

The Hong Kong Polytechnic University

Subject Description Form

Subject Code	LGT4021
Subject Title	Shipping Finance
Credit Value	3
Level	4
Normal Duration	1-semester
Pre-requisite / Co-requisite/ Exclusion	Nil
Role and Purposes	To provide a fundamental understanding of operations and management within shipping business organisations with particular emphasis on the functional areas of finance (Outcome 2). To formulate and build concepts of business, finance and investment strategies which will lead to efficient management of costs and revenues in shipping operations (Outcomes 7 and 11).
Subject Learning Outcomes	<p>Upon completion of the subject, students will be able to:</p> <ol style="list-style-type: none"> a. Formulate and build concept of business, finance and investment strategies which lead to understanding and efficient management of revenues and costs in shipping operations. b. Gain practical, hands-on experience with shipping case studies. c. Understand factors which distinguish shipping finance from other types of bank, lending and explaining the refinements to the basic secured loan that modern, international shipping finance demands. d. Understand the conditions and terms of ship mortgage as well as the financing of second-hand ships and of new buildings, and methodology for financial appraisal and assessment. e. Comprehend contemporary issues of shipping finance.
Subject Synopsis/ Indicative Syllabus	<p>General Background</p> <p>The four shipping markets. Shipping market cycles. The tramp/liner shipping markets. Ship registration. One ship company and Mareva injunction. Maritime Lien. Consolidation, Mergers and acquisitions in the shipping industry. Investment strategies in the shipping business.</p> <p>Theoretical Background of Shipping Finance</p> <p>The Modigliani-Miller Theorem, the Trade-Off Theory of Capital Structure, and the Pecking Order Theory.</p>

	<p>Cost, Revenue and Cash Flow in Shipping</p> <p>Capital cost of the ship. Shipping accounts. Methods of cash flow: The voyage cash flow, the annual cash flow; the required freight rate analysis and the discounted cash flow analysis.</p> <p>Finance of Ships</p> <p>Ship finance and shipping economics. The world financial systems and types of finance. Financing ships with private funds, bank loans, boutique, capital markets. Government subsidies and shipyard credit and other ship financing schemes.</p> <p>Fundamentals of bank shipping finance: types of banks involved in shipping finance and their respective objectives, shipping risks and banking risks, types of bank's shipping facilities and services, bank shipping credit policy and credit analysis, shipping loan documentation, loan monitoring and problem loan treatment.</p> <p>Risk and Credit analysis</p> <p>Risk management in the shipping industry and shipping finance.</p> <p>The 5C credit analysis of shipowner: Character, Capacity, Capital, Collateral and Conditions.</p> <p>General credit analysis and financial appraisal and assessment of shipping investment: cashflow type (e.g. cashflow analysis, net present value method, internal rate of return, payback period, breakeven analysis etc.) and ratio type (e.g. liquidity ratio, leverage ratios, activity ratios, profitability ratios etc.)</p> <p>Credit analysis for ships: Net fixed income to debt service, total liabilities to net worth, hull-to-debt ratio etc.</p>																																						
<p>Teaching/Learning Methodology</p>	<p>In the lectures the general principles of the syllabus topic will be presented and developed, together with guidance on further reading and activities. Lectures may also be used for the presentation and discussion of leading cases.</p> <p>In the tutorials, students will develop and apply the general principles of the topic in student-centered activities, including case studies, student presentations and discussions.</p>																																						
<p>Assessment Methods in Alignment with Intended Learning Outcomes</p>	<table border="1" data-bbox="500 1377 1463 1749"> <thead> <tr> <th rowspan="2">Specific assessment methods/tasks</th> <th rowspan="2">% weighting</th> <th colspan="6">Intended subject learning outcomes to be assessed (Please tick as appropriate)</th> </tr> <tr> <th>a</th> <th>b</th> <th>c</th> <th>d</th> <th>e</th> <th></th> </tr> </thead> <tbody> <tr> <td>1.Coursework</td> <td>50%</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> </tr> <tr> <td>2. Final examination</td> <td>50%</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> </tr> <tr> <td>Total</td> <td>100 %</td> <td colspan="6"></td> </tr> </tbody> </table> <p>Explanation of the appropriateness of the assessment methods in assessing the intended learning outcomes:</p> <p><i>To pass this subject, students are required to obtain Grade D or above in BOTH the Continuous Assessment and Final Examination components.</i></p>	Specific assessment methods/tasks	% weighting	Intended subject learning outcomes to be assessed (Please tick as appropriate)						a	b	c	d	e		1.Coursework	50%	✓	✓	✓	✓	✓		2. Final examination	50%	✓	✓	✓	✓	✓		Total	100 %						
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2. Final examination	50%	✓	✓	✓	✓	✓																																	
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Student Study Effort Expected	Class contact:	
	▪ Lectures	26 Hrs.
	▪ Tutorials	13 Hrs.
	Other student study effort:	
	▪ Self Study	31 Hrs.
	▪ Group Project	60 Hrs.
	Total student study effort	130 Hrs.
Reading List and References	<p>Brealey A. R. and Myers C. S. (2011). Principles of Corporate Finance, International Edition (10th edition), McGraw-Hill, Inc.</p> <p>Cheng P. (1979.) Financial Management in the Shipping Industry, Cornell Maritime Press.</p> <p>Clarkson Research Services (2008). KG Finance & Shipping 2008: A report on the KG ship finance sector and its development, London</p> <p>Drewry Consultants (1996). Shipping finance: A high risk – low return business, Drewry.</p> <p>Drewry Consultants (2001). Shipping finance & investment, Drewry.</p> <p>Drewry Consultants (2004). Second hand Ships: Timing is everything, Drewry [electronic resource].</p> <p>Grammenos C. T. (2010). The handbook of maritime economics and business (2nd edition), LLP (London).</p> <p>Grammenos C. T. and Xilas E. M. (1996/1997). Shipping investment & finance, Course Manual at Department of Shipping, Trade and Finance, City University Business School, London, U.K.</p> <p>Harwood S. (2006). Shipping finance (3rd edition), London: Euromoney Books.</p> <p>Mayer Brown JSM (2011). Guide to shipping finance in Hong Kong.</p> <p>Paelinck H. (2010). Reeds dictionary of shipping and marine finance, Reeds.</p> <p>Sloggett J. E. (1984). Shipping finance, Fairplay.</p> <p>Stokes P. (1997). Ship finance — Credit expansion and the Boom-Bust cycle (2nd edition), LLP (London).</p> <p>Stopford M. (2009). Maritime economics, Routledge.</p>	