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UNIVERSITY EXAMINATIONS
2021/2022 ACADEMIC YEAR
THIRD YEAR FIRST SEMESTER
MAIN EXAMINATION

FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: BCF 352E

COURSE TITLE: DEVELOPMENT FINANCE

DATE: 27TH MAY, 2022

TIME: 2.00PM - 4.00PM

INSTRUCTIONS TO CANDIDATES

1. Answer Question One in Section A and Any other TWO (2) Questions in Section B
2. Question **one** carries **30**marks and each of the other two questions carry **20** marks each.

TIME: 2 Hours

SECTION A

QUESTION ONE

Yossia Investment Company Limited is considering two mutually exclusive projects such an initial outlay of sh.800,000 with the following net cash flows.

Year	Project A	Project B
1	210,000	320,000
2	350,000	250,000
3	120,000	120,000
4	500,000	50,000

The firm's cost of capital is 10%.

For each project determine

- | | |
|-------------------------|---------|
| a) Payback period | 3 marks |
| b) Net Present Value | 5 marks |
| Comment on the results. | 2 marks |

b) Bungoma County is considering investing in a Wind Powered electric generation project. Discuss the financial and economic evaluation matrix employed. 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 5 marks

(Total 30 marks)

SECTION B

QUESTION TWO

a) Define

- | | |
|--------------------------------|---------|
| i) Financial repression. | 2Marks |
| ii) Non-tangible goods project | 1 mark |
| ii) Project appraisal | 2 marks |

b) With relevant examples, demonstrate how the Kenyan economy can liberalize its financial markets sector. 10 marks

(Total 20 marks)

QUESTION THREE

a) Discuss five principles of public debt management. 10 marks

b) Explain innovative finance as a new source of finance to developing countries. 10 marks

(Total 20 marks)

QUESTION FOUR

a) Explain the impact of foreign aid in Less Developed Countries. 10 marks

b) Discuss key micro financial strategies that are relevant to a developing country. 10 marks

(Total 20 marks)