

**CORK INSTITUTE OF TECHNOLOGY  
INSTITIÚID TEICNEOLAÍOCHTA CHORCAÍ**

**Semester 2 Examinations 2010**

**Module Title: Financial Management 3B**

**Module Code:** BULD7011

**School:** Building & Civil Engineering

**Programme Title:** Bachelor of Science in Construction Management  
Bachelor of Science in Construction Economics

**Programme Code:** CCECO\_7\_Y3, CMNGT\_7\_Y3

**External Examiner(s):** Mr. Noel Dempsey, Mr. Paul Quinn, Mr. Tim Cahalane &  
Mr. Gerry O'Rourke

**Internal Examiner(s):** Mr. Denis Coveney

**Instructions:** Answer **THREE** questions. All questions carry equal marks.

**Duration:** 2 Hours

**Sitting:** Summer 2010

**Requirements for this examination:**

**Note to Candidates:** Please check the Programme Title and the Module Title to ensure that you have received the correct examination.  
If in doubt please contact an Invigilator.

Q1. A developer has provided the following information in relation to a speculative office block development in Paris.

**You have been requested to calculate the fund available to purchase the site.**

Gross Floor Area	= 13 200 m <sup>2</sup>
Non Lease Area	= 12%
Estimated Rent (has fallen to)	= €280/m <sup>2</sup>
Capitalisation of Rent	= 6%

All outgoings on the property are to be covered by the tenant.

Building contract details:

Building Period	2 years
Professional Fees	8%
Cost of Short term finance	10%
Developers profit	12.5%
Building costs	€2800/m <sup>2</sup>
Cost of land (including taxes and fees)	???

(33 Marks)

Q2. Discuss 'Pareto Principle', the 80/20 Rule under the following headings;

- (a) Dividing your customers into three categories. (11 Marks)
- (b) How to keep customers? (11 Marks)
- (c) Customer identification and care? (11 Marks)

**Illustrate your answer with diagrams.**

Q3. As the credit crises continues, the company you are employed by is suffering cash flow problems, you must look clearly at both your debtors to obtain payment and your creditors for some financial breathing space.

List and elaborate on;

- (a) The top tips for obtaining payment from debtors. (18 Marks)
- (b) The top 10 tips for negotiating with your creditors. (15 Marks)

- Q4. (a) What are the distinctive features of capital investment?  
 (b) *Get Fit Ltd* are considering providing a phased leisure development facility in 5 locations nationwide in Ireland, this phased development involves the capital expenditure as follows:

Year	Expenditure
	€
1	50,000,000
2	30,000,000
3	20,000,000
4	15,000,000
5	5,000,000

The trading cash inflow will be built up over time reaching a steady level after 6 years as set out below:-

Year	Cash inflow
	€
1	NIL
2	3,000,000
3	6,000,000
4	6,000,000
5	9,000,000
6 and after	12,000,000

*Get Fit Ltd.*, have a criterion rate for capital at 10% per annum. Evaluate the proposal as set out (ignoring taxation implications). (34 Marks)