



**The Co-operative University of Kenya**  
**END OF SEMESTRE EXAMINATION DECEMBER-2019**

**EXAMINATION FOR THE DIPLOMA IN PROJECT MANAGEMENT**  
**(YR I SEM II)**

**UNIT CODE: DMPM 1103**

**UNIT TITLE: PROJECT FINANCING**

**DATE: 3<sup>RD</sup> DECEMBER, 2019**

**TIME: 2:00 PM – 4:00 PM**

**INSTRUCTIONS:**

- Answer question **ONE (compulsory)** and any other **TWO** questions

**QUESTION ONE**

- (a) What is a project? Distinguish between a project and a programme. (5 marks)
- (b) Why does money have time value? (3 marks)
- (c) Evaluate the various techniques of appraising projects. (10 marks)
- (d) What are the merits and demerits of NPV technique in capital budgeting? (5 marks)
- (e) Discuss the importance of project appraisal in project management (7 marks)

**QUESTION TWO**

- (a) Given the following information about a project calculate the **NPV, BC RATIO** and the **IRR**. (15marks)

<b>Year</b>	<b>DF at (8%)</b>	<b>Total cost</b>	<b>Revenue</b>
0	1.000	100	0
1	0.9259	40	80
2	0.8573	40	80
3	0.7938	40	80

- (b) What are the merits of IRR techniques in capital budgeting. (5marks)

**QUESTION THREE**

- (a) Write short brief notes on the following: (10marks)
  - i. Pay-back period
  - ii. NPV Techniques
  - iii. IRR Techniques
  - iv. Sustainability
  - v. Participation

- (b) Why is monitoring and evaluation an important aspect of development projects? (10marks)

**QUESTION FOUR**

- (a) What are the merits and demerits of NPV techniques in Capital Budgeting (6 marks)
- (b) Consider the following after-tax cash flows of two mutually exclusive projects for the Kenya Youth Funds Trust.

Project X Year	Capital cost	Revenue
0	-50,000	
1		8,000
2		14,000
3		20,000
4		26,000

Project Y Year	Capital cost	Revenue
0	-50,000	
1		20,000
2		15,000
3		10,000
4		10,000

**Discounting factors at 10%**

Year	Discounting
0	1.000
1	0.909
2	0.826
3	0.751
4	0.683

**Required:** To compute the NPV of the two projects X and Y and suggest which of the two projects should be accepted. (14marks)

**QUESTION FIVE**

You are manager of a five year water project that is coming to an end in one month's time. You are required by the funding agency to provide an end of project report upon which important decision and actions will be made. What information would you include in the report?

(20marks)