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(Knowledge for Development)

KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2020/2021 ACADEMIC YEAR

THIRD YEAR FIRST SEMESTER

SPECIAL EXAMINATION

FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: BCF 446E

COURSE TITLE: REAL ESTATE FINANCE

DATE: 8TH FEBRUARY, 2021

TIME: 2.00PM - 4.00PM

INSTRUCTIONS TO CANDIDATES

Answer Question One in Section A and Any other TWO (2) Questions in Section B

TIME: 2 Hours

KIBU observes ZERO tolerance to examination cheating

This Paper Consists of 3 Printed Pages. Please Turn Over.

SECTION A

QUESTION ONE (30MKS)

- a. Real estate market exhibits a number of essential features which makes it a distinct environment, haven and destiny of investment and a play ground for all economic participants around the globe. These to some economic players are a paradox and unfathomable myth and to some are living realities. Identify and discuss all these in the light of the status quo of this economic factor (7.5mks)
- b. The law of supply and demand strikes a balance at an equilibrium point where the supply and demand curves interject and this is the point of optimal price for goods and services demanded and supplied in the economy. This can be likened to the Break Even point where revenues and expenses meet, generating zero profitability to a firm. You are required to do an analysis of various factors necessary for real estate market development in your County giving a detailed description of each. (7.5mks)
- c. In a football field just as in any market one is expected to see a referee, linesmen, spectators and players and sometime passersby. These are people who can attest to the various events as they unfold. Discuss this saying throwing your eyes on the various personalities who make real estate market vibrant and functioning normally (7.5mks)
- d. Real Estate books of accounts must be subjected to a series of audit exercises for them to be genuine and authentic. This instills a sense of faith and trust in people interested in forfeiting their present consumption for a series of future perpetual cash inflows from their investment in real estate market. You are required to agree or disagree with this statement based on your understanding of the BSA Act of 1986 (7.5 mks)

SECTION B

QUESTION TWO (20MKS)

- a) Any organized system normally runs itself without or with minimal supervision. This statement sounds relevant even in your ears as you read and reflect on it. Explain in details how the Building Society you intend to set up in the near future should receive its recognition due to organization. (10 mks)
- b) Management is considered by many experts as the think tank of an entity. Discuss this in the light of the management of building society firms (10mks)

QUESTION THREE (20MKS)

It has been severally and jointly argued by risk a-verse individuals that it's infinitely impossible to make it to real estate investment due to lack of financing in all economies in the world. Recently you had an opportunity to present a paper at the world investment conference titled "possible sources of financing in the real estate environment". Discuss the main three items you considered and deemed necessary to correct this erroneous notion.

QUESTION FOUR (20MKS)

Terms like Gross Operating income and Net Operating income cannot escape the memory of financial analysts when preparing the income statement of a real estate property. Navigate through the process of making them a reality in the organization that has just appointed you as its investment expert.

QUESTION FIVE (20MKS)

- a) A number of theories explain the reality and practicability of real estate investment in Africa and the globe. Identify and describe these theories in the light of the entity that has just invited you for an interview as its theorist in real estate (6mks)
- b) Investor behavior in real estate is driven, modeled and determined by a diversity of concentrated and well clustered variables of the economy. Memorize and explain these variables in the light of the real estate venture you wish to set up in the heart of the city of Mombasa (14 marks)