



**UNIVERSITI TUN HUSSEIN ONN MALAYSIA**

**FINAL EXAMINATION  
SEMESTER II  
SESSION 2013/2014**

COURSE NAME : CONSTRUCTION FINANCIAL  
MANAGEMENT

COURSE CODE : BPD 22302

PROGRAMME : 2 BPC

EXAMINATION DATE : JUNE 2014

DURATION : 2 HOURS

INSTRUCTION : ANSWER ALL QUESTIONS

THIS QUESTION PAPER CONSISTS OF **THREE (3)** PAGES

**Q1** Investment in a constructed facility represents a cost in the short term that returns benefits only over the long term use of the facility. Thus, costs occur earlier than the benefits, and owners of facilities must obtain the capital resources to finance the costs of construction. A project cannot proceed without adequate financing, and the cost of providing adequate financing can be quite large. For these reasons, attention to project finance is an important aspect of project management.

*(Sources: PMBOK Guide, 2013)*

- (a) Discuss the meaning of present value and future value that used in the calculation of compound interest. (6 marks)
- (b) Discuss with examples the differences between the future value of an ordinary annuity (FVOA) and the present value of an ordinary annuity (PVOA). (6 marks)
- (c) Discuss with examples the difference between the future value of an annuity due (FVAD) and the present value of an annuity due (PVAD). (6 marks)
- (d) Demonstrate the situation that suits the use of an ordinary annuity or an annuity due in financial planning. (7 marks)

**Q2** Ahmad Development Company considers the following mutually exclusive projects involve an initial cash outlay of RM240,000 with equal lives:

**TABLE Q2: Net Cash Flow for Projects**

Year	Project A (RM)	Project B (RM)
1	140,000	20,000
2	80,000	40,000
3	60,000	60,000
4	20,000	100,000
5	20,000	180,000

- (a) Calculate the internal rate of return for each project by assuming the appropriate discount rate is 11%. (20 marks)
- (b) Explain the best project option that Ahmad Development Company should choose for his investment. (5 marks)

**Q3** Aminah has been investing RM150 at the beginning of each month for the past 20 years for a construction company's share market. Assuming she has earned an 11% annual return compounded monthly on her investment. If instead of earning 11%, Aminah was only able to earn 10% (compounded monthly).

(a) Calculate the future value of an annuity due if she earns an 11% annual return compounded monthly on her investment. (10 marks)

(b) Calculate the future value of an annuity due if she can only earn a 10% annual return compounded monthly on her investment. (10 marks)

(c) Calculate the amount that Aminah needs to invest each month for the past 20 years in order to have the same accumulated amount as earned on 11% (5 marks)

**Q4** Milsa Contractor Company is considering the purchase of Mahir Contractor Company at a price of RM190,000. If Milsa makes the acquisition, its after-tax net cash flows will increase by RM30,000 for the first 2 years and RM10,000 per year remain at this new level forever. If the appropriate cost of capital is 15 percent,

(d) Calculate the net present value (NPV) for the above proposal. (15 marks)

(e) Explain the reasons that Milsa Contractor Company should buy Mahir Contractor Company. (10 marks)

- END OF QUESTION -

