



**WEDNESDAY 29<sup>th</sup> APRIL 2015 – AFTERNOON**

## **SHIPPING FINANCE**

**Time allowed – three hours**

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

**Please read the questions carefully before answering**

1. A German ship owning company is looking to expand through the purchase of additional vessels. It will raise finance through a syndicated loan.

Explain:

- a. The structure of a typical syndicated loan
  - b. The functions of the parties in a syndicated loan
  - c. The typical structure of a KG German financing arrangement (you may use a diagram with brief explanatory notes).
2. Critically evaluate, rather than simply describe, the applicability of the Miller-Modigliani capital irrelevance theory to the international shipping industry.  
With regard to the shipping cycle, identify and discuss those market factors which indicate an impending shift from one phase to the next.
  3. Describe the characteristics of **all** of the following types of loans:
    - a. Moratorium loan
    - b. Bullet repayment loan
    - c. Balloon repayment loan
    - d. Back-ended and front-ended loans

**PLEASE TURN OVER**

4. Compare and contrast the following **four** types of shares:

- a. Ordinary shares
- b. Partly paid shares
- c. Cumulative participating preference shares
- d. Rights issues

In your discussion you should consider when each type of share may be suitable for a shipping company issuer at each phase of the shipping cycle.

5. Answer **all** parts of the question:

- a. Discuss the various forms of security which may be offered by a shipping company to a bank from which it wants to obtain a loan.
- b. If a company comprises several 'one ship companies', how does this affect the lender's perception of risks and how might these risks be reduced?
- c. Describe the legal rights of mortgage holders.

6. Describe the possible financing strategies which may be used by a shipping company in anticipation of a long-term downturn in the freight market.

7. Answer **both** parts of this question:

a. Describe the characteristics of **two** of the following types of bonds and their suitability or non-suitability for each phase of the shipping cycle:

- i. Plain vanilla bonds
- ii. Dual currency bonds
- iii. Zero coupon bonds
- iv. Stepped coupon bonds
- v. Freight-referenced bonds

b. Discuss the functions of a sinking fund.

8. Discuss the application of Islamic finance to shipping finance.