

THE INSTITUTE OF CHARTERED SHIPBROKERS

SHIPPING BUSINESS EXAMINATION

2007

EXAMINER'S REPORT

OVERALL COMMENT

It is pleasing to report that the overall pass rate in the 2007 Shipping Business examination increased compared to that in 2006 and it was evident that most candidates who achieved an acceptable grade had prepared well for the exam and presented well constructed answers.

During the 2007 examination, only a small number of candidates attempted fewer than five questions, although some candidates attempted six or more which, bearing in mind only the first five answers will be assessed, wasted valuable time and effort.

QUESTION 1 – PUBLIC AND PRIVATE LIMITED COMPANIES

In general terms, this question was answered very well with most candidates being aware of the varying types of business entities and the advantages and disadvantages of trading with the differing organisations.

QUESTION 2 – HEDGING OF RISKS

Most candidates attempting this question were aware of the financial risks associated with trading internationally, although a small minority completely misunderstood the term “hedging of risks”.

While the majority of candidates mentioned the positive aspects associated with forward exchange contracts, foreign currency options, forward freight agreements etc, very few referred to the potential drawbacks relating to FFA's and the significant transaction costs associated with “hedging” activity.

QUESTION 3 – DEFINE TERMS

This question was attempted by many candidates and in some instances, excellent answers were produced.

Whilst many students simply restricted their answers to an explanation of the terms, a few went on to explain, in detail, when these transaction terms would be used in international trade and the various financial implications and opportunities for both the buyer and seller when trading under these different terms; thus earning extra marks

QUESTION 4 - NATIONAL AND INTERNATIONAL ORGANISATIONS

As anticipated, this question was answered by many candidates, but it is disappointing to report that many failed to impart enough information in order to obtain a pass mark.

When attempting this type of question, candidates must remember that a clear explanation of the structure of the organisation is required along with other facts relating to the historical background, why the organisation was formed and the role that they play and the influences that they have in international shipping and trade.

QUESTION 5 - AREAS AND PORTS AFFECTED BY ICE

This question was answered generally well by those who attempted it and most enhanced their text with detailed maps showing the areas affected by ice.

While most students concentrated their efforts on the ports affected by ice, only a few mentioned alternative ice free ports available during the winter months such as the Atlantic freeboard ports of Canada.

While many candidates mentioned the use of icebreakers, very few raised the subject of the advancement of vessel design such as double acting tankers which operate astern in ice, taking advantage of icebreaker bow shaped sterns and ‘podded’ propulsion systems which are claimed to be better than the conventional screw/rudder system.

In addition, very few candidates mentioned the use of sophisticated weather forecasting and routing systems available to vessels, although a few did have knowledge of ice reports and forecasting services available from organisations such as BIMCO.

QUESTION 6 - THE ROLE OF THE SALE AND PURCHASE BROKER

Those candidates attempting this question did so very well and a general understanding of the role of the Sale and Purchase Broker along with the differing types of activity in this market was conveyed well.

QUESTION 7 – THE TANKER MARKET

For the most part, this question was answered well with most candidates able to provide clear and concise answers relating the main differences between the two markets.

Although most students restricted their comments to the usual tanker activity in crude oil, petroleum products and chemicals, some went on to explain details of other specialised vessels such as wine and juice tankers.

QUESTION 8 –THE FUNCTION OF THE BILL OF LADING

This question was answered relatively well and most candidates were able to communicate their understanding of the Bill of Lading and were capable of demonstrating their ability to explain its main functions.

In most instances, the second part of the question was tackled in a similar manner whereby most students were able to explain the concept and reasons for a Bill of Lading being made out “TO ORDER”.

CONCLUSION

Although it was clear that the majority of candidates prepared well for the examination, there were a significant number of scripts which betrayed serious knowledge gaps, disturbingly, in core subject matter.

A number of questions required the candidate to plan the answer carefully in order to be sure of covering all of the points required to pass. It was obvious to the examiners that, in some instances, candidates had not taken time to do this before attempting to answer the question. Inevitably, the answers presented in these instances were disjointed, frequently missed the most important points and, worse still, often ignored that second part of the questions, depriving the candidate of vital marks.