UNIVERSITI TUN HUSSEIN ONN MALAYSIA

FINAL EXAMINATION
SEMESTER II
SESSION 2023/2024

COURSE NAME	:	PROJECT CONSTRUCTION AND FINANCE
COURSE CODE	:	BNC 42103
PROGRAMME CODE	:	BNC
EXAMINATION DATE	:	JULY 2024
DURATION	:	3 HOURS
INSTRUCTIONS	:	1. ANSWER **ALL** QUESTIONS 2. THIS FINAL EXAMINATION IS CONDUCTED VIA ☐ Open book ☒ Closed book 3. STUDENTS ARE **PROHIBITED** TO CONSULT THEIR OWN MATERIAL OR ANY EXTERNAL RESOURCES DURING THE EXAMINATION CONDUCTED VIA CLOSED BOOK

THIS QUESTION PAPER CONSISTS OF **FOUR (4)** PAGES

Q1 Project Financing is the financing of long-term infrastructure, industrial projects and public services based upon a non-recourse or limited recourse financial structure where project debt and equity used to finance the project are paid back from the cash flows generated by the project.

(a) There are a few stages in project financing. Discuss **TWO (2)** reasons on the importance of Post Implementation Review (PIR), supported by examples in a PIR document.

(6 marks)

(b) Differentiate and tabulate Debt and Equity in the aspects of capital, upside and fixed interest payment.

(6 marks)

(c) Based on your understanding, evaluate when the financial management process should be initiated throughout the course of a construction project.

(4 marks)

(d) Analyse the role of a Project Manager during the project financial management process.

(9 marks)

Q2 The primary purpose of financial ratio analysis is to allow management to identify financial problems and plan corrective action to make the firm more profitable.

(a) Ratio analysis for any one year may not present an accurate picture of the firm as sales and profitability may expand and contract over business cycle. Referring to **Figure Q2.1**, analyse the trend within Saxton company and in comparison with the industry.

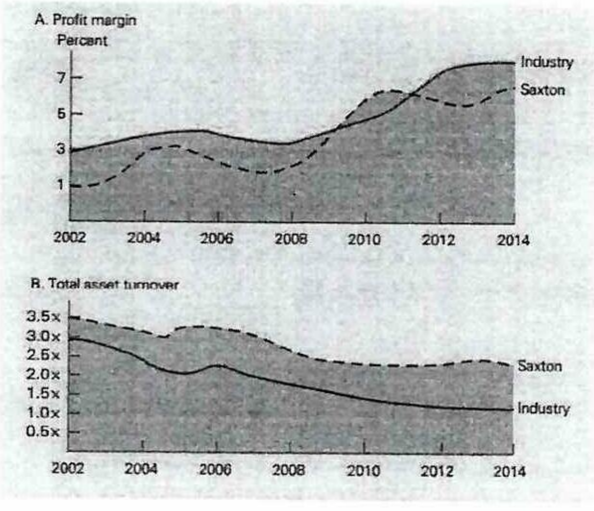

Figure Q2.2 Saxton Company vs Industry Trend Analysis

(10 marks)

(b) Discuss in detail on **TWO (2)** profitability ratios.

(9 marks)

(c) Without realistic financial forecasts, a small business will likely face some setbacks. Based on your understanding, critically discuss **THREE (3)** setbacks that may arise due to the lack of a realistic financial forecast.

(6 marks)

Q3 Risk management is essential to identify and control risk to avoid or minimise losses.

(a) List and demonstrate on the concept 'ERIC' in a construction industry perspective

(8 marks)

(b) Recommend when Monte Carlo method is executed in a risk management process.

(6 marks)

(c) You are a project manager for a mid-sized construction company working on a commercial building project in a bustling urban area. The project involves the construction of a mixed-use building, including retail spaces on the ground floor and residential units on the upper floors. Everything starts smoothly, with the project progressing according to schedule and budget. However, as construction reaches its midpoint, several subcontractors, and suppliers, frustrated by the payment delays and uncertainty, threaten to file mechanic's liens against the property to secure their payment rights. This further complicates the situation and adds to the project's legal and financial risks.

As the project manager, propose how you navigate these challenges in ensuring the successful completion of the project.

(11 marks)

Q4 Answer the following questions:

(a) "While all PFIs will be PPPs, not all PPPs are PFIs". Based on your understanding on project financing methods, appraise and contrast PPPs from PFIs.

(6 marks)

(b) You are a project manager for a government agency tasked with developing a critical infrastructure project—a new highway that will connect major cities and improve transportation efficiency in the region. Due to budget constraints and the complexity of the project, the agency has decided to explore alternative financing and delivery methods, particularly Build-Operate-Transfer (BOT) and Build-Lease-Transfer (BLT) models.

Examine between both delivery methods and justify on the decision made by the project management team.

(13 marks)

(c) The use of fixed-cost items, in particular capital assets and debt, can magnify returns to shareholders at high levels of operation. Analyse **TWO (2)** scenarios where debt is recommended for a construction company.

(6 marks)

- END OF QUESTIONS -