KENYATTA UNIVERSITY
UNIVERSITY EXAMINATIONS 2020/2021

DIGITAL SCHOOL OF VIRTUAL AND OPEN LEARNING (DSVOL)

SECOND TRIMESTER EXAMINATION FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION

BMS 843: PROJECT FINANCING AND RESOURCE SCHEDULE

DATE: TUESDAY 18TH MAY 2021 **TIME: 9.00 A.M. – 12.00 P.M.**

INSTRUCTIONS
Answer Question ONE and any other THREE Questions

Break-Even Analysis is the most widely known form of Cost Value Profit Analysis. It can be used to establish the relationship between revenues and costs with respect to volume. Using information provided for Weka Corp Inc. in the table below, answer the following questions.

WEKA CORP Inc.	Ksh.
Sales (100,000 units @ Sh.20)	
Variable costs:	
Direct material	2,000,000
Direct labor	6,500,000
Factory overhead	1,500,000
Administrative and selling overhead	2,000,000
Fixed costs:	
Factory overhead	2,000,000
Rent	500,000
Administrative	1,500,000

a) Using the formula approach determine the breakeven point for Weka Corp Inc. (show all workings) **(5 Marks)**

b) Draw a well labelled Break-Even Chart for Weka Corp Inc. clearly indicating the break-even point. **(5 Marks)**

c) Explain what Cost Value Profit (CVP) analysis is and further discuss any **eight (8)** assumptions made by CPV. **(10 Marks)**

QUESTION TWO

a) Financial forecasting involves the determination of financial requirements of the firm in advance- in other words planning for the financial future of the company. Financial planning must include specific action plans in order to realize the predetermined intentions. Expound on any **five (5)** steps involved in financial planning and explain how each will assist the company realize its financial goal. **(10 Marks)**

b) The Payback Period method can be used to determine whether to accept or reject a project. Explain how this method works, additionally discuss any **five (5)** advantages and any **five (5)** disadvantages of using this method to make a decision about a potential project. **(10 Marks)**

QUESTION THREE

a) Project cost control is a necessary process which ensures that the project has been completed within budget. Draw an Input, Tools and Techniques and Output flow diagram and indicate at least **five (5)** components in each process stage in the process (i.e. Inputs stage, Tools and Techniques stage and Outputs stage) **(10 Marks)**

b) Identify **five (5)** project constraints and further discuss how each influences the management of projects. **(10 Marks)**

QUESTION FOUR

The following information relates to Mikon Company a local dealer in Tile and Carpets. Use information in the below table to answer questions that follow.

Changes in prices	**Budget**
Units	800,000
Selling price	50
Variable cost (per unit)	10
	Ksh.
Sales	40,000,000
Variable costs	8,000,000
Fixed costs	600,000
Net profit	31,400,000
Percentage change in profit	-
P/V ratio	-
BEP	-

d) Like any other analysis methodology Cost Value Profit (CVP) has its strengths and weaknesses. In each case identify and discuss at least **five (5)** strengths and weaknesses of Cost Value Profit (CVP) analysis

(10 Marks)

e) Managers are likely to encounter numerous challenges when making investment decisions. Discuss any **five (5)** common problems faced by managers when carrying out investment decisions.

(10 Marks)

QUESTION TWO

The following information relates to Wakazi Company a local dealer in Auto Spare Parts. Use information in the below table to answer questions that follow.

	Budget
Units Sold	100,000
Selling price	20
Variable cost (per unit)	10
	Ksh.
Sales	2,000,000
Variable costs	1,000,000
Fixed costs	400,000
Net profit	600,000
Percentage change in profit	-
P/V ratio	-
BEP	-

a) Showing all workings, calculate P/V ratio and also the BEP at the budgeted performance level.

(5 Marks)

b) Assuming that **units sold remain constant**. Calculate the changes in P/V and BEP when selling price increases by 15% and again when it decreases by 15%. **(10 Marks)**

c) Make a general observation of what happens to the P/V and BEP when selling price increases or decreases holding units sold constant.

(5 Marks)

a) Showing all workings, calculate P/V ratio and also the BEP at the budgeted performance level. **(5 Marks)**

b) Assuming that **selling price remains constant**. Calculate the changes in P/V and BEP when unit price increases by 5% and again when it decreases by 5%. **(10 Marks)**

c) Make a general observation of what happens to P/V and BEP when unit price increases or decreases holding selling price constant. **(5 Marks)**

QUESTION FIVE

A project consists of the following seven activities and related time estimates for each activity

Activity	Optimistic Days	Most likely Days	Pessimistic Days
1–2	4	15	16
1–3	3	16	19
1–4	4	7	16
2–5	5	10	15
3–5	8	14	20
4–6	4	11	16
5–6	2	15	18

Required:

a) Draw a network diagram. **(5 Marks)**

b) Calculate the project duration and identify the critical path for the project. **(5 Marks)**

c) Financial planning is a precise process that goes through six main stages. Lay out and provide an in depth discussion of each stage in the planning process. **(10 Marks)**