



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF SPATIAL PLANNING
UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF ARTS IN
SPATIAL PLANNING
SEMESTER 2018/2019 ACADEMIC YEAR
CENTRES: MAIN CAMPUS / NAMBALE

COURSE CODE: APP 814

COURSE TITLE: PROJECT FINANCE

EXAM VENUE:

STREAM: SPATIAL PLANNING

DATE: 26/4/19

EXAM SESSION: 9.00 – 12.00NOON

TIME: 3 HOURS

Instructions:

- 1. Answer question 1 (compulsory) and ANY other 2 questions.**
- 2. Candidates are advised not to write on the question paper.**
- 3. Candidates must hand in their answer booklets to the invigilator while in the examination room.**

QUESTION ONE

a.) Jeremy limited wishes to expand its output by purchasing a new machine worth 170,000 and installation costs are estimated at 40,000/=. In the 4th year, this machine will call for an overhaul to cost 80,000/=. Its expected inflows are:

	Shs.
Year 1	60,000
Year 2	72,650
Year 3	35,720
Year 4	48,510
Year 5	91,630
Year 6	83,715

This company can raise finance to purchase machine at 12% interest rate.

Compute NPV and advise management accordingly.

(10 Marks)

b.) Resilou limited intends to purchase a machine worth Shs.1,500,000 which will have a residue value Shs.200,000 after 5 years useful life. The saving in cost resulting from the use of this machine are:

	Shs.
Year 1	800,000
Year 2	350,000
Year 3	-
Year 4	680,000
Year 5	775,000

Using NPV method, advise the company whether this machine should be purchased if the cut off rate is 14% and acceptable saving in cost is 12% of the cost of the investment.

(10 Marks)

QUESTION TWO

- a.)
- i. Define Lease financing. (3 Marks)
 - ii. Explain the five main objectives of a business enterprise. (3 Marks)
 - iii. Differentiate a financial lease from an operating lease. (5 Marks)
- b.) Describe briefly the following sources of finance
- i. Ordinary share capital (3 Marks)
 - ii. Debenture or long- term loans (3 Marks)
 - iii. Preference Share Capital (3 Marks)

QUESTION THREE

- a.)
- i. Explain the meaning of C.V.P analysis (3 Marks)
 - ii. State five assumptions of C.V.P analysis (5 Marks)
- b.) A company makes a single product with a sale price of sh 20 and a marginal cost of sh 12. Fixed costs are sh 120,000 per annum .Calculate
- i. Break-even point (in units) (2 Marks)
 - ii. Break-even point (in sh.) (2 Marks)
 - iii. c/s ratio (2 Marks)
 - iv. What number of units will need to be sold to achieve a profit of sh. 40,000 per annum? (3 Marks)
 - v. What level of sales will achieve a profit of sh. 40,000 per annum? (3 Marks)

QUESTION FOUR

- a.)
- i. Define the term “depreciation” (2 Mark)
 - ii. List and briefly explain the THREE methods of providing depreciation and give example of each (6 Marks)
- b.) Gatonye , a contractor, started business on January 2004. Purchases and disposals of machines over the subsequent three years were as follows:-

Machine	Date of purchase	Cost	Date of Disposal	Disposal proceeds.
MA 1	01.01.2004	Sh. 10,000,000		
MB 2	01.01.2004	Sh. 5,000,000	01.01.2005	Sh.1,800,000
MC 3	01.01.2006	Sh.14, 000,000		

Required

- i.** Discuss three methods of depreciation (3 Marks)
- ii.** Machines at cost account (5 Marks)
- iii.** Depreciation account (2 Marks)
- iv.** Provision for depreciation (5 Marks)
- v.** Disposal of Machine Account (2 Marks)
- vi.** Determine loss or gain on disposal account (3 Marks)

QUESTION FIVE

- i.)** Define Partnership and list its four advantages (2 Marks)
- ii.)** Explain the meaning of Limited company (2 Marks)
- iii.)** State five conditions for successful budgeting. (5 Marks)
- iv.)** Define Sole Trader and list its four advantages (5 Marks).

JOOUST OBSERVES ZERO TOLERANCE TO EXAM CHEATING