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(Knowledge for Development)

KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2020/2021 ACADEMIC YEAR

THIRD YEAR SECOND SEMESTER

MAIN EXAMINATION

FOR THE DEGREE OF BACHELOR OF DEVELOPMENT FINANCE

COURSE CODE: BCO 352 E

COURSE TITLE: DEVELOPMENT FINANCE

DATE: 23rd July, 2021

TIME: 2.00-4.00pm

TIME: 3 Hours

KIBUCO observes ZERO tolerance to examination cheating

This Paper Consists of 2 Printed Pages. Please Turn Over.

QUESTION ONE(compulsory)

- a) Explain five evaluation indicators of a project
 - i) Development finance 2 marks
 - ii) Innovative finance 2 marks
 - iii) Micro financing 2 marks
- b) Explain five principles of public debt management 5 marks
- c) Discuss the role played by micro finance institutions in Kenya's economic development 10 marks
- d) Explain limitations of public borrowing to finance a deficit budget 4 marks
- e) A project requires an initial investment of \$225,000 and is expected to generate the following net cash inflows:

Year 1: \$95,000

Year 2: \$80,000

Year 3: \$60,000

Year 4: \$55,000

Required:

Compute net present value of the project if the minimum desired rate of return is 12%. 5 marks

QUESTION TWO

- i) Explain financial repression with reference to developing countries' strategies. 10 marks
- ii) Kiboko Management Group has identified two Wildlife projects whose cash flow features are shown below. Calculate the projects' NPV and IRR and advise the management.

Year	Cashflow ' 000	
	Project A	Project B
1	1500	1200
2	3000	2100
3	2000	1900
4	2500	3000

10 marks

QUESTION THREE

- a) Foreign aid can be both a curse and a blessing to a recipient economy. Discuss this statement relating your discussion to Third World countries. 10 marks
- b) Explain economic considerations factored in evaluation while planning for a development project 10 marks

QUESTION FOUR

- i) Explain the role of the World Bank and its constituent institutions in the Third World development agenda 8 marks
- ii) What are the merits of project evaluation? 5 marks
- iii) A county government development committee is considering three projects. As a technician in the evaluation committee which proposal do you advise the committee to choose on the basis of the proposals' profitability index? 7 marks

	Proposal I (A new market)	Proposal 2 (A Toll station)	Proposal 3 (A chicken farm)
Present Value of cash flow	Sh.212000	Sh.171,800	Sh.185,200
Initial investment	Sh.(2000000)	(160,000)	Sh.(180,000)
NPV	Sh.12000	Sh.11800	Sh.5200

QUESTION FIVE

The World Bank has observed that the failure of the third world countries to meet the objectives of the millennium goals results from their inability to raise finance and also their inability to manage funds. Discuss this statement.