

# Examiners' Report November 2016 Shipping Business

## General Comments

Generally speaking, the majority of students who attempted the November 2016 Shipping Business examination were adequately prepared.

For students sitting the Institute's examinations, it cannot be stressed enough the need to implement a rigorous and disciplined study routine and to apply a structured revision programme. By doing so, this will ensure that they are well equipped to deal with the demands required.

As with previous years, it was noted that many students attempting two-part questions failed to answer both parts with the majority concentrating their efforts on the first part. Whilst some gave a little thought to the second part, others did not answer at all and, therefore, lost valuable marks.

The underlying message to students sitting the May 2017 examination is to prepare well, understand the question and structure your composition prior to attempting your answer.

## Question 1

**Explain the major hazards in transporting grain by sea and describe the main exporting regions. Use the world map provided to support your answer.**

This was a two-part question which, overall, was not well answered.

Whilst the majority of students attempting this question were able to identify the main exporting regions, some annotated the world map with trade routes, which was not what the question was asking for.

Some students were able to describe the hazards reasonable well, but others merely concentrated their answers on shifting cargo and completely missed other facts such as wetting, inherent heating/explosion of dust, adequate ventilation, the use of self-trimming vessels and pest/insect infestation.

## Question 2

**Discuss the benefits offered by documentary letters of credit in terms of liability and risk to the parties involved in the trading transaction.**

Another two-part question which, in general terms, was reasonably well answered by those who attempted it.

Those who failed had managed to explain the Documentary Letters of Credit, but failed to comment upon its advantages. There were a number of very poor answers whereby the students couldn't manage to explain how this particular payment method worked in international transactions and a few did not discuss any risks and liabilities in any detail.

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### Question 3

**Define and explain the term 'multi-modal transport'. Use examples to support your answer.3**

Many students were able to grasp the concept of MMT, but very few were able to describe the benefits to traders including speed and security and, in addition, reducing the costs of door-to-door delivery. Many answers submitted failed to sufficiently describe the problems associated with MMT which included the cost of the equipment, standardisation, specialist 'through' documentation and the use of incoterms that matched this particular type of cargo operation.

### Question 4

**Assess the importance of ethics in the shipbroking profession and examine the ways in which ethical behaviour can be encouraged, promoted and enforced.**

The question required an explanation of the general concept of ethical behaviour not purely on non-ethical issues such as criminal fraud or piracy.

### Question 5

**Using a port of your choice, discuss the factors which have influenced its development and comment upon the physical and political aspects which could affect its future.**

Most students attempting this question were able to provide an excellent account of their chosen port and were able to convey well factors relating to port development, historical background, past and future trade routes and cargo types.

Those who didn't pass only commented on one or two influential factors or didn't answer the second part of the question at all.

### Question 6

**Discuss the role and functions of TWO of the following organisations and analyse the challenges they face in their sphere of activity.**

- a) **International Chamber of Shipping (ICS)**
- b) **International Chamber of Commerce (ICC)**
- c) **International Maritime Bureau (IMB)**
- d) **The Federation of National Associations of Ship Brokers and Agents (FONASBA)**

Generally well answered, although a number of students did not know the workings of their chosen organisation well with some only managing to offer a few lines with little substance relating to their role and functions

Many answers did not specify that FONASBA is an organisation that is a collective of national associations.

#### Question 7

**Insurable interest is the principle which governs the legal right to insure. Discuss in detail what this entails, covering the main aspects of the application of this principle in relation to marine insurance.**

Several students who attempted this question failed to define insurable interest and its two main features of physical goods being exposed to peril and the existence of a legal relationship between insurer and assured.

Whilst some did establish the fundamentals, some difficulty was experienced in relating their concept to marine insurance.

Those students who provided acceptable answers were able to give a good account of the basic rudiments along with describing the liability of the carrier toward the cargo carried and the insurable interests of the cargo owner in respect of the safe arrival of the cargo and the freight they have paid, the hull interests of the shipowner and the charterer's interest in a demise charter along with the loss of or damage to the vessel.

#### Question 8

**Discuss in detail the main functions of a bill of lading and explain the reasons for a bill of lading being made out 'to order' instead of to a named consignee.**

In previous examinations, the question relating to Bill's of Lading prove popular and there was no exception in the November 2016 examination.

As expected, this question was answered well with most students able to provide commentary on the 'RED' functions and the reasons for the Bill of Lading being made 'To Order'

A few students failed to answer the second part of the question which, regrettably, led to the usual predicted result of failing to achieve an acceptable pass mark.