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University Examinations 2023/2024

EXAMINATION FOR THE DIPLOMA IN PROJECT MANAGEMENT

BUS/CU/PM/CR/02/6/A: PROJECT FINANCING

DATE: APRIL 2024

TIME: 3 HOURS

INSTRUCTIONS

1. This paper has two sections **A** and **B**.
2. You are provided with separate answer booklet.
3. Marks for each question are indicated.
4. **Do not write** on the question paper.

SECTION A 40 MARKS

1. Define the term, project finance. (2 Marks)
2. How do you evaluate the cost of capital when designing a financing structure? (5 Marks)
3. What considerations should be taken into account when structuring financing for international projects (5 Marks)
4. What are some examples of different financing structures used in project finance? (2 Marks)
5. Outline steps that are used in developing robust mitigation plans. (5 Marks)
6. How do you attract investors or lenders to participate in project fundraising? (5 Marks)
7. What documentation and due diligence are typically required for project fundraising? (2 Marks)
8. What is a risk register, and why is it important in project financing. (5 Marks)
9. How do you identify and categorize risks in a project financing context? (5 Marks)
10. Explain the different between debt and equity financing in project finance. (4 Marks)

SECTION B 60 MARKS

Answer **any** three questions

11. Effectively managing project finance risks is critical for project sponsors, lenders, and investors to mitigate potential losses and maximize returns in project finance endeavors. Briefly discuss some common categories of project finance risks. (20 Marks)

12. Discuss how you can monitor and evaluate a mitigation plan to ensure that the strategies put in place effectively address identified risks and contribute to the overall success of the project. (20 Marks)

13. Discuss factors to be considered when selecting a project financier. (20 Marks)

14. a) supervising and monitoring the utilization of funds is crucial in project finance to ensure that resources are used efficiently and effectively to support project objectives. Discuss how you can supervise and monitor the utilization of funds effectively. (10 Marks)

b) Discuss steps involved in the development of a project financing structure (10 Marks)