UNIVERSITY EXAMINATIONS- 2015/ 2016 ACADEMIC YEAR

THIRD YEAR SECOND SEMESTER EXAMINATION

FOR THE DEGREE OF BACHELOR OF SCIENCE IN PROJECT PLANNING AND MANAGEMENT.

COURSE CODE: BPM 314

COURSE TITLE: ECONOMIC AND FINANCIAL ASPECTS OF A PROJECT

DATE: 22ND APRIL 2016 TIME 9:00 AM – 12: OO NOON

BPM 314: ECONOMIC AND FINANCIAL ASPECTS OF A PROJECT

INSTRUCTIONS: QUESTION ONE IS COMPULSORY .ANSWER THREE OTHER QUESTIONS

**QUESTION ONE**

(a)Distinguish between the following concepts as used in Economic and Financial Aspects of a project: **(8 marks)**

* **Public sector and Private sector**
* **Partial Budget and Complete Budget**
* **Sunk costs and Secondary Costs**
* **Shadow Price and Market Price**

(b)Discuss the objectives of financial analysis of a projects appraisal exercise. **(8 marks**)

(c)Explain the rationale for tracing the impact of any public project on government receipts and expenditures. **(4 marks)**

(d)Assume a publicly funded agricultural project of your choice. Discuss the various elements of government’s receipts and expenditures, clearly highlighting how they could arise**. (8 marks)**

**QUESTION TWO**

(a)Explain how you would find market prices for the outputs of an agricultural project of your choice. **(8marks)**

(b)Explain how each of the following is treated under economic and financial analysis of a project **:( 8 marks)**

* + - **Transfer payments**
    - **Taxes**
    - **Subsidies**
    - **Debt services**

(c)Using an appropriate example, explain the difference between “**with and without** “comparison and “**before and after** “comparison of a project**. (8 marks)**

**QUESTION THREE**

(a)Explain the process of adjusting financial prices to economic values**. (12 marks**)

(b)How would you value intangible costs and benefits of a project? **(12 marks)**

**QUESTION FOUR**

(a)Discuss the main objectives of cost recovery in a public project**. (12 marks)**

(b)What do you understand by “**joint cost allocation**”? Explain the general principles of joint cost allocation that underlie the rationale of separable costs – remaining benefits method. **(12 marks)**

**QUESTION FIVE**

(a)Discuss the key components of the sources and uses of funds for a public processing project of your choice**.(12 marks)**

(b)Financial ratios are important in making a judgment about the efficiency of an enterprise, its returns on key aggregates and its creditworthiness. Explain how you would calculate the following ratios, indicating their importance in a public project of your choice: **(12 marks)**

* + **Efficiency ratios**
  + **Income ratios**
  + **Creditworthiness ratios**