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KIRIRI WOMEN'S UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2023/2024 ACADEMIC YEAR
FIRST YEAR, FIRST SEMESTER EXAMINATION
FOR THE DIPLOMA IN COMMUNITY DEVELOPMENT AND SOCIAL WORK
DDS 107 – PROJECT FINANCING

Date: 11TH December, 2023
Time: 8:30AM- 10:30AM

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

a) You are provided with the following information about 2 mutually exclusive projects.

Year	Cash inflows for A	Cash flows for Project B
0	-50,000	-50,000
1	22,000	32,000
2	22,000	18,000
3	22,000	12,000
4	22,000	12,000
5	22,000	10,000

The cost of investment is 10%

Required:

Calculate

- i) Net present value (NPV) for each project (5 Marks)
 - ii) Profitability index for each project (3 Marks)
 - iii) Payback period for each project (5 Marks)
 - iv) Which project will you advise the manager to take using NPV (2 Marks)
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- b) Explain the factors to consider when choosing the source of finance for a project (6 Marks)
 - c) Highlights the reasons as to why appraisal of projects is important (5 Marks)
 - d) Differentiate between discounting and compounding (4 Marks)

QUESTION TWO (20 MARKS)

- a) Highlight four characteristics of capital projects (5 Marks)
- b) Differentiate between mutually exclusive projects and independent projects (5 Marks)
- c) Explain five ways in which the local community may contribute towards financing of a project (10 Marks)

QUESTION THREE (20 MARKS)

- a) Explain the three activities involved in preparation of cash flow statement (6 Marks)
- b) Scope of management is critical in project financing. Explain (3 Marks)
- c) Describe the stages followed during project financing. (6 Marks)
- d) Highlight the limitations of using ratios in evaluating community projects (5 Marks)

QUESTION FOUR (20 MARKS)

- a) Two companies; A and B, have approached Bank T to finance their projects. Each of the companies has provided the following information to the bank:

	Company A (Ksh)	Company B (Ksh)
Net operating profit	150,000	55,000
Interest expenses	35,000	25,000
Principal payment	200,000	100,000
Sinking fund obligations	70,000	40,000

- i) Determine the Debt Service Coverage Ratio (DSCR) for each company. (3 Marks)
 - ii) Interpret the ratios determined in (i) above. (2 Marks)
 - iii) Using the results in (i) above, advise Bank T on which company is safer (2 Marks)
- b) Explain four roles of cash flow statements in project financing (8 Marks)
- c) Highlight any five factors to consider when choosing a community project (5 Marks)

QUESTION FIVE (20 MARKS)

- a) Explain five benefits that a country may derive from public private partnerships in project financing (10 Marks)

- b) An investors invested in a project with the following expected cash flows

Year	cash flow
1	100,000
2	120,000
3	150,000
4	300,000
5	100,000

Required

- Calculate the future value of these cash flows if the cost of investment is 10% (5 Marks)

- c) Kamau a community worker wants to undertake a community project. He has decided to deposit sh 100,000 per annum into a bank account yielding 10% interest rate per annum. Determine the present value of this amount if the deposit was done at the beginning of each year (5 Marks)

Present values table

B2		=PV(B\$1,\$A2,-,1)									
	A	B	C	D	E	F	G	H	I	J	K
1	FT2	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%
2	1	0.9901	0.9804	0.9709	0.9615	0.9524	0.9434	0.9346	0.9259	0.9174	0.9091
3	2	0.9803	0.9612	0.9426	0.9246	0.9070	0.8900	0.8734	0.8573	0.8417	0.8264
4	3	0.9706	0.9423	0.9151	0.8890	0.8638	0.8396	0.8163	0.7938	0.7722	0.7513
5	4	0.9610	0.9238	0.8885	0.8548	0.8227	0.7921	0.7629	0.7350	0.7084	0.6830
6	5	0.9515	0.9057	0.8626	0.8219	0.7835	0.7473	0.7130	0.6806	0.6499	0.6209
7	6	0.9420	0.8880	0.8375	0.7903	0.7462	0.7050	0.6663	0.6302	0.5963	0.5645
8	7	0.9327	0.8706	0.8131	0.7599	0.7107	0.6651	0.6227	0.5835	0.5470	0.5132
9	8	0.9235	0.8535	0.7894	0.7307	0.6768	0.6274	0.5820	0.5403	0.5019	0.4665
10	9	0.9143	0.8368	0.7664	0.7026	0.6446	0.5919	0.5439	0.5002	0.4604	0.4241
11	10	0.9053	0.8203	0.7441	0.6756	0.6139	0.5584	0.5083	0.4632	0.4224	0.3855
12	11	0.8963	0.8043	0.7224	0.6496	0.5847	0.5268	0.4751	0.4289	0.3875	0.3505
13	12	0.8874	0.7885	0.7014	0.6246	0.5568	0.4970	0.4440	0.3971	0.3555	0.3186
14	13	0.8787	0.7730	0.6810	0.6006	0.5303	0.4688	0.4150	0.3677	0.3262	0.2897
15	14	0.8700	0.7579	0.6611	0.5775	0.5051	0.4423	0.3878	0.3405	0.2992	0.2633
16	15	0.8613	0.7430	0.6419	0.5553	0.4810	0.4173	0.3624	0.3152	0.2745	0.2394
17	16	0.8528	0.7284	0.6232	0.5339	0.4581	0.3936	0.3387	0.2919	0.2519	0.2176
18	17	0.8444	0.7142	0.6050	0.5134	0.4363	0.3714	0.3166	0.2703	0.2311	0.1978
19	18	0.8360	0.7002	0.5874	0.4936	0.4155	0.3503	0.2959	0.2502	0.2120	0.1799
20	19	0.8277	0.6864	0.5703	0.4746	0.3957	0.3305	0.2765	0.2317	0.1945	0.1635
21	20	0.8195	0.6730	0.5537	0.4564	0.3769	0.3118	0.2584	0.2145	0.1784	0.1486