

THE INSTITUTE OF CHARTERED SHIPBROKERS

FINANCIAL & MANAGEMENT ACCOUNTING (FMA)

2007

EXAMINER'S REPORT

QUESTION 1 – CASH FLOW FORECAST

Generally candidates only obtained average marks. Students should try to be neat and methodical. The presentation of information is an important factor as a user of financial information must be able to understand the information; consequently some marks are awarded for good presentation. Clear calculations supporting the cash flow forecast are useful and demonstrated a candidates understanding of the subject. This did in fact help some candidates gain additional marks. Candidates must be able to identify cash flow items and non-cash items, for example a number of candidates did not establish that depreciation is not a cash flow item. The majority of students demonstrated a good understanding in respect of the cash flow of sales and purchases.

QUESTION 2 – DEPRECIATION

This question answered rather poorly. The object of the question was to test a candidates knowledge of depreciation, how to calculate it and to explain the purpose of depreciation. Many candidates did not produce their answer in a memorandum format. The majority of answers were disjointed. Candidates should consider that the workings to this type of question can always form an appendix to the memorandum. Although candidates identified with accumulated depreciation, often the current year's charge was not included. Very few candidates made any comments on the disposal of the motor vehicles or the profit generated. On the whole the majority of answers were disappointing.

QUESTION 3 – REPORT ON THREE COMPANIES

This question asked for a report. This means candidates must answer the question by using a report format. This will demonstrate how a candidate will communicate information. Marks were lost because of this. The standard of scripts to this question was mixed. The aim of the question was to test a candidate's knowledge of ratios. Candidates were expected to be able to demonstrate that they could both calculate the ratio and then use the result to interpret the result and analyse the result in terms of the company and the addition companies being evaluated.

QUESTION 4 – ON-HIRE AND OFF-HIRE STATEMENTS

This question was not as popular as anticipated. The majority of answers were disappointing, although some candidates did in fact demonstrate that they had a good knowledge of on hire and off hire statements. The question specifically asked for on-hire and off-hire statements for both the ship owner and the charterer yet a number of candidates ignored this request.

QUESTION 5 – FOREIGN CURRENCY RISKS

On the whole, candidates who attempted this question answered it well and demonstrated that they were well prepared. The question concentrated on foreign currency risk and how to protect the company from this risk. Additional marks were awarded where candidates demonstrated the mechanics of applying *various* methods.

QUESTION 6 – INVESTMENT IN OTHER COMPANIES

This was not a popular question and very few candidates attempted it. The format of the question was as a discussion paper and aimed to test a candidates understanding of where information would be found and the considerations to investing in other companies together with methods of minimising any investment risk to the company.

QUESTION 7- FINANCING PROBLEMS

This question was not attempted by any candidate! The question was aimed at testing a candidate's knowledge of general investment opportunities and what factors are to be considered when there are a number of alternative investment opportunities.

QUESTION 8 – INVESTMENT APPRAISAL

This question was answered well by those candidates who attempted it. The purpose of the question was to explore a candidate's knowledge of investment appraisal without having to undertake the calculations. There were some impressive answers to this question. The answers in particular that stood out were those that explained how the various appraisal methods worked in some detail.