PRICE CATEGORIES USED IN FOREIGN TRADE TRANSACTIONS IN THE LIGHT OF THE DELIVERY TERMS INCOTERMS 2010

Paliu - Popa Lucia
Professor Ph.D.,"Constantin Brancusi" University of Targu Jiu, Romania,
univers_cont@yahoo.com
Babucea Ana - Gabriela
Professor Ph.D.,"Constantin Brancusi" University of Targu Jiu, Romania,
gabibabucea@gmail.com

Abstract

On the international markets of goods, pricing is usually done by the confrontation between supply and demand, under pressure from global competition; such pricing is influenced by many other factors that reflect the structural crisis phenomena triggered in the world economy, or factors specific to different groups of goods.

After negotiation, the contracting parties should obtain the best price, taking into account the circumstantial situation of the world market upon the transaction, the quality and the technical and functional parameters of the goods subject to negotiations, comparable to those of the competition, the delivery terms and the payment method. From this perspective, we believe that the provision of substantiated external prices makes it easier to obtain maximum benefits and achieve the trade with foreign countries under the best terms.

Because the external price is an essential element of the agreement of international sale of goods that contributes substantially to the profitability of an entity, we will deal below with the main categories of prices used in foreign trade activities, both in intra-Community and international transactions, taking into account the models for calculating the external price, compared to the delivery terms Incoterms 2010.

Keywords*: foreign trade, external price, delivery terms, invoiced value, statistical value*

1. Introduction

In the current context of globalisation of the world economy, the operation and development on sustainable coordinates of the economic systems imply, necessarily, obtaining results as high as possible and meeting the present needs without compromising the ability of national economies to meet their own requirements in the more or less distant future. It is known that a key element in the foreign trade transactions and their success, regardless of the delivery method chosen and the type of agreement concluded is the **price**, which contributes to the size of revenues from international trades, revenues that make it possible, among others, to invest in infrastructure, thereby raising the living standards and social security.

We also must point out that the rules underlying the conduct of foreign trade transactions, known as Incoterms 2010, which determine, among other things, the place and time when, along with the passage of goods from supplier to customer, takes place the transfer of costs and risks involved in the delivery, affect the ***external prices*** which are to be negotiated between the contractual partners, which is why these delivery terms, which clearly define the obligations of the parties have to be knowingly chosen, depending on the objective pursued by the participants in these transactions.

From this perspective, we believe that only knowing the content of delivery terms of goods is not enough, therefore their proper insertion in the international sale agreement is necessary, because any omission may diminish or even cancel the benefits expected by the supplier or customer on the completion of such transaction.

Given the importance of prices in making efficient the international commercial transactions, intra and extra Community, below we will address the main categories of prices used in foreign trade activity, and then we will deal with models for calculating the external price (sales and purchase), according to the Incoterms 2010 delivery terms, without excluding, however, the influence that the exchange rate has on these transactions.

2. Categories of prices used in the international trade

On the international markets of goods, pricing is usually done by the confrontation between supply and demand, under pressure from global competition; such pricing is influenced by many other factors that reflect the structural crisis phenomena triggered in the world economy, or factors specific to different groups of goods.

In fact, **the sale-purchase price** is an essential element of the trade agreement and contains, besides the value per unit of product, other items of value depending on the specific provisions of the agreement, such as: internal and/or external carriage costs, costs of handling and loading on the means of carriage chosen, international road insurance, interest included in the price, commissions, various other charges etc.

We appreciate that on the various stages of agreement negotiation for the international sale of goods, a **variety of price categories** meet, differing, among other things, depending on the nature of the transaction, the type of the product, the delivery terms, state or group policies etc. [10]

Price categories
transaction prices, established under direct negotiations;
auction prices, made in auctions organised by buyers;
stock prices, obtained from stock exchange quotes;
other prices.

a) The transaction prices are formed on the basis of direct negotiations and they, either reflect and aim at the normal conduct of the negotiation process from the supply until conclusion of the agreement, or they reflect some measure of protection or commercial policy. We believe that the *comparison method* plays an important role in the substantiation of prices, according to which the seller establishes the differences between his products and the representative competing products, which is why there is performed the analysis of quality parameters specified in the agreement, and the analysis of selectively chosen parameters so as, after direct negotiation, to obtain prices that would ensure the highest profit.

In order to familiarise with the transaction prices, we will make below a short presentation thereof and of the main characteristics (Table no. 1)

Table no. 1 The transaction prices and their characteristics

Categories	Characteristics
Informational price	is also known as list or catalogue price and is intended to provide the buyer with preliminary price information; negotiable discounts are usually applied to the same, which sometimes may reach high percentages; the list or catalogue prices vary widely depending on the basis for calculation (ex-warehouse, wholesale, distribution, etc.), which may include, in relation to local practices and customs of the seller, some local taxes and other elements to be studied, from product to product, as appropriate.
Tender price	represents prices at which the goods are offered, which are varied in relation to the delivery term, the payment term proposed or requested, and according to some specific experiences of the seller.
Contract price	results from the direct negotiation between the seller and the buyer, based on the seller's tender, it will be included in the agreement as: "effective cost" or "net external price of transaction".
Invoice price	is the price included in the invoice issued for the goods delivered, which is sent to the customer for collection, together with the other documents specified in the agreement; the invoice price usually corresponds to the contract price, however, there are cases in which the invoice price, based on the contractual provisions relating to the technical and quality parameters of the goods, may differ from the contract price, if the goods delivered deviate from the standard conditions for which the basic price was set.
Basic price	refers to the price of a specific variety of goods, with established quality, which was agreed by the parties in the sale-purchase transaction, as the basic product for determining by correlation the prices of the other derived varieties, with some deviations in the chemical composition, dimensions, physical properties, etc.; additions or rebates to be agreed between the contractual partners are applied to the basic negotiated prices, as appropriate.
Prices in compensation or barter transactions	is the price to be used in international agreements that are concluded between partners who do not have foreign funds, such as compensation or barter transactions (delivery versus acquisitions, without reciprocal currency transfers); where one party is less interested and has a stronger position in the marketing of its product, even without compensation, then the same party dominates its partner in negotiations and requires, in its interest, deviations from the international market prices.

b) Auction prices are set through within auctions organised by entities or traditional commercial centres and generally apply to the sale of general goods, highly perishable, where large stocks are formed in short intervals, or to the purchase of technological equipment (machinery, tools, facilities). The auction prices are encountered in practice or in specialist publications in several forms, briefly described below, together with their defining characteristics, in Table no. 2.

Table no. 2 The auction prices and their characteristics

Categories	Characteristics
Tender price	is one of the basic elements in the evaluation of tenders, which gives a general indication of the competitiveness of the said tender.
Best value price	is the price contained in the tender evaluated as most advantageous, which is not automatically the lowest price offered within an auction; the practice shows that the best value price may be higher than the lowest tender price, a situation resulting from the complex procedures for evaluation and comparison of tenders, evaluation which is done by determining the total cost of each tender so that it is possible to compare them; the determination of the total estimated cost is based on the tender price, which is adjusted for the influence of other factors evaluated, where possible, in terms of money.
Successful tender price	refers to the price at which a tender is awarded in favour of the tenderer who submitted the most advantageous tender and who has the technical capacity and financial potential necessary to fulfil the obligations deriving from the commercial agreement resulted; in some cases the auction is not awarded not even to the tenderer with the most advantageous tender, who also meets the additional conditions, but to another participant who meets certain criteria considered with priority by the acquiring authorities; we appreciate that the successful tender price may differ sometimes substantially, both from the lowest estimated cost and from the lowest tender price.
Contract price	is the price specified in the commercial agreement concluded after an auction; between the auction winner designation and the conclusion of the agreement between the organiser and the winner may arise negotiations related to certain contractual clauses that may influence the price contained in the initial tender of the auction winner, so the final price agreed and stipulated in the agreement may be different from the same.

c) The prices formed on the basis of stock exchange quotes, also called *quotes*, are set by the stock exchange administration or, in some cases, by specialised organisations depending on the amount and degree of representativeness of the transactions actually performed.

We can not help say that the prices formed on the stock exchange quotes are sensitive to both political and military international tensions and to inflation and future fluctuations and the trends in prices influence and determine the trends in the trade cycle.

In this context, often, high prices reduce the demand and consumption, as lower prices can stimulate demand and thus increase the business volume.

Using the trend in the fluctuation of stock exchange quotes, the seller may establish its sales strategy and tactics in order to achieve the maximum price advantage by choosing the favourable moment, through term and available sales, as committed by the quote, and by the use of the advantage given by its geographical location.

Also, we can see that cautious sellers and buyers seek to buy and sell as frequently as possible throughout the year, in order to be included in the annual average of quotes, unable to take the risk of unpredictable fluctuations. Other participants, who take risks, carry out speculations, which, however, may result in either enrichment or bankruptcy.

d) Other categories of price used in foreign trade

In the international commercial transactions other price categories can also be used, such as: limit price, dumping prices, sliding or mobile prices, transfer prices, cartel prices, average prices, whose characteristics are presented in Table no. 3.

Table no. 3 Characteristics of other categories of prices

Categories	Characteristics
Limit prices	are used on products, by associations of producers and consumers or producers' cartels in international agreements; the levels established are implemented through the measures previously agreed by the participants in these transactions, being frequently used to restore the supply-demand ratio; are also called "intervention prices", being used, they are established as higher price levels (ceiling) or lower price levels (threshold).
Dumping prices	are applied by sellers in order to broaden their market position by removing part or all

	of the other competitors; sometimes dumping prices are lower than the producer and marketing prices of the local producers, leading to a disruption in the economy of the importing country; there are situations in which developed countries with a strong market economy, usually require, as a measure to prevent dumping, within the protectionist program adopted, the so-called "threshold" prices, below which purchases from outside that state may not be performed; In this situation, the external selling price may have undesirable effects for the producer or exporter, because it does not ensures recovery of production and marketing costs, which are influenced by price fluctuation of raw materials and workmanship incorporated in the product delivered.
Sliding or mobile prices	are formed on the basis of clauses stipulated in the sale agreement, clauses providing for the future method of establishing the price of goods according to the market price at a given time.
Transfer prices	are used by subsidiaries of the same transnational company, located in different countries, that represent, overall, an exchange in the same entity; depending on the interests of the parent company and its subsidiaries, the transfer price may vary substantially from the transaction price on the open market for comparable products; usually, the transfer price is either undervalued or overvalued, therefore presenting a low degree of comparability, and the data are not conclusive for the third parties.
Cartel prices	are established by those entities that are part of a group that coordinates its activities and spheres of influence based on a general agreement that allows participants to sell their products at high prices.
Average prices	refer to uniform statistical values, which are usually determined based on the data entered in the customs statistics of a country or the intra-Community statements, by dividing the values to the quantities supplied or purchased; are conclusive only for homogeneous goods, for those with complex and varied assortment structures the average prices are irrelevant, being used for general feedback on the effect of prices for a period under review and also to determine the price indices or their dynamics for a longer period.

We believe that the fundamental principle underlying the price system is the free formation of the market price, depending on the supply-demand ratio.

In our opinion, we consider that regardless of the price category used in international commercial transactions, after negotiating with foreign partners, the price obtained must be the most advantageous, taking into account the circumstantial situation of the world market at the time of negotiation, the quality and technical and functional parameters comparable with those of the competition, the supply conditions and the method of payment.

We notice that in the market economy, the price is influenced indirectly by cost, and the market price, in order to ensure balance between supply and demand, acquires a direct role in determining costs, forcing entities to obtain quality products with small costs, so that the profit obtained is as high as possible.

In this context, we appreciate that the provision of substantiated external prices makes it easier to obtain maximum benefits and achieve the trade with foreign countries under the best terms. Because the external price is an essential element of the agreement of international sale of goods that contributes substantially to the profitability of an entity, we considered appropriate to deal below with the models for calculating the external price, compared to the delivery terms Incoterms 2010.

3. Models for calculating the external price compared to the delivery terms Incoterms 2010

Starting from the consideration that external prices are the money expression of the international value of the goods traded on the foreign market, we can say that now, due to the monopolies of closed state groups and to some currency difficulties***, there are no longer world prices in the classical meaning, fluctuating around the international value, as unique world prices, but external prices formed on traditional markets characteristic for certain products, where a high volume of transactions in freely convertible currency takes place.***

Although world prices are formed according to the international value of the goods, and domestic prices according to their national value, between the two categories there is an interdependence and mutual influence, because the international value is determined by the national values of that part of output of each country participating in international commercial transactions in some markets where these products are sold.

We can not help notice that the international value of goods influences the national values when the value of goods imported or purchased in the Community is lower than the national value of similar products manufactured in the country, situation that leads to the reduction in national value, as any reduction in national value of the goods exported in significant quantities has the effect of decrease in the international value of those goods, a matter which calls for competitiveness.

However, ***the influence of the external prices on the domestic prices in a country has certain limits***, which are determined, among other different aspects, such as: economic policy of each state, ensuring the macroeconomic balance, the need to protect the national economy from foreign competition. Thus the state, directly or indirectly via the system of price differences, of required exchange rates or the customs duties system, is trying to control the savings or losses from and to foreign markets, because the difference between the international and the national values of the traded goods produces changes in the GDP.

Because the external price, as an essential element of the international sale agreement is influenced by the conditions of supply of goods, we considered appropriate to determine the external prices, according to the Incoterms delivery terms, both for freight shipments and procurement of goods, and then to make a comparison of the invoiced value with the statistical value entered in the Intrastat Statistical Declaration, a mandatory declaration for intra-Community commercial transactions.

a) In this context, ***between the invoiced value in the delivery or procurement documents, the statistical value and the delivery terms under the Intrastat Statistical Declaration, a certain relationship is established***, which is shown in Table no. 4.

Table no. 4 The relationship between the invoiced value, the statistical value and the delivery terms in the intra-Community trade

Flow: Shipments of goods			
Delivery terms	**Invoiced value (IV)**	**Statistical value (SV)**	**Relationship**
For all modes of carriage			
EXW EX Works	*EXW invoiced value* – corresponds to the value of the goods at the factory.	*EXW statistical value* – the invoiced value plus domestic freight and insurance costs, namely from the place of delivery to the border of Romania.	**SV > IV**
FCA Franco carrier	*FCA invoiced value* – includes, besides the value of goods, the carriage costs to the carrier.	*FCA statistical value* – the invoiced value plus domestic freight and insurance costs, namely from the place of delivery to the border of Romania.	**SV > IV**
CPT Carriage Paid to	*CPT invoiced value* – contains, besides the value of goods, all the carriage costs to the importer's gate.	*CPT statistical value* – the invoiced value minus the external carriage costs, namely from the border of Romania to the place of destination.	**SV < IV**
CIP Carriage Insurance Paid	*CIP invoiced value* – contains, besides the value of goods, all the freight and insurance costs to the importer's gate.	*CIP statistical value*– corresponds to the invoiced value minus the external carriage costs, namely from the border of Romania to the place of destination.	**SV < IV**
DAT Delivered at Terminal	*DAT invoiced value* – includes, besides the value of goods, all the carriage costs to the agreed border.	*DAT statistical value* – corresponds to the invoiced value when the agreed border is Romania. Otherwise the external carriage costs, namely from the border of Romania to the agreed border shall be deducted.	**SV = IV / SV < IV**
DAP Delivered at Place	*DAP invoiced value* – includes the value of goods and all the delivery costs to the place agreed, including external freight and insurance costs.	*DAP statistical value* – is determined by excluding from the invoiced value the external freight and insurance costs, namely from the border of Romania to the place of destination.	**SV < IV**
DDP Delivered Duty Paid	*DAP invoiced value* – includes, besides the value of goods, all the external delivery and insurance costs, including customs duties, if applicable.	*DDP statistical value* – is calculated by subtracting from the invoiced value the fees and external carriage and insurance costs.	**SV < IV**
Only for carriage by sea and inland waterways			
FAS Free Alongside Ship	*FAS invoiced value* – includes, besides the value of goods, the carriage costs to the ship outside thereof.	*FAS statistical value* – is determined by adding to the invoiced value the loading costs for crossing the border - at rail / wharf.	**SV > IV**
FOB Franco on Board	*FOB invoiced value* – includes, besides the value of goods, all the costs until the storage of the good on the ship.	*FOB statistical value* – corresponds to the invoiced value, and may be increased, if necessary, with the domestic freight and insurance costs.	**SV = IV / SV > IV**
CFR	*CFR invoiced value* – contains, besides	*CFR statistical value* – is calculated by subtracting	**SV < IV**

Cost and Freight	the value of goods, the carriage costs to the destination, less the insurance cost.	from the invoiced value the external freight and insurance costs, namely from the border of Romania to the place of destination.	

CIF Cost, Insurance, Freight	*CIF invoiced value* – includes, besides the value of goods, the carriage and insurance costs to the destination.	*CIF statistical value* – is obtained by subtracting from the invoiced value the external freight costs, namely from the border of Romania to the place of destination.	**SV < IV**
Flow: Introduction of goods			
Delivery terms	**Invoiced value (IV)**	**Statistical value (SV)**	**Relationship**
For all modes of carriage			
EXW EX Works	*EXW invoiced value* – corresponds to the value of the goods at the factory.	*EXW statistical value* – the invoiced value plus external freight and insurance costs, namely from the place of delivery to the border of Romania.	**SV > IV**
FCA Franco carrier	*FCA invoiced value* – includes, besides the value of goods, the carriage costs to the carrier.	*FCA statistical value* – the invoiced value plus the external freight and insurance costs, namely from the place of delivery to the border of Romania.	**SV > IV**
CPT Carriage Paid to	*CPT invoiced value* – contains, besides the value of goods, all the carriage costs to the importer's gate.	*CPT statistical value* – the invoiced value minus the domestic carriage costs, namely from the borders of Romania to the place of destination.	**SV < IV**
CIP Carriage Insurance Paid	*CIP invoiced value* – contains, besides the value of goods, all the freight and insurance costs to the importer's gate.	*CIP statistical value*– corresponds to the invoiced value minus the domestic carriage costs, namely from the border of Romania to the place of destination.	**SV < IV**
DAT Delivered at Terminal	*DAT invoiced value* – includes, besides the value of goods, all the carriage costs to the agreed border.	*DAT statistical value* – corresponds to the invoiced value when the agreed border is Romania. Otherwise the external carriage costs, namely from the border of Romania to the agreed border shall be added.	**SV = IV / SV > IV**
DAP Delivered at Place	*DAP invoiced value* – includes the value of goods and all the delivery costs to the place agreed, including external freight and insurance costs.	*DAP statistical value* – is determined by excluding from the invoiced value the domestic freight and insurance costs, namely from the border of Romania to the place agreed.	**SV < IV**
DDP Delivered Duty Paid	*DAP invoiced value* – is the value of the goods arrived at the buyer, with the customs duties paid, if any.	*DDP statistical value* – is calculated by subtracting from the invoiced value the fees and domestic carriage and insurance costs.	**SV < IV**
Only for carriage by sea and inland waterways			
FAS Free Alongside Ship	*FAS invoiced value* – includes, besides the value of goods, the carriage costs to the wharf.	*FAS statistical value* – is determined by adding to the invoiced value the loading costs for crossing the border - at rail / wharf.	**SV > IV**
FOB Franco on Board	*FOB invoiced value* – includes, besides the value of goods, all the costs until their storage on the ship.	*FOB statistical value* – corresponds to the invoiced value, and may be increased, if necessary, with the external freight and insurance costs.	**SV = IV / SV > IV**
CFR Cost and Freight	*CFR invoiced value* – contains, besides the value of goods, the carriage costs to the destination, less the insurance cost.	*CFR statistical value* – is calculated by subtracting from the invoiced value the domestic freight and insurance costs, namely from the border of Romania to the place of destination.	**SV < IV**
CIF Cost, Insurance, Freight	*CIF invoiced value* – includes, besides the value of goods, the carriage and insurance costs to the destination.	*CIF statistical value* – is obtained by subtracting from the invoiced value the domestic freight costs, namely from the border of Romania to the place of destination, if applicable.	**SV < IV/ SV = IV**

Source: Adapted from the National Institute of Statistics Order no. 21/2011 on approval of the Completion rules for the Intrastat Statistical Declaration

Please note that **the statistical value of goods** that are subject to an intra-Community sale agreement shall be determined according to their invoiced value adjusted based on the delivery terms, namely:

- ***for shipments in the Community***, the value of goods is declared plus the carriage, insurance costs and other costs incurred in transporting the goods from the place of shipment to the border of Romania (on the national territory);
- ***for introductions from the Community***, the value of goods is declared, including the carriage and insurance costs and other costs incurred in transporting the goods outside the border of Romania.

According to the international conventions for achieving commercial transactions, regardless of the delivery terms negotiated by the contracting parties in the intra-Community or international sale agreement, the delivery (export) prices are considered ***FOB prices*** and are used in the statistics reflecting the volume of quantity and value of the deliveries made abroad. Thus, the ***FOB price*** includes the delivery price of goods and the additional domestic delivery costs, such as: carriage costs, handling and loading costs and possibly their domestic insurance.

Based on these considerations, remember that based on the content of the intra-Community transactions, **the external price**, as an essential element of the sale agreement may be:

- external sales or delivery price;
- external purchase or acquisition price.

b) The external sales price of goods varies in size according to the Incoterms delivery terms, to the method of delivery and payment of their value etc., all of which are provided in the commercial agreements of sale within the Community. If we pay attention to some terms of delivery of goods, namely: FOB, CFR and CIF, the correlation between the level and structure of the external price of delivery, the delivery term, the method of delivery and the payment method is shown in Table no. 5.

Table no. 5 External sales price

EXTERNAL SALES PRICE ACCORDING TO THE QUANTITIES SOLD			
Delivery term	**External sales price structure (PV)**		
FOB	Negotiated sales price of the net FOB goods in foreign currency ($P_V^{E}FV$)	-	-
FOB	**$PV_{FOB} = P_V^{E}FV$**		
CFR	Negotiated sales price of the net FOB goods in foreign currency ($P_V^{E}FV$)	External carriage (Tv)	-
CFR	**$PV_{CAF} = P_V^{E}FV + T_V$**		
CIF	Negotiated sales price of the net FOB goods in foreign currency ($P_V^{E}FV$)	External carriage (Tv)	External insurance costs (Av)
CIF	**$PV_{CIF} = P_V^{E}FV + T_V + A_V$**		

EXTERNAL SALES PRICE IN RELATION TO THE DELIVERY AND PAYMENT METHOD					
Term of delivery	**External sales price structure (PV)**				
FOB	**Direct sale**	***With immediate or at sight payment***	Negotiated sales price of the net FOB goods in foreign currency ($P_V^{E}FV$)	-	-
FOB	**Direct sale**	**$PV_{FOB} = P_V^{E}FV$**			
FOB	**Direct sale**	***With credit payment***	Negotiated sales price of the net FOB goods in foreign currency ($P_V^{E}FV$)	Foreign interest (D_V)	-
FOB	**Direct sale**	**$PV_{FOB} = P_V^{E}FV + D_V$**			
FOB	**Sale on commission**	***With immediate or at sight payment***	Negotiated sales price of the net FOB goods in foreign currency ($P_V^{E}FV$)	Commissions or rates of services abroad (C_V)	-
FOB	**Sale on commission**	**$PV_{FOB} = P_V^{E}FV + C_V$**			
		With credit	Negotiated sales price of the net	Commissions or rates	Foreign

		payment	FOB goods in foreign currency ($P_V^E FV$)			of services abroad (C_V)	interest (D_V)
			$PV_{FOB} = P_V^E FV + C_V + D_V$				
CFR	**Direct sale**	***With immediate or at sight payment***	Negotiated sales price of the net FOB goods in foreign currency ($P_V^E FV$)	External carriage (Tv)			-
			$PV_{CAF} = P_V^E FV + T_V$				
		With credit payment	Negotiated sales price of the net FOB goods in foreign currency ($P_V^E FV$)	External carriage (Tv)			Foreign interest (D_V)
			$PV_{CAF} = P_V^E FV + T_V + D_V$				
	Sale on commission	***With immediate or at sight payment***	Negotiated sales price of the net FOB goods in foreign currency ($P_V^E FV$)	External carriage (Tv)		Commissions or rates of services abroad (C_V)	-
			$PV_{CAF} = P_V^E FV + T_V + C_V$				
		With credit payment	Negotiated sales price of the net FOB goods in foreign currency ($P_V^E FV$)	External carriage (Tv)		Commissions or rates of services abroad (C_V)	Foreign interest (D_V)
			$PV_{CAF} = P_V^E FV + T_V + C_V + D_V$				
CIF	**Direct sale**	***With immediate or at sight payment***	Negotiated sales price of the net FOB goods in foreign currency ($P_V^E FV$)	External carriage (Tv)	External insurance costs (Av)		-
			$PV_{CIF} = P_V^E FV + T_V + A_V$				
		With credit payment	Negotiated sales price of the net FOB goods in foreign currency ($P_V^E FV$)	External carriage (Tv)	External insurance costs (Av)		Foreign interest (D_V)
			$PV_{CIF} = P_V^E FV + T_V + A_V + D_V$				
	Sale on commission	***With immediate or at sight payment***	Negotiated sales price of the net FOB goods in foreign currency ($P_V^E FV$)	External carriage (Tv)	External insurance costs (Av)	Commissions or rates of services abroad (C_V)	-
			$PV_{CIF} = P_V^E FV + T_V + A_V + C_V$				
		With credit payment	Negotiated sales price of the net FOB goods in foreign currency ($P_V^E FV$)	External carriage (Tv)	External insurance costs (Av)	Commissions or rates of services abroad (C_V)	Foreign interest (D_V)
			$PV_{CIF} = P_V^E FV + T_V + A_V + C_V + D_V$				

Note that, the external sales price, usually set by negotiation, is usually influenced by the Inconterms delivery terms, by the method of delivery, on one's own account or on commission and not least by the method of payment, namely with immediate payment or payment at sight or with credit payment.

In our view, an entity carrying out intra-Community supplies may determine its competitiveness by making a ***regressive calculation of price***, which requires the evaluation of price items from the foreign market price, converted into national currency for a similar product, removing from the same the elements specific to the external price, such as: carriage, insurance, commissions, interest, etc. The remaining value should cover the production cost and ensure that entity a profit margin.

If we take into account that the exchange rate fluctuates between the time of invoice and that of receipt of the external sales price, then the seller may have favourable or unfavourable foreign exchange differences, if the delivery is not made at a fixed exchange rate;, such differences affect the entity's financial costs or revenue; the said ***differences*** are determined as follows:

 foreign exchange differences related to the intra-Community debts:

$$D_{CV} = PV \times (C_{VI} - C_{VF}) \quad (1)$$

where: PV - foreign invoice value (external sales price),
C_{VI} - exchange rate upon receipt of the debt,
C_{VF} - exchange rate upon invoice of the delivery.

 foreign exchange differences related to foreign services in currency (carriage, insurance, commissions etc.):

$$D_{CV} = PV \times (C_{VP} - C_{VF}) \quad (2)$$

where: C_{VP} – exchange rate at the time of payment.

Commenting on this situation, we must say that the currency risk may be prevented by inserting in the foreign sale agreement some underwriter clauses and clauses for the currency consolidation, such as: advance payments, late payments charges, credits and term coverage.

c) The external purchase price of the goods external, as the external sales price, is determined according to the terms of delivery of the goods subject to intra-Community sale agreement, by the purchase method and the method of payment of their value by external suppliers.

Referring to the ***composition of the external purchase price***, we would like to point out that it is calculated similarly with the external sales price, corresponding to the supplies of goods; its structure includes, where appropriate, depending on the delivery terms used in the commercial relationships developed with the external supplier, in addition to the negotiated purchase net FOB price in currency, the external carriage costs, the costs for insuring the goods abroad, as well as different levels of service, fees, expenses of loading, unloading or handling, related to the carriage of the goods purchased, to the external route etc.

We can not help notice that, *when the intra-Community acquisition is made against payment on commercial credit*, the external purchase price is increased by the external foreign interest which is the price paid by the client for the credit contracted on behalf of the supplier. If we pay attention on the data contained in the table no. 5, related to the flow: "introduction of goods", we can see that the invoiced value, which corresponds to the value of the intra-Community acquisition, is made up of different elements according to the delivery Incoterms used and to the modes of carriage.

Since the time of the external payment of the value of the goods purchased does not coincide with the time of invoice, upon payment of the external invoices in foreign currency, ***favourable or unfavourable exchange differences may appear*** (D_{CV}), affecting, as appropriate, as in the collection of the intra-Community supplies, the financial expenses or income; such differences are calculated as follows:

$$D_{CV} = PV \times (C_{VP} - C_{VF}) \quad (3)$$

where: PV - foreign invoice value (external purchase price).

4. Conclusions

Starting from the consideration that the ***fundamental principle underlying the price system is its free formation on the market***, depending on the supply-demand ratio, we believe that regardless of the price category used in international commercial transactions, after negotiating with foreign partners, ***the price obtained should be the most advantageous***, taking into account the circumstantial situation of the external market at the time of the negotiation, the quality and the technical and functional parameters, comparable to those of the competition, the delivery terms and the payment method.

In this context we notice that in the market economy, the price is influenced indirectly by cost, and the ***market price***, in order to ensure balance between supply and demand, ***acquires a direct role in determining costs***, forcing entities to obtain quality products with small costs, so that the profit obtained is as high as possible.

From this perspective, we appreciate that the provision of substantiated external prices makes it easier to obtain maximum benefits and achieve the trade with foreign countries under the best terms.

Because the ***external price of the goods***, which contribute to the profitability of an entity, usually established by negotiation, is influenced, among other things, by ***the Inconterms delivery terms***, by the method of delivery, on one's own account or on commission and not least by the method of payment, namely with immediate payment or payment at sight or with credit payment, we consider it necessary for the contracting parties to pay sufficient attention to the choice of delivery terms, establishing the traders' obligations, so that the risks resulted from negotiation should be minimal .

Also, as we noted, the problems of price categories related to foreign trade, intra-Community and international transactions, can be discussed only in direct relation with the ***exchange rate*** where the settlements between seller and buyer are made, which is why we believe that an important issue that the customers need to solve is that of ***limiting the risks in the contract prices***, related to the intra-Community and international deliveries of goods. Referring to the ***price fluctuation*** in the contract period, we believe that the risk of damage to one of the contracting parties increases as this period is longer; ***the exchange rate*** is manifested both in the contract period and in time when the supplier uses borrowed resources expressed in foreign currency.

From the same perspective we consider it appropriate to remember that losses may occur from ***price escalation***, which can be avoided by ***inserting in the agreement a clause to strengthen the value of the intra-Community delivery agreement***, setting the price of goods delivery, and also as a result of ***the buyer's inability to pay for the goods***, risks against which the entities may use ***different ways to guarantee the external price***, by using the clauses: gold, foreign exchange, DST, euro.

In our opinion, avoiding losses from price escalation, if the agreement fails to provide clauses against currency risk, may be achieved by ensuring the supply of goods by the buyer with: promissory notes, bills, letters of bank guarantee or collaterals from the debtor's.

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