

# [Ocean carriers](https://assignbuster.com/ocean-carriers/)

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Finance Assumptions The assumptions under this case study are that the costs of operation of any new ship will amount to four thousand dollars ($4000) every day and the cost will incline every year at 1% rate above inflation. There will be 8 days of every year in which the contract is valid will be allocated to maintenance and repairs. During the 8 days, the customers would not be charged. Each and every new vessel will be devalued or depreciated on the basis of a straight line for over twenty five years (Stowell 76). The market rate that prevails in the daily spot is averagely twenty two thousand dollars ($22, 000) every day. A discount rate of nine percent is used by the ocean carrier.   
Analysis   
Having in mind that, during the 8 days, the customers would not be charged and each and every new vessel will be devaluated or depreciated on the basis of a straight line for over twenty five years. The market rate that prevails in the daily spot is averagely twenty two thousand ($20, 000) dollars every day. A discount rate of nine percent is used by the ocean carrier.   
While viewing at the projections carried out by analysts of Linn and present growth expectation in the ore and iron markets, the long run view for the sinking bulk industry look promising (Chandraiah 88). The increasing exports of ore and iron will make the demand for sinking to increase. It may also permit shipping firms to enlarge their rates. Nevertheless, as rates start to drop immensely and every shipping vessel needs a huge long-term investment, much risk is attached to the firm. Thus, projections should not, in any way, be considered entirely reliable. In the following year, every day hire rates would likely decline as the ore and iron market is anticipated to enlarge in two years’ time.   
As a result of the decrease in demand for the new shipping vessel, the price will considerably go down. Assuming that ocean carriers are to be subjected to an American tax rate of thirty five percent (35%), using a nine percent (9%) rate of discount, and anticipated every day hire rates foretold by analysts, the agreed upon lease does not seem to translate into profits. This is because of the large investment that was made at the initial stages (Berezin 111).   
Works Cited   
Berezin, M. " Emotions and the Economy." The Handbook of Economic Sociology. Ed. N. J. Smelser and R. Swedberg. 2. Princeton: Princeton University Press, 2005.   
Chandraiah, E. Evaluation Of Lease Financing. New Delhi: Concept Publishing Company, 2004.   
Stowell, David. An Introduction to Investment Banks, Hedge Funds, and Private Equity: The New Paradigm. Burlington: Academic Press, 2010.