



PAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY

FACULTY OF NATURAL RESOURCES AND SPATIAL SCIENCES

DEPARTMENT OF LAND AND PROPERTY SCIENCES

QUALIFICATION: BACHELOR OF PROPERTY STUDIES HONOURS	
QUALIFICATION CODE: 27BPRS	LEVEL: 8
COURSE CODE: PFN810S	COURSE NAME: PROPERTY FINANCE 2
SESSION: JUNE 2019	PAPER: THEORY
DURATION: 2 HOURS	MARKS: 100

FIRST OPPORTUNITY EXAMINATION QUESTION PAPER	
EXAMINER(S)	MR V. KANGOTUE
MODERATOR:	MR M. KABISA

<p style="text-align: center;">INSTRUCTIONS</p> <ol style="list-style-type: none">1. Read the entire question paper before answering the Questions.2. Please write clearly and legibly!3. The question paper contains a total of 3 questions.4. You must answer ALL QUESTIONS.5. Make sure your Student Number is on the EXAMINATION BOOK(s).

PERMISSIBLE MATERIALS

1. Non-programmable scientific calculator

THIS QUESTION PAPER CONSISTS OF 3 PAGES (Including this front page)

QUESTION 1

- a) Angula Properties Development CC owned by Mr. Simson Angula, a local property guru has four potential projects they want to undertake. Each project has an initial cost of N\$2,000,000. The capital budget for the year will only allow Angula Properties Development CC to accept one of the four projects with the cash flow tabulated below.

<i>Cash Flows</i>	<i>Project A</i>	<i>Project B</i>	<i>Project C</i>	<i>Project D</i>
1	N\$500,000	N\$600,000	N\$1,000,000	N\$300,000
2	N\$500,000	N\$600,000	N\$800,000	N\$500,000
3	N\$500,000	N\$600,000	N\$600,000	N\$700,000
4	N\$500,000	N\$600,000	N\$400,000	N\$900,000
5	N\$500,000	N\$600,000	N\$200,000	N\$1,100,000
Discount Rate	5%	9%	15%	22%

Given the discount rates and the future cash flows of each project above, advise Mr. Angula as to which project should be accepted or rejected and Why ?

Hint: Use your knowledge of NPV and the benefit cost ratio (25)

[25]

QUESTION 2

- a) In January 2019, Miss Davids a local developer invested in a 10-year Namibian Government Bond issued by the Bank of Namibia. The bond has a coupon rate of 10.5% and a face value of N\$1,000. Calculate the present value of the bond if the discount rate is 12% p.a. (10)
- b) Distinguish between Securitisation and Unitisation of real property assets? (5)

- c) Securitisation can be used as an effective tool for revitalising the real property market in Namibia, explain how this can be done? (10)
- d) Mr. Vihajo of VXT Property Ltd, your client, is an investor seeking to raise a medium-term bank loan to finance the development of his proposed shopping plaza to be located within the CBD of Windhoek. He needs your explanation on what is meant by 'term structure of interest rates'. (2)
- e) Explain the three (3) important areas of application of the term structure of interest rates in relation to Mr. Vihajo request in question 2 (d) above. (13)

[40]

QUESTION 3

- a) It is well known that property development can be a costly undertaking. Using relevant examples from Namibia, discuss the potential sources of finance for a property development company. (25)
- b) Sameer Developers PLC wishes to develop a N\$50 million leisure complex in the CBD of Swakopmund. Among other sources of funding, they wish to raise 60% of the capital through public bond. Market rates of interest for similar types of bonds are averaged 12.5%, and tax will be paid at 40%. The remaining 40% will be raised through equity. The risk-free yield is fixed at 8.75% p.a.; average market yields in the leisure property market are around 12% p.a. and the company's beta coefficient is 0.95. Estimate the Weighted Average Cost of Capital for the proposed project. (10)

[35]

END OF EXAM