilities ensures proper planning for customs clearance, carrier engagement, receipt of documentation, and insurance coverage. CLTD candidates must master how buyer obligations differ under terms like CIP, CIF, and FCA, and how these responsibilities affect risk and cost distribution.

7. Difference Between Incoterms® and Payment Terms

A common misconception is that Incoterms® dictate payment method. They do not. Payment terms must be separately negotiated. Incoterms® relate to logistics responsibilities, while payment terms relate to financial settlement. For CLTD exam success, it is critical to differentiate these two because misunderstandings can lead to financial disputes, delayed payments, and compliance failures.

8. Methods of Payment Overview

International trade uses several payment methods—cash in advance, open account, documentary collection, and letter of credit—each offering different levels of security and cost. Choosing the right method balances risk between importer and exporter. Knowing the advantages, risks, and documentation requirements for each method is essential for CLTD candidates because payment methods strongly influence financial exposure, cash flow, and overall transaction reliability.

9. Cash in Advance

Under cash in advance, the buyer pays before shipment. This method offers the highest security for the seller but high risk for the buyer. It can reduce the likelihood of buyer

default but may discourage potential customers. It is often used for small orders, high-risk markets, and new trade relationships. CLTD candidates must understand when cash in advance is appropriate and how it affects negotiation power and supply chain speed.

10. Open Account Terms

Open account terms allow the buyer to receive goods and pay later, typically 30–90 days after shipment. This method is favorable to buyers but presents significant risk to sellers unless backed by credit insurance or strong relationships. It is common in stable markets and among trusted partners. For the CLTD exam, understanding the risk mitigation strategies and documentation supporting open account terms is vital.

11. Documentary Collections (D/P and D/A)

Documentary collections involve banks transferring shipping documents in exchange for payment or acceptance. In **Documents Against Payment (D/P)**, the buyer only receives documents upon paying. In **Documents Against Acceptance (D/A)**, the buyer accepts a draft and pays at a later date. Collections provide more security than open account but less than letters of credit. CLTD candidates must understand process flow, risks, and typical use cases.

12. Letters of Credit (LCs)

A Letter of Credit is a bank's commitment to pay the seller once specific documents are presented. It is widely used in global trade because it balances risk between buyer and seller. Different types include irrevocable, confirmed, revolving, and standby LCs. LCs minimize default risk but

require strict documentation compliance. Understanding LC structure, roles (issuing bank, advising bank), and documentary requirements is essential for CLTD.

13. Documentary Requirements for Methods of Payment

Each payment method requires specific documents such as commercial invoices, transport documents, packing lists, insurance certificates, and certificates of origin. Banks review these documents for accuracy under LCs and collections. Missing or incorrect data can cause non-payment or costly delays. CLTD candidates must understand which documents are critical and how discrepancies impact financial settlement.

14. Bank Guarantees and Standby Letters of Credit

Standby Letters of Credit and bank guarantees provide assurance that a buyer will fulfill financial obligations. They act as safety nets if the buyer defaults. These instruments are widely used for large contracts, high-risk markets, and advance payments. Understanding how standby instruments differ from traditional LCs helps logistics professionals manage risk and negotiate stronger terms.

15. Creditworthiness and Financial Risk Assessment

Before choosing a payment method, sellers evaluate the buyer's creditworthiness, financial stability, and country risk. Tools include credit reports, bank references, insurance evaluations, and ratings. Financial risk assessment helps determine whether open account, LC, or cash in advance is appropriate. The CLTD exam expects knowledge of these assessments and their influence on payment terms.

16. Trade Finance Instruments (Factoring, Forfaiting)

Trade finance tools help sellers improve liquidity and reduce risk. **Factoring** involves selling accounts receivable to a financial institution. **Forfaiting** is similar but used for long-term receivables. These instruments support cash flow and protect against buyer default. Understanding how trade finance interacts with payment terms and logistics performance is important for CLTD candidates.

17. Currency Risk and Exchange Rate Management

Currency fluctuations can affect profitability in global trade. Risk can be mitigated through forward contracts, options, or invoicing in stable currencies. Payment terms may specify currency, affecting both parties' risk. CLTD candidates must understand how exchange rates influence pricing, payment arrangements, and hedging strategies.

18. Fraud Prevention in International Transactions

Fraud risks include fake documentation, false escrow accounts, identity theft, and forged LCs. Strong internal controls, document verification, trusted partners, and secure communications reduce exposure. The CLTD exam requires understanding common fraud risks and preventive mechanisms.

19. Linking Terms of Sale to Logistics Decisions

Terms of sale directly impact transportation planning, insurance requirements, carrier selection, and documentation responsibilities. Understanding how Incoterms® affect operational steps—such as export clearance or multimodal shipping—is essential. CLTD

candidates must know how to align terms of sale with logistics capabilities and customer expectations.

20. Total Landed Cost and Financial Impacts

Terms of sale and payment methods both influence total landed cost, including freight, insurance, duties, taxes, financing charges, and risk mitigation costs. Understanding how to calculate landed cost helps in supplier selection, sourcing decisions, and negotiation. For the CLTD exam, mastery of cost drivers and their connection to Incoterms® and payment terms is essential.

Micro-Learning Programs in Supply Chain Management & Procurement



Enhance your professional edge with Fhyzics Business Consultants' Micro-Learning Programs in Supply Chain Management and Procurement. Designed as focused, two-hour Executive Development Programs, these sessions deliver practical insights and tools to solve real-world business challenges. Conducted in small batches for personalized learning, participants gain a deeper understanding of key supply chain and procurement strategies that drive efficiency and profitability. Each participant receives a certificate of completion, adding value to their professional profile and career growth. Whether you aim to advance in your current role or explore new opportunities, this program equips you with the knowledge and confidence to excel.



Micro-Learning Programs in Supply Chain Management



1. Fundamentals of Supply Chain Management
2. Supply Chain Planning and Optimization
3. Demand Forecasting Techniques
4. Inventory Control and Management
5. Distribution and Logistics Strategy
6. Warehouse Layout and Operations Efficiency
7. Supply Chain Risk Management
8. Supply Chain Performance Metrics (KPIs)
9. Lean Supply Chain Practices
10. Agile and Responsive Supply Chains
11. Sales and Operations Planning (S&OP)
12. Supply Chain Network Design
13. Supply Chain Digital Transformation
14. AI and Data Analytics in Supply Chain
15. Supply Chain Sustainability and Green Logistics
16. Reverse Logistics and Returns Management
17. Supply Chain Collaboration and Integration
18. Supplier Relationship Management in SCM
19. Global Supply Chain Strategy
20. Transportation Management Systems (TMS)
21. Inventory Optimization Models
22. Demand-Driven MRP (DDMRP) Concepts
23. Blockchain Applications in Supply Chain
24. Supply Chain Cost Reduction Techniques
25. SCOR Model and Process Improvement

Micro-Learning Programs in Supply Chain Management ...



26. Capacity Planning and Resource Allocation
27. Managing Supply Chain Disruptions
28. End-to-End Supply Chain Visibility
29. Cold Chain Logistics Management
30. Supply Chain Compliance and Ethics
31. Import–Export Procedures and Documentation
32. Managing Third-Party Logistics (3PL) Providers
33. Supply Chain Collaboration Technologies
34. Production Planning and Scheduling
35. Strategic Supply Chain Design Using Case Studies
36. Circular Economy in Supply Chain
37. Vendor-Managed Inventory (VMI)
38. Transportation Optimization Techniques
39. E-Commerce Supply Chain Models
40. Omni-Channel Fulfillment Strategies
41. Warehouse Automation and Robotics
42. SCOR DS Roadmap for Supply Chain Excellence
43. Customer-Centric Supply Chain Strategies
44. Supply Chain Finance and Working Capital Management
45. Supply Chain Data Visualization Using Power BI
46. Strategic Sourcing in Supply Chain Context
47. Supply Chain Benchmarking and Best Practices
48. Integrated Business Planning (IBP)
49. Supply Chain in Crisis Management and Recovery
50. Future Trends and Technologies in Supply Chain

Micro-Learning Programs in Procurement



1. Fundamentals of Procurement Management
2. Strategic Sourcing and Category Management
3. Supplier Selection and Evaluation
4. Contract Management Essentials
5. Cost and Price Analysis in Procurement
6. Negotiation Strategies for Procurement Professionals
7. E-Procurement and Digital Tools
8. Procurement Planning and Budgeting
9. Risk Management in Procurement
10. Supplier Relationship and Performance Management
11. Sustainable and Ethical Procurement
12. Total Cost of Ownership (TCO) Analysis
13. Make-or-Buy Decision Frameworks
14. Procurement Policies and Governance
15. Procurement in Public vs. Private Sectors
16. Procurement Audit and Compliance
17. Procurement Data Analytics and Reporting
18. Procurement Scorecards and KPIs
19. Strategic Supplier Partnerships
20. Category Strategy Development
21. Managing Global and Offshore Procurement
22. Negotiation Simulation Workshop
23. Contract Law for Procurement Managers
24. Cost Reduction Strategies in Procurement
25. Supplier Risk Assessment Models

Micro-Learning Programs in Procurement ...



26. Procurement Process Mapping and Improvement
27. Procurement Automation and AI Applications
28. Managing Procurement Teams Effectively
29. Procurement Ethics and Transparency
30. Procurement in the Digital Supply Chain
31. Vendor Consolidation Strategies
32. Spend Analysis and Optimization
33. Demand Forecasting for Procurement
34. E-Auction and Reverse Bidding Techniques
35. Inventory and Procurement Alignment
36. Procurement in Project-Based Organizations
37. Supplier Onboarding and Development
38. Procurement Market Intelligence
39. Measuring Supplier Innovation
40. Procurement in Times of Supply Disruption
41. Cross-Functional Collaboration in Procurement
42. Writing Effective RFPs, RFQs, and RFIs
43. Contract Negotiation Best Practices
44. Green Procurement and Circular Economy
45. Legal Aspects of Procurement Contracts
46. Performance-Based Contracting
47. Procurement Leadership and Strategic Influence
48. Cost Avoidance and Value Creation in Procurement
49. Managing Procurement with Power BI Dashboards
50. Future Skills and Trends in Procurement



Fhyzics Business Consultants Pvt. Ltd.

Professional Training Partner of ASCM, USA

www.Fhyzics.net

ASCM Referral Code
XE FHYZ88

Certifications@Fhyzics.net
+91-900-304-9000

CLTD aspirants may buy the
CLTD Learning System and Examination
Credits directly through ASCM Portal.
When purchasing CLTD Examination
Credit, please enter Referral
Code **XE FHYZ88** to receive CLTD
Recertification Guidance for life.