



W1-2-60-1-6

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY
UNIVERSITY EXAMINATION 2016/2017
EXAMINATIONS FOR THE DEGREE IN BACHELOR OF COMMERCE**

HBF 2306: PROJECT APPRAISAL

CAT

DATE: AUGUST 2017

TIME 1 HOURS

INSTRUCTIONS: Answer all questions

- a) Outline the Advantage and Disadvantages of Net Present Value (5 Marks)
- a) Discuss the types of Real Options (5 Marks)
- b) Discuss the merits & demerits Simulation analysis (5 Marks)
- c) List the Advantage and Disadvantages of Discounted Payback Period. (5 Marks)
- d) Cocacola ltd has identified the following projects for possible investment. The net present value of the project are as follows.

projects	benefits	costs
A	25,000,000	15,000,000
B	2,000,000	500,000
C	5,000,000	1,000,000
D	35,000,000	15,000,000
E	25,000,000	25,000,000

There is a limit on the capital expenditure budget of only Ksh. 15 Million.

Required: advice the management whether the project to be funded or not. All calculations should be clearly shown. (10 Marks)