



MOI UNIVERSITY

**OFFICE OF THE DEPUTY VICE CHANCELLOR, ACADEMIC AFFAIRS,
RESEARCH & EXTENSION**

UNIVERSITY EXAMINATIONS 2013/2014 ACADEMIC YEAR

FORTH YEAR END OF SEMESTER II EXAMINATIONS

**FOR THE DEGREE OF
BACHELOR OF BUSINESS MANAGEMENT**

EXAM CODE:- BBM 485

COURSE TITLE:- AVIATION FINANCING

DATE:- 1ST JULY, 2013

TIME:- 9.00A.M. - 12.00 NOON.

INSTRUCTION TO CANDIDATES

➤ SEE INSIDE.

THIS PAPER CONSISTS OF (1) PRINTED PAGES

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INSTRUCTIONS:

ANSWER QUESTION **ONE** AND ANY OTHER **THREE** QUESTIONS:

QUESTION ONE

a) Capital Budgeting is the making of long term planning decisions for Investments and their financing. Describe five techniques used in evaluating the Projects for decision making. **(15 marks)**

b) Airwing limited wishes to expand its Passenger handling potential by purchasing a new Passenger handling equipment worth Kshs. 13,600,000/=. Installation costs are estimated at Kshs. 3,200,000/=. In the 4th year, this equipment will call for an overhaul to cost Kshs. 80,000/=. Its expected inflows are:

Kshs.

Year 1 60,000

Year 2 72,650

Year 3 35,720

Year 4 48,510

Year 5 91,630

Year 6 83,715

Airwing Company can raise finance to purchase the equipment at 12% interest rate. Compute NPV and advise management accordingly. **(10 marks)**

QUESTION TWO

A Regional Airport Authority is running short of terminals for constructing the runways, taxiways and it is faced with the limitations of financial resources. The Authority has approached you as a Financial Consultant to advise them on the sources of financing the construction of the Airports. What are the major sources of financing the construction of the Airports that you would recommend to the Authority?

(15 marks)

QUESTION THREE

The Finance Director in your company has proposed an outsourcing arrangement for non core Airline activities in a move to manage operational costs for the Airline. As the Managing Director of this company, would you support this move? Support your answer with five reasons.

(15 marks)

QUESTION FOUR

Dynamism in the Aviation Industry has led to emerging costs posing serious challenges to the sector. Outline five emerging costs for an Airline and suggest an appropriate strategy to overcome each challenge

(15 marks)

QUESTION FIVE

As a Funds Manager appointed by Investors in the Aviation Industry, discuss how you would manage the Portfolios entrusted to you.

(15 marks)

QUESTION SIX

Your company, Mawingu Airline, intends to modernize its current fleet. The Board of Directors have an option of either buying or leasing the feet. The Board has requested you to form a committee to look into and to recommend the best option for the modernization. Support your recommendations with five reasons.

(15 marks)