

**CORK INSTITUTE OF TECHNOLOGY
INSTITIÚID TEICNEOLAÍOCHTA CHORCAÍ**

Semester 2 Examinations 2013

Module Title: Financial Management 3B

Module Code: BULD7011

School: Building & Civil Engineering

Programme Title: Bachelor of Science in Quantity Surveying – Award
Bachelor of Science (Hons) in Quantity Surveying – Year 3
Bachelor of Science in Construction Management – Award
Bachelor of Science (Hons) in Construction Management – Year 3

Programme Code: CCECO_7_Y3
CQTSU_8_Y3
CMNGT_7_Y3
CCNMG_8_Y3

External Examiner(s): Mr. David Higgins, Dr. Mike Murray, Ms. Rita Scully,
Mr. Declan O'Brien

Internal Examiner(s): Mr Denis Coveney

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

Duration: 2 hours

Sitting: Summer 2013

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. In the past, companies and businesses tended to rely heavily on bank overdrafts and term loans facilities to fund their working capital requirements; these are still important sources of finding but are less of an option available to many companies today. Discuss:

(i) Why you consider this to be the case? (15 marks)

(ii) What is the main alternative source to raise working capital used today, and its advantages? (18 marks)

Q2. Open Office plc. is considering investing in a project having an initial capital cost of €1,815,000.

The company's relevant cost of capital is 16% per annum.

The project has an expected life of four years but could be abandoned with some recovery of the initial investment at the end of any one of the first three years.

Figures are:

Year	Projected cash flow	Projected abandonment value
1	€650,000	€1,600,000
2	€960,000	€1,000,000
3	€800,000	€200,000
4	€50,000	Nil

You have been asked to assess this investment and make a recommendation on what you consider the best option. (33 marks)

- Q3. (i) What is the purpose of Examinership? (9 marks)
- (ii) What are the grounds for the appointment of an Examiner? (12 marks)
- (iii) What are the consequences of Examinership? (12 marks)

Q4. A developer has provided the following information in relation to a speculative office block development in Paris.

You have been requested to calculate the funds available to purchase the site.

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

Note: 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 ²
Cost of land (including taxes and fees)	???????

(33 marks)