



## SHIPPING BUSINESS

### INTRODUCTORY REMARKS

Overall, the standard of papers submitted during the 2013 Shipping Business examination showed an improvement compared with recent years and it was obvious that a majority of students prepared well.

As with previous years, some candidates answered more than five questions which is futile as the examiner can only assess the first five answers submitted.

For those students who failed this year, some appeared to be inadequately prepared and, with a structured revision programme, may find themselves in a better position for the 2014 examinations.

**1. A number of busy shipping areas and ports are affected to some extent by ice in winter. On the world map provided illustrate the areas and main ports affected. Explain the problems that ice causes and how shipowners and importers/exporters attempt to overcome these difficulties.**

It is pleasing to report that, as requested, most students used the world map to illustrate their answer, although quite a few of the maps lacked detail.

Although some excellent answers were submitted, quite a few candidates failed to mention factors such as insurance and FOW etc and some did identify any alternatives available to traders.

**2. Identify the most common areas of maritime fraud and consider what can be done to prevent, detect or deter both fraud and other types of criminal activity directed against the ship and its cargo.**

This question was attempted by many candidates, but some discussed only piracy without mentioning other factors such as insurance, documentary and monetary fraud.

When discussing deterrents, a few candidates mentioned aspects such as international co-operation between authorities and consultation with regulatory bodies and some also made reference to the International Maritime Bureau (IMB).

**3. Identify the reasons for the formation of the IMO and describe its composition, functions and achievements.**

As with Question 2, this question was attempted by the majority of candidates and, while some good answers were produced, quite a few students failed to explain how the conventions are enforced, mentioned only a few conventions or, in general terms, did not provide enough or accurate background information relating to the International Maritime Organization (IMO).

**4. Discuss the role and functions of three of the following organisations:**

- (a) International Chamber of Shipping
- (b) International Chamber of Commerce
- (c) IMB
- (d) FONASBA
- (e) ITF

Some candidates tackling this question did not demonstrate their knowledge in relation to their chosen organisations and quite a few answers submitted only contained a couple of sentences which, obviously, cannot impart enough information to the examiner to gain a pass mark.

The majority of candidates provided good answers with very comprehensive detail provided.

**5. Explain the different payment methods available to those engaged in international trade and discuss the risks involved to the buyer and seller in using each method.**

In general terms, this question was answered very well, but a few students seemed to confuse the payment terms in international trade with Incoterms.

Some candidates focussed their answer around Letters of Credit and failed to mention others such as pre-payment, open account, bill of exchange etc and, whilst some did mention these other methods, they failed to discuss the associated risks involved.



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**6. The term shipbroker encompasses a wide variety of activities.**

**Taking two of the following, explain the main business functions for those in these sectors and in each case comment upon the practitioner / principal relationship:**

- (a) Port Agency
- (b) Liner Agency
- (c) Ship Operations and Management
- (d) Ship Sale and Purchase
- (e) Dry Cargo Chartering
- (f) Tanker Chartering

The majority of candidates who attempted this question provided very good answers, but, in contrast, a large number failed to comment upon the commercial relationship with the principal.

Overall, this question was answered well.

**7. Discuss the benefits and drawbacks of Limited Companies (Private or Public) compared with Partnerships and comment on the advantages and disadvantages of trading with each type of business organisation.**

A few students who tackled this question failed to answer the second part, thereby restricting their chances of obtaining an acceptable grade. Many candidates failed to comprehend the structure of the commercial entities and very few were able to discuss the wide variations of benefits and drawbacks.

**8. Explain the principle and operation of General Average in relation to international shipping.** A few students who tackled

Whilst this question was attempted by only a small number of candidates, a few excellent answers were submitted.

That said, the majority of students were able to provide a few paragraphs and failed to correctly explain the principles of General Average or indeed the circumstances when it could be declared.

Those who did answer well also mentioned the role of average adjusters in the claims process and, as a result, gained additional marks.