



MASENO UNIVERSITY
UNIVERSITY EXAMINATIONS 2013/2014

FIRST YEAR FIRST SEMESTER EXAMINATIONS FOR THE
DEGREE OF MASTER OF ARTS IN PROJECT PLANNING AND
MANAGEMENT

(HOMA BAY CAMPUS)

APP 814: PROJECT FINANCE

Date: 30th November, 2013

Time: 11.00 a.m. - 2.00 p.m.

INSTRUCTIONS:

- **Answer ANY FOUR questions.**
- **Use examples where appropriate.**
- **Show all your workings.**

QUESTION ONE

The purpose of the information memorandum is to sell the deal to other banks and it does this by selectively providing technical, economics, contractual, government and market information on the proposed project. Discuss the specific sections of information memorandum (15 marks)

QUESTION TWO

A company has an investment opportunity costing Kshs 40,000 with the following expected net cash flow (i.e. after taxes and before depreciation):

YEAR	NET CASH FLOW (\$)
1	7,000
2	7,000
3	7,000
4	7,000
5	7,000
6	8,000
7	10,000
8	15,000
9	10,000
10	4,000

Using 10% as the cost of capital (rate of discount) determine the following:

- (i) Pay Back period (5 marks)
- (ii) Net Present value at 10% discount factor (5 marks)
- (iii) Profitability Index at 10% discount factor (5 marks)

QUESTION THREE

- (a) Distinguish between a weighted average cost of capital (WACC) and marginal cost of capital (MCC) **(5marks)**
- (b) Discuss the various methods used in financial statement analysis and state how the methods are beneficial to a project manager for a firm of your choice. **(10 marks)**

QUESTION FOUR

BAT which is a manufacturing firm has provided the following details from the stores ledger for the month of May 2008:

Date	Particulars of transaction
2/04/2008	Opening stock 4000 units valued at Shs 160,000
4/04/2008	Received 2000 units @ Shs 50 each
10/04/2008	Issued 5000 units
16/04/2008	Received 3000 units @ Shs 60 each
20/04/2008	Issued 3000 units
24/04/2008	Received 4000 units @ Shs 70 each
30/04/2008	Received 2000 units @ shs 60 each
31/04/2008	Issued 2000 units

Required:

Using the FIFO, LIFO and Weighted Average Stock methods show:

- (a) Value of materials issued upto 31/04/2008
- (b) Closing stock as at close of the business 31/04/2008 **(15 marks)**

QUESTION FIVE

- (a) Explain the characteristics of capital investment decisions to a newly employed Project Manager **(5 marks)**
- (b) Provide a rationale for preferring internal rate of return technique over Net Present Value in determining the worth of a project **(10 marks)**

QUESTION SIX

Provide a rationale for debt financing of projects through:

- (a) Trade Debt (5 marks)
- (b) Corporate bonds (5 marks)
- (c) Borrowing (5 marks)