



UNIVERSITY EXAMINATIONS
2020/2021 ACADEMIC YEAR
FOURTH YEAR SECOND SEMESTER
MAIN EXAMINATION FOR THE DEGREE OF BACHELOR
OF COMMERCE

COURSE CODE: BCF 352 E

COURSE TITLE: DEVELOPMENT FINANCE

DATE: 2/8/2021

TIME: 2.00pm-4.00pm

INSTRUCTIONS TO CANDIDATES

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

QUESTION ONE (COMPULSORY)

i) Three projects **A**, **B** and **C** have the following cash flows:

A Initial investment of sh.10, 000 in return for an annual income of sh.1, 000 paid 6-monthly in arrears for 12 years.

B Initial investment of sh.1, 000 in return for an annual income of sh.200 at the end of each of the next 20 years.

C Initial investment of sh. 5,000 in return for a continuous payment stream of sh.2,000 per annum for 3 years, deferred for 2 years.

If the investor can borrow and invest money at 5% per annum, rank the projects under the NPV measure at this rate. (10 marks)

(total 10 mks)

ii) Discuss indicators of public external debt burden. 5 marks

iii) Define the following terms

Sovereign debt, innovative finance, soft funding, financial deepening 5 marks

QUESTION TWO

i) Developing countries are increasingly becoming deficient of developing funds following the COVID-19 pandemic. Discuss alternative sources of finance these economies can exploit to finance their development projects. 10 marks

ii) Explain policies that can be adopted by Kenya to reduce the probability of debt burden and create debt sustainability. (10 marks)

QUESTION THREE

a) Define a development project.

2 marks

b) You have been appointed by your Class BCF 335E to present a paper to the Council of Governors on the topic "Financial Liberalization and Repression in Counties: Options and Consequences". Write and discuss

QUESTION FOUR

a) Explain the role played by developing banks in Kenya. 10 marks

b) Discuss the challenges faced by the East African region in financing their development budgets. 10 marks

QUESTION FIVE

Micro financing remains an important option in supporting the poor in financial strategies and enterprise. Discuss reasons why micro financing is a suitable business partner to the marginalized unbanked Kenyans. (20 marks)