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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: 14TH AUGUST, 2023
Time: 8:30AM- 10:30AM

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Explain three importance of project financial analysis to firm (6 Marks)
- b) Explain three sources of finance for a project (6 Marks)
- c) Describe three roles of a Financial Advisor in a project (6 Marks)
- d) Explain the importance of capital structure (6 Marks)
- e) Highlight the contemporary challenges in project financing (6 Marks)

QUESTION TWO (20 MARKS)

- a) Capital expenditure plans require various methods of evaluation. A project is being planned to be set-up in Nairobi City county and shall initially require an outlay of Kshs 200,000,000/=. The project is expected to contribute the following cash amounts to the county treasury from the first year of operation to the fifth.

Year	Cash Inflows (shs)
1	70,000.00
2	60,000.00
3	50,000.00
4	40,000.00
5	30,000.00

The required rate of return is assumed to be 10%. Using Net Present Value (NPV) method, advice the Governor whether to accept or reject the planned project (10 Marks)

- b) Describe the financial risks associated with projects (10 Marks)

QUESTION THREE (20 MARKS)

- a) Equity and debt are long term sources of capital to a firm. Distinguish the two sources of capital (8 Marks)
- b) Explain the term `` Project Entity risks`` (4 Marks)
- c) Explain four parties to project financing (8 Marks)

QUESTION FOUR (20 MARKS)

- a) Explain the various advantages of project financing (8 Marks)
- b) Outline common project financing covenants (8 Marks)
- c) Explain the importance of a cash budget for a project (4 Marks)

QUESTION FIVE (20 MARKS)

- a) Nomura Holding company Ltd invested Ksh 1,000, 000 in a project. The project is expected to earn interest at a rate of 20% compounded annually. Determine the future value of the investment after 3 years. (6 Marks)
- b) Outline the various types of insurance relevant in project finance (8 Marks)
- c) Explain two following sources of debt finance of finance for a project (6 Marks)