

**FINA 522/622: Project Finance and Risk Management**  
**Fall 2014-15**

**Mid-term Review Questions**

1. Identify three possible legal forms that a special purpose vehicle (SPV) might take. To what extent are the owners of the SPV liable for the losses incurred by the SPV under each of the legal form you have identified.
2. What are the characteristics of an investment project that would make it suitable for a project financing? Explain Briefly.
3. What are the disadvantages of project financing? Please explain briefly.
4. What are the basic elements of a project financing arrangement?
5. How can the cash flow statement be obtained (indirect approach) using the income statement and the balance sheet?
6. Why aren't the traditional corporate financial analysis ratios really useful in project finance?
7. What do the asset utilization ratios indicate?
8. Please indicate the main differences between project finance and corporate finance.
9. How is the standard deviation of a sample of data estimated? What does it mean (or what does it measure) ?
10. How is the correlation coefficient between two variables estimated? What does the value of the correlation coefficient measure?
11. What are the main criteria used in project finance to determine if a project is acceptable by
  - a) Lenders to the project
  - b) The owners of the project?
12. What are the objectives and the stages of analysis when conducting an examination of the cash flow waterfall for a typical project financing arrangement?
13. Explain the main differences between senior and subordinated debt.
14. What is the right method to calculate the subordinated DSCR? Why? Explain using the right formula.