

JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY SCHOOL OF SPATIAL PLANNING UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHEALOR 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

Jeremy limited wishes to expand its output by purchasing a new machine worth 170,000 a.) 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.

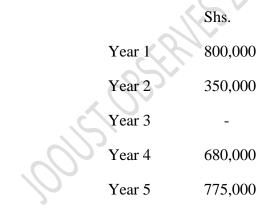
Compute NPV and advise management accordingly.

(10 Marks)

CHEAT

WILMINS

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



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.)De	escribe 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)		
-	STION 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.) 12. F	A company makes a single product with a sale price of sh 20 and a marg ixed costs are sh 120,000 per annum .Calculate	inal cost of sh		
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. 40,00	-		
		(3 Marks)		
v.	What level of sales will achieve a profit of sh. 40,000 per annum?	(3 Marks)		
QUE	STION FOUR			
a)				

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. 10,000,00	0	
MB 2	01.01.2004	Sh. 5,000,000	01.01.2005	Sh.1,800,000
MC 3	01.01.2006	Sh.14, 000,00	0	

Required

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

QUESTION FIVE

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

(3 Marks) (5 Marks)

(2 Marks)

(5 Marks)

(2 Marks)

- (3 Marks)
- (2 Marks)
- (2 Marks)
- (5 Marks)
- (5 Marks).

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