Maritime Economics Practice Questions

Use these 150 multiple-choice questions to review key concepts and practise applying them. Choose one option per question, then check the answer shown in bold.

Demand for Maritime Transport

1. Which unit records cargo volume without taking distance into account?
A. Tonne-nautical miles
B. Ship-days
C. Tonnes
D. Knots

2. Why can a rise in steel production increase demand for bulk shipping?
A. Steel mills may import more raw materials
B. Steel production adds bulk carriers to the fleet
C. It reduces the distance to suppliers
D. It directly lowers freight rates

3. A route carries 400,000 tonnes over 2,000 nautical miles annually. How much transport work does it generate?
A. 800 million tonne-nautical miles
B. 2 billion tonne-nautical miles
C. 800,000 tonne-nautical miles
D. 200 million tonne-nautical miles

4. A trade ships 10% fewer tonnes, but the distance increases by 20%. How does transport work change?
A. It rises by 8%
B. It rises by 10%
C. It falls by 8%
D. It stays unchanged

5. A trade is rerouted around a cape and cargo volume holds steady. Which variable rises immediately?
A. Cargo tonnes shipped
B. Ships on order
C. Physical fleet capacity
D. Transport work required

6. At unchanged freight rates, an unexpected fall in grain exports reduces shipments across a trade. What happens to its demand curve for shipping services?
A. It shifts right
B. It becomes vertical
C. It stays fixed and supply rises
D. It shifts left

7. A decline in freight rates encourages shippers to request more transport on an otherwise unchanged demand curve. What is this?
A. A leftward shift of the supply curve
B. A rightward shift of the demand curve
C. A movement along the demand curve
D. A fall in the physical fleet

Demand for Maritime Transport

8. Two trades ship the same tonnage. Which generates more transport work?

A. The one with the higher port tariff
B. The one with the older vessels
C. The one with the shorter average haul
D. The one with the longer cargo-weighted average haul

9. What does average haul describe?

A. The average distance over which cargo is carried
B. The average time a vessel spends in port
C. The average annual earnings of a vessel
D. The average size of a single ship

10. A baseload power plant replaces imported coal with locally produced renewable power. What is the most direct shipping effect?

A. Higher demand for coal carriers at that plant
B. A rise in the market's physical fleet
C. Lower demand for sea transport of coal to that plant
D. Higher coal transport work because power is produced locally

11. A mill uses imported ore even after a moderate freight increase. What does this suggest about its shipping demand over that price range?

A. It is perfectly price-elastic
B. It is unrelated to production
C. It is relatively price-inelastic
D. It has shifted left by definition

12. Why might maritime demand respond more to freight changes over several years than over several weeks?

A. The fleet's depreciation rate determines cargo purchases
B. Shippers have more time to change sourcing and logistics
C. The distance between any pair of ports changes over time
D. Short-run cargo contracts fix demand permanently

13. A route loses 25% of its cargo volume while the average haul remains constant. What happens to tonne-nautical miles?

A. They fall by 25%
B. They fall by 50%
C. They rise by 25%
D. They stay unchanged

14. A grain crop failure reduces exports from one country, but importers buy equal quantities from a more distant country. What happens to total grain transport work for those importers?

A. It increases
B. It falls in proportion to the first country's crop loss
C. It is unchanged because quantities are unchanged
D. It equals the volume in tonnes

15. Which is an example of a seasonal source of shipping demand?

A. The demolition of an ageing carrier
B. Grain shipments concentrated after harvest
C. The periodic dry-docking of a vessel
D. A shipyard's delivery of a new vessel

Supply Capacity and Freight Rates

16. What is fleet productivity in a shipping supply model?

A. The total number of orders placed at shipyards
B. Transport work supplied per unit of fleet capacity over a period
C. The average age of ships in a fleet
D. The price paid for one tonne of deadweight

17. What is a ballast leg?

A. A voyage covered by a time charter
B. A voyage leg sailed without commercial cargo
C. A leg carrying cargo at the ship's maximum draught
D. A route that does not call at a loading port

18. All other things equal, what happens to loaded voyages per year if ships spend more of their time repositioning empty?

A. They stay fixed by deadweight
B. They tend to rise
C. They tend to fall
D. They become independent of voyage duration

19. Which change reduces effective supply while leaving the number of ships in the fleet unchanged?

A. A yard delivers additional vessels
B. New vessels enter the trade
C. Vessels spend longer waiting for berths
D. Older vessels are scrapped

20. An owner shortens a complete cycle from 50 to 40 days with the same cargo per cycle. Approximately how much does annual carrying output increase, ignoring indivisibility?

A. 10%
B. 25%
C. 40%
D. 20%

21. Why can higher bunker prices discourage speeding up?

A. Higher fuel prices reduce the ship's deadweight
B. The additional fuel needed for higher speed becomes more expensive
C. Faster sailing always reduces the total fuel bill
D. Bunkers are charged only on ballast voyages

22. What happens to effective supply when serviceable idle ships return to active trading?

A. It increases
B. It remains fixed at the pre-reactivation level
C. It increases only when deadweight changes
D. It decreases

Supply Capacity and Freight Rates

23. Why might a laid-up vessel take time to re-enter the market?

A. Its deadweight must be transferred from another ship
B. It may need crew, checks and preparation before trading
C. It needs a newbuilding order before it can sail
D. It must first be sold for recycling

24. What commonly limits further short-run output when the fleet is already fully employed?

A. The price of secondhand shares in shipping companies
B. The number of pending demolition bids alone
C. Available ships and feasible speed or operating limits
D. A sudden increase in shipyard productivity

25. Supply is steep near full utilisation. What is the typical effect of a modest rightward demand shift there?

A. A lower freight rate and lower output
B. A large output increase and a negligible freight increase
C. A relatively large freight increase and a small output increase
D. A lower freight rate and higher output

26. What determines the initial equilibrium in a standard freight market diagram?

A. The number of contracts signed by the largest shipowner
B. The intersection of ship prices and fuel consumption
C. The intersection of demand and supply for shipping services
D. The vessel age at which depreciation stops

27. Demand holds steady and a disruption removes effective capacity from a market. What is the usual direction of the freight rate response?

A. Unchanged because demand is fixed
B. Down first in every case
C. Down
D. Up

28. If demand slopes down and short-run supply slopes up, what happens when demand shifts left?

A. Both equilibrium freight rate and output fall
B. Both equilibrium freight rate and output rise
C. Freight rises and output falls
D. Freight falls and output rises

29. How can a stronger backhaul market improve fleet productivity?

A. The shipyard orderbook is automatically reduced
B. The outward leg becomes longer by definition
C. Every ship gains additional deadweight
D. More return legs carry revenue cargo instead of sailing empty

30. Which response generally has the longest lead time?

A. Changing speed within operating limits
B. Repositioning an available vessel
C. Returning a readily serviceable idle ship to trade
D. Expanding the fleet through a newbuilding order

Chartering and Freight Market Practice

31. What is a charterparty?
A. The record of all ships on order
B. The certificate stating a ship's recycling value
C. The contract setting out the terms of a charter
D. The insurance premium paid by the charterer

32. What is a freight fixture?
A. A public record of loan repayments
B. An agreement concluded to charter a vessel or move cargo
C. An estimate of the vessel's demolition proceeds
D. A shipyard production slot

33. How is hire under a conventional time charter usually quoted?
A. As a rate per nautical mile sailed
B. As a percentage of the ship's sale price
C. As a rate per day
D. As a rate per tonne discharged in every case

34. Under a typical voyage charter, how is freight for bulk cargo commonly agreed?
A. Per day of technical management only
B. As a percentage of the owner's book equity
C. As a share of shipyard instalments
D. Per tonne carried or as a lump sum

35. What does a bareboat charterer typically take responsibility for?
A. Providing only the cargo while the owner runs the ship
B. Ordering a replacement vessel upon signing
C. Crewing and operating the vessel
D. Setting the industry's benchmark freight rate

36. Which contract suits a shipper that agrees to move several parcels over a year without requiring a particular vessel for every voyage?
A. A recycling contract
B. A shipbuilding contract
C. A contract of affreightment
D. A bareboat purchase option

37. In a typical voyage charter, which party normally pays for the ship's bunkers?
A. The cargo receiver in every case
B. The shipowner
C. The shipyard
D. The port authority

Chartering and Freight Market Practice

38. What is laytime?

A. The time allowed under the charterparty for loading or discharging
B. The time a ship is laid up awaiting better market conditions
C. The time between paying principal and interest
D. The full period from ordering to delivery

39. Loading exceeds the agreed laytime with no contractual exception. What is the usual name for compensation for that delay?

A. Daily depreciation
B. Freight rebate
C. Despatch
D. Demurrage

40. What is off-hire under a time charter?

A. A period in which hire is suspended under the agreed terms
B. A delay that always increases daily hire
C. The gap between agreeing a ship sale and paying its price
D. The date the owner orders a new vessel

41. A charterer pays fixed daily hire and bunkers. Which cost rises directly for the charterer if the same voyage uses the same fuel volume at a higher price?

A. The agreed daily hire rate
B. The owner's crew wages
C. Its bunker bill
D. The shipbuilder's instalment

42. An owner negotiates employment for a single cargo movement and expects to pay the voyage fuel bill. Which contract best matches that arrangement?

A. Ship sale agreement
B. Bareboat charter
C. Time charter
D. Voyage charter

43. An owner wants steadier day-rate revenue over the next twelve months. Which option most directly supports that objective?

A. Taking a sequence of future spot voyages at unknown rates
B. Changing the vessel's flag while remaining in the spot market
C. Leaving the vessel idle for twelve months
D. A twelve-month time charter at an agreed daily hire

44. The market strengthens after an owner fixes the vessel on a one-year charter at a fixed rate. What is the main opportunity cost?

A. The owner forgoes the higher spot earnings it might otherwise have made
B. The vessel's capacity automatically falls
C. The fixed rate becomes a daily spot rate
D. The owner must pay the difference between the old and new rate to the charterer

45. Why compare fixtures on the same route and for similar ship classes when assessing rates?

A. Ships in all sectors can carry the same cargoes
B. The fixture date has no relevance for comparisons
C. Route and vessel characteristics affect earnings and comparability
D. Every fixture is subject to the same port charges worldwide

Ship Asset Markets and Fleet Investment

46. What is a newbuilding delivery date?

A. The scheduled date the completed vessel is handed over
B. The date its recycling slot is booked
C. The date the ship was first considered for investment
D. The first date the ship can be advertised for charter

47. What is a ship's residual value in an investment appraisal?

A. Its annual revenue from one charter
B. The full amount of its annual loan payments
C. Its first-year operating expenses
D. Its expected disposal value at the end of the appraisal period

48. What distinguishes the owner's disposal proceeds from market service capacity when an active ship changes owners and keeps trading on the same route?

A. The sale cancels the ship's ability to earn freight
B. The buyer adds a second ship to the market immediately
C. The ship's deadweight disappears when the seller is paid
D. The seller receives proceeds while the ship continues supplying capacity

49. Why can a young secondhand ship cost more when freight expectations improve?

A. The sale eliminates all future operating costs
B. Buyers expect higher earnings from operating it
C. Future earnings cease to affect the valuation
D. Its physical capacity rises when spot rates rise

50. Which comparison isolates the effect of age most effectively?

A. A new vessel's price versus a single voyage's revenue
B. Different ship classes sold in different decades
C. Similar ships of different ages valued in the same market at the same time
D. Two identical ships of the same age sold on the same day

51. Why might an owner pay a premium for a modern secondhand ship during a boom?

A. It can start earning sooner than a newbuilding with a long delivery lead time
B. It is guaranteed to earn today's rates for its entire life
C. The purchase creates new global fleet capacity automatically
D. It requires no insurance or maintenance

52. Which factor weakens the case for ordering more ships at a cyclical peak?

A. Many competing vessels are scheduled to arrive before the new ship's first full year of trading
B. The owner has secured reliable long-term cargo commitments
C. New supply is constrained by limited yard capacity
D. Earnings are contracted at firm rates covering expected cash costs

Ship Asset Markets and Fleet Investment

53. What does net fleet growth account for?

A. New orders placed less vessels already operating
B. Vessels added to the fleet less vessels removed
C. Cargo delivered less ballast distance
D. Changes in freight less changes in fuel cost

54. The fleet begins the year with 20 million dwt. During the year 1.4 million dwt is delivered and 0.4 million dwt removed. What is net fleet growth?

A. 5%
B. 7%
C. 2%
D. 9%

55. Why might an older ship's scrap value rise even as its expected earnings fall?

A. Lower earnings automatically increase shipbook equity
B. Recyclers are willing to pay more for recovered steel
C. A higher scrap price means the vessel carries more cargo
D. Its time charter hire is set by its scrap value

56. An owner can obtain favourable scrap proceeds today, or continue operating with uncertain future earnings. Which information improves the decision most?

A. Last month's ballast distance alone
B. The global fleet's average speed alone
C. The original purchase price alone
D. Expected trading cash flows, upcoming upkeep and expected future disposal proceeds

57. Which change would immediately reduce capacity in a particular market even if global physical fleet capacity stayed constant?

A. An eligible ship switches permanently to a different service
B. The same vessel is sold and remains on the same service
C. An owner retires an unsecured loan
D. An order is placed for delivery in four years

58. What can explain high current rates and a weak investment case at the same time?

A. A permanent cost reduction and growing long-term cargo commitments
B. Low current rates and unusually fast recycling
C. Temporary capacity tightness and heavy scheduled deliveries
D. A complete absence of future additions and strong contracted demand

59. Why can demolition accelerate in a prolonged downturn?

A. Weak expected earnings make keeping marginal older vessels less attractive
B. Weak earnings raise the fleet's net carrying capacity
C. Low freight rates prevent any ship from being sold for recycling
D. Old vessels lose their scrap metal whenever freight falls

60. An owner expects uncertain demand and needs flexible access to one additional ship this year. Which move avoids buying the asset?

A. Charter in a suitable ship for the period required
B. Buy a similar secondhand ship
C. Buy a ship and finance it with a loan
D. Place a firm newbuilding order

Bulk Cargoes and Ship Selection

61. Which cargo is commonly carried in dry bulk?
A. Bottled beverages on pallets
B. Unbagged iron ore
C. Passenger cars on decks
D. Refrigerated fruit in cartons

62. Which cargo is typically transported as liquid bulk?
A. Iron ore pellets
B. Wheat grain
C. Steel coils
D. Crude oil

63. What does deadweight include in addition to cargo?
A. The freight revenue earned on the voyage
B. The weight of cranes installed ashore
C. The weight of the empty hull and machinery
D. Fuel, water and other variable loads on board

64. What is a cargo's stowage factor?
A. The distance sailed per tonne loaded
B. The volume occupied per unit of cargo weight
C. The daily freight cost per unit of capacity
D. The percentage of fuel reserved for port calls

65. A ship reaches its hold-volume limit before its weight limit on a grain cargo. What constrains loading?
A. The available cubic capacity
B. The annual number of voyages
C. The charterer's cost of capital
D. The ship's cash break-even rate

66. A vessel has 60,000 cubic metres of available hold space. The cargo needs 1.5 cubic metres per tonne. Ignoring losses, how much will fit if weight is not binding?
A. 30,000 tonnes
B. 90,000 tonnes
C. 40,000 tonnes
D. 60,000 tonnes

67. A port can receive no more than 72,000 tonnes per call. What is the fewest calls needed to deliver 300,000 tonnes?
A. Five
B. Six
C. Four
D. Seven

Bulk Cargoes and Ship Selection

68. Why can a smaller bulk carrier outperform a larger one on a shallow river trade?
A. It always carries a larger cargo parcel
B. It can reach terminals that restrict larger ships' loaded draught
C. It always uses less fuel per tonne on any route
D. Its annual charter hire is always higher

69. What does it mean for a ship to be geared?
A. It is fitted with a refrigerated hold by definition
B. It has been bought with borrowed funds
C. It has its own cargo-handling equipment
D. It carries only unpackaged liquids

70. A bulk terminal has no shore cranes. Which feature makes a carrier operationally more flexible there?
A. Suitable on-board cargo cranes
B. A higher residual value
C. A longer period charter
D. Higher maximum ballast speed

71. Why are iron ore and coal often shipped in large parcels?
A. They have to be loaded in separate refrigerated compartments
B. They are all shipped under short-haul schedules
C. Their low density always fills holds before weight limits bind
D. High trade volumes and suitable terminals allow unit-cost economies

72. A terminal unloads 1,200 tonnes per hour. How much time does it need to unload 48,000 tonnes at that constant rate?
A. 40 hours
B. 24 hours
C. 60 hours
D. 48 hours

73. Why compare total logistics costs when selecting a ship size?
A. The largest vessel always gives the lowest total cost
B. Freight savings can be offset by inland, handling or storage costs
C. The ship's age determines every cost in the chain
D. Port and inland costs move one-for-one with vessel size

74. A utility needs 120,000 tonnes of coal a month and can receive two equal deliveries. What parcel size matches that plan?
A. 40,000 tonnes
B. 120,000 tonnes
C. 60,000 tonnes
D. 240,000 tonnes

75. Where would a larger bulk carrier's unit-cost advantage be most likely to materialise?
A. On a shallow trade requiring extensive lightering on every call
B. On a high-volume route with sufficient port draught and cargo to fill it
C. On a route where cargo frequently fills only a small share of capacity
D. On a low-volume route with severe terminal restrictions

Specialised Cargoes and Vessel Design

76. What makes shipping a service specialised for a cargo?
A. The vessel or service is adapted to that cargo's transport requirements
B. It always carries more tonnes than a conventional bulker
C. It has the lowest purchase price in the fleet
D. It serves only domestic routes

77. What does LNG stand for?
A. Low-nitrogen gas
B. Liquefied natural gas
C. Liquid naphtha grade
D. Light neutral gasoline

78. Why does an LNG carrier need insulated containment?
A. To limit heat entering the very cold cargo
B. To raise the cargo to ambient temperature on purpose
C. To keep its loading crane dry
D. To increase the ship's ballast capacity

79. What does boil-off refer to in LNG transport?
A. The removal of water from ballast tanks
B. Gas produced solely by a shore crane
C. Part of the liquid cargo evaporating as heat enters
D. A rise in bunker prices during the voyage

80. Why might traditional LNG projects use long-term shipping arrangements?
A. Cargo volumes and terminal schedules never matter
B. They must coordinate substantial investments across the supply chain
C. Long-term arrangements remove the need for containment
D. Their ships can be cheaply repurposed for any dry bulk cargo

81. Which pair of cargoes is most commonly associated with LPG transport?
A. Wheat and barley
B. Iron ore and coal
C. Crude oil and bitumen
D. Propane and butane

82. What is a reefer container?
A. A tank used only for crude oil
B. A ship compartment reserved for ballast water
C. A container equipped to control cargo temperature
D. A container with no roof and no temperature controls

Specialised Cargoes and Vessel Design

83. Why does controlling temperature matter during an intermediate port transfer of frozen cargo?
A. The cargo no longer needs temperature control once it has been shipped
B. The port transfer changes the ship's carrying capacity
C. Cold-chain requirements apply only after the cargo reaches the buyer
D. An interruption in the cold chain can compromise cargo quality

84. Which operation characterises roll-on roll-off transport?
A. Liquid cargo is pumped through a pipeline
B. Dry bulk is discharged by a grab
C. Wheeled cargo moves on and off the ship via a ramp
D. Containers must be lifted by shore cranes

85. Which design feature is particularly useful for carrying many passenger cars at once?
A. Multiple vehicle decks with ramp access
B. Open holds to accommodate iron ore
C. A larger ballast-water treatment room
D. Extra-deep tanks for heavy liquid cargo

86. A cargo owner must move an unusually heavy transformer. Which vessel capability is most relevant?
A. Lifting gear rated for the weight and suitable deck or hold space
B. A larger number of small liquid tanks
C. More refrigerated electrical sockets
D. Higher passenger capacity

87. Why may a chemical carrier require tank cleaning between voyages?
A. To increase the vessel's registered deadweight
B. To record the voyage's freight income
C. To avoid contamination or reaction with residues from a previous cargo
D. To lower interest payments on the vessel

88. What commercial risk can come with highly specialised equipment?
A. Unlimited options to switch into other markets
B. A guaranteed increase in value after every downturn
C. Fewer alternative cargoes if the target market weakens
D. Uniform earnings across all ship types

89. When might a shipper pay a premium for a specialised service?
A. When the service reduces expected damage or supplies handling standard vessels cannot offer
B. When the service delivers the same result at a higher total cost with no benefit
C. When service quality deteriorates and loss risk rises
D. When it solves none of the requirements of the shipment

90. A purpose-built vessel has total annual costs of $12 million and moves 600,000 tonnes. What is its cost per tonne?
A. $12
B. $20
C. $50
D. $72

Operating Costs and Voyage Economics

91. Which category normally includes hull and machinery insurance?
A. Voyage costs
B. Freight revenue
C. Operating costs
D. Principal repayments

92. Why can insurance and routine maintenance still cost money when a vessel makes no new voyage?
A. Every expense becomes a port charge when a vessel is idle
B. Many ownership and operating expenses continue while the vessel is idle
C. Only the charterer can incur these costs
D. The vessel's cargo amount sets its insurance bill each day

93. Which cost is most directly allocated to a particular canal transit?
A. Annual hull insurance
B. The canal toll
C. The vessel's purchase price
D. Annual management salaries

94. What does a ship's bunker bill depend on most directly?
A. Fuel quantity consumed and price per unit
B. The amount of loan principal and the repayment schedule
C. The vessel's residual value and age alone
D. The price and weight of the cargo

95. A vessel buys 180 tonnes of bunkers at $520 per tonne. What is the purchase bill?
A. $83,600
B. $103,600
C. $9,360
D. $93,600

96. A ship can carry 50,000 tonnes on a route at a total voyage cost of $400,000. What is the voyage cost per tonne when fully loaded?
A. $20
B. $8
C. $5
D. $80

97. Two voyages have the same net voyage earnings, but the first takes fewer days. Which has the higher TCE?
A. It depends only on ship age
B. The first voyage
C. The second voyage
D. They must have the same TCE

Operating Costs and Voyage Economics

98. Voyage X yields $360,000 net over 24 days. Voyage Y yields $420,000 net over 30 days. Which has the higher TCE?

A. Voyage Y by $1,000 per day
B. Voyage X by $1,000 per day
C. Voyage X by $2,000 per day
D. Both yield $15,000 per day

99. A bulk carrier fixed on voyage terms faces unexpected port costs after agreeing a fixed freight amount. All else equal, what happens to its TCE?

A. It is unaffected because freight was fixed
B. It rises
C. Its direction depends only on the purchase price
D. It falls

100. What is the economic cost of extra waiting time even if the port imposes no additional fee?

A. The cargo automatically loses its full value
B. The owner avoids all daily expenses
C. The ship loses time it could otherwise use to earn revenue
D. Its hull becomes heavier

101. Which comparison can support a speed decision on a voyage?

A. The number of ships on order versus port handling equipment
B. Historic purchase price versus the number of crew
C. The barrel price of oil versus the ship's scrap weight
D. Fuel savings from slowing versus the value of the additional time used

102. Why can larger ships have lower unit costs even when their daily costs are higher?

A. Daily costs are excluded on larger ships
B. They never face additional port expenses
C. Their carrying capacity may increase more than their costs
D. Their utilisation is guaranteed at 100%

103. A vessel has $6,000 in daily operating costs. What are its operating costs over 30 days at that rate?

A. $18,000
B. $200,000
C. $216,000
D. $180,000

104. A vessel undergoes scheduled dry-docking. What is a possible economic consequence besides the direct yard bill?

A. Guaranteed higher market freight rates
B. A permanent increase in deadweight
C. Lost earning days while the ship is unavailable
D. An automatic reduction in loan principal

105. Why can an older ship be less competitive despite a lower purchase price?

A. Its voyage costs are always paid by the shipyard
B. Its resale value automatically exceeds a new ship's value
C. Higher fuel use or upkeep can offset the capital saving
D. Its fuel and maintenance bills are always zero

Cash Flow Finance and Investment Appraisal

106. What is liquidity for a shipping company?

A. Its ability to meet cash obligations when they fall due
B. The age at which a ship must be recycled
C. The market's average freight rate
D. Its fleet's physical carrying capacity

107. What is depreciation in a shipowner's accounts?

A. The cash received whenever a voyage ends
B. The maximum freight rate allowed in a charter
C. The allocation of a vessel's depreciable cost over its useful life
D. The payment of bank loan principal

108. A ship has an accounting profit this month, but its customer will pay the invoice in 60 days. What does this illustrate?

A. The invoice must already have been paid
B. Revenue recognition and cash collection can occur at different times
C. All revenue is recorded only on the day cash is collected
D. Accounting profit guarantees sufficient cash today

109. Which action directly improves near-term operating cash flow if sales and expenses stay the same?

A. Recording higher accounting depreciation
B. Extending the time customers have to pay
C. Collecting customer invoices sooner
D. Paying suppliers earlier without any discount

110. What is debt service on a conventional amortising ship loan?

A. Only the vessel's annual maintenance bills
B. Total freight revenue after rebates
C. The payment made to buy fuel
D. Scheduled payments of principal and interest

111. A time-chartered vessel earns hire on 320 days. Its annual cash commitments total $2.88 million and the charterer pays voyage costs. What daily hire covers those commitments?

A. $9,000
B. $8,000
C. $10,000
D. $12,000

112. Annual cash commitments are fixed, but off-hire reduces expected paying days. What happens to cash break-even hire per earning day?

A. It stays constant
B. It becomes equal to the vessel's purchase price
C. It falls
D. It rises

Cash Flow Finance and Investment Appraisal

113. An owner has $1.2 million in unrestricted cash and a continuing monthly cash deficit of $300,000. With no new financing, how long can that cash cover the deficit?

A. Five months
B. Four months
C. Six months
D. Three months

114. What does higher financial leverage generally mean in a ship acquisition?

A. The vessel's deadweight rises relative to hull weight
B. The vessel's annual depreciation stops
C. A greater proportion is funded with retained earnings
D. A greater proportion of the purchase is funded with debt

115. A loan contract requires a minimum vessel-value-to-debt ratio. Outstanding debt is unchanged, but the ship value falls sharply. What becomes more likely?

A. A reduction in the contractual minimum ratio
B. A breach of the loan's asset-value covenant
C. The lender's claim disappearing immediately
D. An automatic increase in the vessel's appraised value

116. A profitable owner has enough uncommitted cash to fund a small upgrade. Under pecking order theory, which source would typically be considered first?

A. A new public share issue
B. A rights issue offered to existing shareholders
C. A new loan even though internal funds are sufficient
D. Its available internal funds

117. When internal funds are insufficient, why might pecking order theory predict debt before external equity?

A. Debt repayments are optional in weak markets
B. Equity is always more expensive than debt in every possible circumstance
C. Debt financing removes the need to service any contractual obligations
D. Investors may have less information than managers, making new equity sensitive to perceived mispricing

118. In a discounted cash flow appraisal, what does a higher discount rate do to the present value of the same positive future cash receipts?

A. It has no effect on distant receipts
B. It reduces their present value
C. It increases their present value
D. It makes their present value equal to the undiscounted sum

119. A ship investment costs $18 million today. The present value of its future net inflows, including disposal proceeds, is $21 million. What is its NPV?

A. Zero
B. Negative $3 million
C. Positive $3 million
D. Positive $21 million

120. Two ship investments cost the same. One is expected to generate identical total nominal cash receipts sooner. Which has the higher present value at a positive discount rate, all else equal?

A. The investment with earlier receipts
B. The answer depends only on how depreciation is booked
C. Both must have equal present values
D. The investment with later receipts

Freight Costs Inflation and Supply Chains

121. What does a producer price index typically track?
A. Changes in ship loan balances
B. Changes in total fleet deadweight
C. Changes in prices received by producers for their output
D. Changes in the price of a representative consumer basket only

122. What does a consumer price index typically track?
A. Changes in the price of a basket of goods and services purchased by households
B. Changes in wholesale loan rates
C. Changes in the price shipyards charge for newbuildings only
D. Changes in container ship fleet capacity

123. What does a reading of zero on a standardised supply chain pressure index indicate if the series was centred on its historical mean?
A. Global supply chains have no costs or delays
B. Pressure is at the historical mean
C. Global trade has stopped
D. Every individual component equals zero

124. Which observation directly measures transit delays in a supply chain?
A. The market value of ageing vessels
B. Annual shipbuilding instalments
C. Outstanding principal on carrier loans
D. Average extra days shipments take to arrive

125. Why can a broad supply chain indicator behave differently from a rate index for a single shipping route?
A. It tracks only the quantity of shipyard orders
B. It is calculated from the same route's hire alone
C. Individual route rates are excluded from all economic analysis
D. It combines signals from several transport and production measures

126. A manufacturer pays higher freight to import components. What happens first if the purchase price of the components is unchanged?
A. The manufacturer's physical output automatically doubles
B. The delivered cost falls because freight has risen
C. The factory's selling price must immediately rise by the full freight percentage
D. The delivered cost of the components rises

127. A firm's transport cost per item rises by $3 and it raises the selling price by $1. What fraction of the extra cost is passed through in this example?
A. All of it
B. One-third
C. Two-thirds
D. One-half

Freight Costs Inflation and Supply Chains

128. A manufacturer's delivered input costs rise, but it keeps its selling prices and all other costs unchanged. What happens to its margin per unit?

A. It becomes equal to the freight charge
B. It stays constant
C. It falls
D. It rises

129. Why might shipping cost increases affect different products by different amounts?

A. Products differ in import exposure and in freight's share of total cost
B. All products contain exactly the same amount of freight cost
C. All goods are sourced from the same country
D. Every sector changes its prices at the same time and by the same amount

130. Why can the effect of a freight shock on prices appear with a lag?

A. Freight prices enter all selling prices before shipment by definition
B. Retail margins are fixed permanently
C. All firms must reprice immediately
D. Existing inventories and contracts can delay repricing

131. A shipping disruption raises transport costs mainly for imported furniture. Which effect is most consistent with a cost channel?

A. An increase in fleet capacity before any price effect
B. Upward price pressure concentrated in the exposed product category
C. An automatic fall in the producer prices of all imported goods
D. Identical price increases for all goods and services regardless of exposure

132. What is price inflation?

A. The share of shipping in the cost of one specific good
B. The total level of the price index itself
C. A decrease in fleet productivity
D. A rate of increase in a price index over time

133. A price index rises once from 100 to 104 and then stays at 104. What happens to inflation measured between consecutive periods after the initial jump?

A. It stays at 4% in every subsequent period
B. It returns to zero while the index stays at 104
C. It rises to 8% in the next period
D. It turns negative immediately

134. Freight is $10 of a product's $100 delivered cost. Freight doubles and all other costs stay the same. What is the new delivered cost?

A. $200
B. $110
C. $120
D. $90

135. Freight rates and consumer prices both rise during a strong demand recovery. What should an analyst conclude from that observation alone?

A. The freight increase necessarily caused the entire rise in consumer prices
B. A common demand shock may move both series, so the direct freight effect needs further evidence
C. The two series can never influence one another
D. Consumer prices necessarily caused all of the freight increase

Market Indicators and Integrated Decisions

136. A freight index rises from 1,200 to 1,500 points. What is the percentage change?

A. 30%
B. 33.3%
C. 20%
D. 25%

137. What can a composite shipping earnings index summarise?

A. The volume of all cargo handled by ports
B. Changes in earnings across a basket of representative ship types or routes
C. The exact earnings of every vessel in the world
D. A company's accounting profit after tax

138. A composite index rises even as earnings in one constituent segment fall. How can this happen?

A. The index must track a single vessel only
B. Every component must have risen by the same amount
C. The declining segment's freight rate must be zero
D. Gains in other components outweigh that segment's decline

139. Index A measures dry bulk freight and Index B measures container ship charter rates. Which approach makes sense when advising an owner of bulk carriers?

A. Use Index B alone because it measures a different sector
B. Use Index A as the closer sector benchmark and check relevant vessel classes and routes
C. Use whichever index has the higher numerical level
D. Assume both indices always move one-for-one

140. A vessel class has strong spot rates during a brief surge in harvest exports. What should an owner examine before committing to a long-lived investment?

A. Whether demand will persist after the seasonal surge and how much tonnage will arrive
B. Whether the shipyard's logo is well known
C. Only the highest daily earnings observed this week
D. Only the vessel's maximum speed

141. Available regional tonnage falls temporarily while expected long-term cargo flows stay steady. Which outcome is plausible?

A. Spot rates rise more than longer-period rates
B. Secondhand sales necessarily double fleet capacity
C. Longer-period rates must rise more than spot rates
D. Spot rates must fall regardless of available ships

142. A route's tonne-nautical miles grow by 6% while effective capacity grows by 2%. All else equal, what does this suggest?

A. The market tends to tighten
B. The market tends to loosen
C. Freight rates must fall by exactly 2%
D. Utilisation must fall by exactly 4 percentage points

Market Indicators and Integrated Decisions

143. A shipowner aims to maintain liquidity through a possible downturn. Which action most directly supports that aim?

A. Assume current peak spot rates will persist throughout the loan term
B. Spend all cash reserves on a nonessential fleet upgrade
C. Build cash reserves and test whether contracted revenues cover cash commitments
D. Increase short-term debt payments while reducing cash reserves

144. An owner considers reactivating a laid-up vessel for a brief market rally. What question is most relevant?

A. Was the ship profitable in its best year regardless of today's costs?
B. Will expected additional net earnings cover reactivation costs and the cost of returning the ship to lay-up if necessary?
C. Is the ship's original book value still positive?
D. Have all freight indexes crossed the same round number?

145. Two ships have equal daily hire when employed. One is expected to lose 20 more earning days annually. What follows if costs are otherwise equal?

A. The ship with more downtime earns more because its daily hire is unchanged
B. Their annual revenue must be identical
C. Both must have the same annual profit regardless of lost days
D. The ship with more downtime is expected to earn less annual hire

146. A company can redeploy an existing eligible vessel from a weak route to a strong one. What happens to vessel availability, all else equal?

A. It stays fixed on each route because the vessel already exists
B. It rises on both routes
C. It falls on the weak route and rises on the strong route
D. It falls on both routes

147. A vessel earns $24,000 a day in net voyage revenue before operating expenses and incurs $8,000 a day in operating costs. How much remains per day before capital costs and other items?

A. $8,000
B. $32,000
C. $24,000
D. $16,000

148. An owner pays $22 million for a ship. A competing owner buys a comparable ship for $17 million a year later, with identical expected future net operating cash flows and residual value from their respective acquisition dates. Ignoring other differences, who has the stronger investment economics at purchase?

A. The owner who pays $17 million
B. Both necessarily earn the same return
C. The answer depends only on their vessels' physical capacity
D. The owner who pays $22 million

149. In a weak freight market, a bank offers two loan schedules with the same total principal. One requires much larger payments this year. Which creates greater near-term liquidity pressure, all else equal?

A. The schedule with smaller payments this year
B. The schedules produce identical near-term cash requirements
C. The schedule with larger payments this year
D. The answer depends only on vessel draught

150. When evaluating a new voyage, which decision rule compares commercial alternatives on a common daily basis?

A. Compare cargo tonnes without considering duration or costs
B. Compare only the ballast distance
C. Compare gross freight receipts alone
D. Compare net voyage earnings per total voyage day using consistent cost assumptions