



INSTITUTE OF CHARTERED SHIPBROKERS

APRIL 2011 EXAMINATIONS

TUESDAY 19 APRIL – AFTERNOON

SHIPPING FINANCE

Time allowed – Three hours

Answer any **FIVE** questions – All questions carry equal marks

1. Analyse the ways in which the different stages of the shipping cycle affect the behaviour of Shipowners, Shippers, and Ship Builders.
2. FairSeas Corporation is a Bahamas-registered Shipowner with a fleet comprising several older general cargo carriers, and three modern newbuilds. The Managing Director now seeks to pursue a major programme of expansion, but is uncertain as to how this should be financed. As Chief Finance Officer, you know that the company is already carrying a significant amount of debt raised when interest rates were low but which are anticipated to rise steeply during the next few years.

Draft a report to the Managing Director explaining the funding options for expansion of the fleet, and how the risks associated with each may be reduced or hedged.

3. In the context of a debt-funded expansion strategy for a medium size shipping company, discuss the various forms of security which it may make available to potential lenders.
4. Explain the characteristics of any **THREE** out of the following structures of ship financing loans:
 - (1) Moratorium loans
 - (2) Balloon repayment loans
 - (3) Revolving credit facility loans
 - (4) Back/front ended loans
 - (5) Bullet repayment loans
5. Provide a diagram showing the structure of and parties to a typical securitisation. Discuss the main steps in the setting up of a typical securitisation. In the context of the shipping industry, which assets may be used to collateralise a securitisation?
6. Describe the main features of a typical Kommanditgesellschaft or 'KG' structure. What are the main advantages to be gained by a shipping company from raising finance using a KG structure?
7. Discuss the various types of equity financing which may be used by a shipping company. Explain the consequences for a shipping company which elects to finance its expansion via the issuance of convertible bonds.

please turn over

8. With full reference to the Basle Committee's classification of capital and risk, describe the importance of the debt-equity ratio for a shipping company. To what extent is the capital financing decision 'irrelevant'?