ADDIS COLLEGE

COTM 6301: Construction Economics and Financial Management

First Semester 2019/20 (2012 E.C) Date April…. 2020

Group 2 Final Examination

Note: ***Exam is Open book***

Attempt all questions

Date of Submission ……

1. A construction Company Signed a contract for a building work estimated at 80 million birr. To date the contractor has submitted payment certificates and got paid for an amount of birr 48 million. While the cost of the actual work done is estimated to be 38 million birr. It is estimated that it will require another 50 million birr to complete the works
    a. What is the percentage of completion of the work?
    b. Is the contractor over or under budget?
    c. Is the project on time or behind? elaborate
2. At the end of the Ethiopian Fiscal year 2011 a construction company showed the following in its financial statement
    a. Total assets 100,000,000.00 birr
    b. Total liabilities 70,000,000.00 Birr
    c. Gross profit 25,000,000.00 Birr
    d. Total operating expenses 21,000,000.00 birr

    What is the total net worth of the company?
    Assuming a profit tax of 35% what is the net profit of the company?
3. A new machine costs $180 000, has a useful life of 10 years, and can be sold for $15 000 at the end of its useful life. It is expected that $5000 will be spent to dismantle and remove the machine at the end of its useful life. Determine the straight-line depreciation schedule for this machine. Consider the rate of depreciation as 10% per year and show the book values.
4. If you borrowed 10,000 Birr from a bank at an interest rate of 8 % compounded annually, and agreed to repay the loan in two years. The repayment plan includes paying the bank half of the principal amount plus the interest rate in the first year and repaying the remaining amount including the interest in the second year, what would the cash flow look like? from the borrower’s point of view and from the lenders point of view?

5. A construction company bought a tower crane at a cost of 3 million birr. After 5 years' service it was sold for 1.5 million birr with a depreciation of 450,000 birr. Show the transaction on a hypothetic balance sheet.