



ENT 722

**PROJECT FINANCE
AND BUDGETING**

Course Guide



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PROJECT FINANCE AND BUDGETING

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CONTENTS	PAGES
Introduction.....	1
What You will Learn in the Course.....	1
Course Aims	1
Working through this course.....	2
Assessment	2
Study Units.....	2 - 3
Textbooks and References	3
Presentation Schedule	3 - 4
Conclusion	4

Introduction

Project Financing discipline includes understanding the rationale for project financing, how to prepare the financial plan, assess the risks, design the financing mix, and raise the funds. In addition, one must understand the cogent analyses of why some project financing plans have succeeded while others have failed. A knowledge-base is required regarding the design of contractual arrangements to support project financing; issues for the host government legislative provisions, public/private infrastructure partnerships, public/private financing structures; credit requirements of lenders, and how to determine the project's borrowing capacity; how to prepare cash flow projections and use them to measure expected rates of return; tax and accounting considerations; and analytical techniques to validate the project's feasibility.

What You will Learn in the Course

During this course, you will be learning about the meaning of project, ingredients and determinants of a project, project cycle (with emphasis on the financial and economic feasibility); projects and economic growth and development, financing of project- objectives of financial analysis, sources and uses of funds, cash flow statements, financial cost and benefits analysis, evolving of financial plan (budgeting), techniques and tools of analysis – financial statement and ratios, breakeven analysis, budgeting techniques, working capital management, Project Planning and Control, Project Management tools/ techniques and computer application.

Course Aims

This course aims at:

- giving student to know how to analyze various projects;
- identifying various sources of project finance;
- enabling you to understand project finance vis-a-vis economic growth and development;
- making you to know how to efficiently source and use funds;
- enabling you to understand financial cost/ benefit;
- making students to apply the knowledge of information; and communication technology in project finance and budgeting.

When all the above aims are considered, we can conclude that the major aim of the course is to expose you to various tools, methods and techniques of project financing and budgeting.

Working through this Course

For you to complete this course successfully, you are required to read the study units, reference books, and other resources that are related to the unit. Each unit of the course contains Tutor Marked Assignment.

The Tutor Marked Assignment (TMA) is to be done immediately and submitted to your tutorial lecturer/course facilitator for assessment.

The medium to be used and the time to submit the TMA will be specified to you later. This course is a 2-credit course. As such you are expected to spend a minimum of two hours every week studying the course. You are expected to complete the entire course outline within a period of 18-25 weeks.

Assessment

As stated before every unit of this course has an assignment attached to it. You are required to keep an assignment file. After every unit the assignment should be done. At the end of the course, the evaluation shall be as follows:

Assignment – 30 %

Examination – 70%

Total =100%

Out of all the assignment you will do, each one shall be marked and converted to 3%. At the end of the best 10 shall be selected so as to make up to 30%. The examination at the end of the course shall cover all aspect of the course.

Study Units

In this course, project financing and budgeting you shall acquire some skills to deal with project investigation for profitability or loss. Also, techniques that could be helpful to you as potential financial analyst and project consultant shall be considered under different topics. Based on this, the following units have been designed for the course.

Module 1

- | | |
|--------|---|
| Unit 1 | Introduction to Project Finance: Meaning of Project, Ingredients and Determinants of a Project, |
| Unit 2 | Project Cycle (with emphasis on the Financial and Economic Feasibility); |

- Unit 3 Projects and Economic Growth and Development,
- Unit 4 Financing of Project- Objectives of Financial Analysis,
- Unit 5 Sources and uses of Funds,

Module 2

- Unit 1 Cash Flow Statements
- Unit 2 Financial Cost and Benefits Analysis,
- Unit 3 Evolving of Financial Plan (Budgeting),
- Unit 4 Techniques and Tools of Analysis –Financial Statement and Ratios,
- Unit 5 Breakeven Analysis,

Module 3

- Unit 1 Budgeting Techniques
- Unit 2 Working Capital Management
- Unit 3 Project Planning and Control
- Unit 4 Project Management Tools
- Unit 5 Computer Applications

These units must be treated sequentially; as a logical link exists in the arrangement. Every previous unit lays a foundation for subsequent ones. A maximum period of one week is required for every unit.

Textbooks and References

As was earlier mentioned, materials relevant to the course include not only the ones below but also others that you can lay your hand on. But for now, the following references are recommended.

Black, Homer A., John E. Champion and R. Gene Brown. *Accounting in Business Decisions: Theory, Method and Use* (Englewood Clif, N J. Prentice Hall Incorporated 1967).

Lawson, G. H. and D. W Windle. *Capital Budgeting and Use of DCF Criteria in the Corporation Tax Regime.* (London, Oliver and Boyd, 1967).

Odufalu, O. (2000), *The Principle and Techniques of Project Analysis and Evaluation.* Lagos, Nigeria: Y2K Academy Ltd.

Presentation Schedule

Specific dates for particular activities, such as submission of assignment, tutorial schedules and examination dates shall be made

available to you on a later date. This will enable you plan your activities in the same line. The method of submitting your assignment and receiving other course materials shall be agreed upon on a later date. You should endeavour not to be falling behind the schedule whenever it is given.

Conclusion

By the time you exhaust this course, you will find it useful not only in project financing and budgeting but also your day to day business plans and investment problems.