

UNIVERSITY OF ELDORET
SCHOOL OF HUMAN RESOURCE
FORTH YEAR FIRST SEMESTER EXAM
IRD 400: DEVELOPMENT PROJECT APPRAISAL
MAIN EXAM SEPT-DEC 2016
TIME: 3 Hours

Instructions to candidates: Answer question ONE and any other THREE

QUESTION ONE (25Mks)

- a) Discuss the following terms as used in project appraisal
- i. Project planning (2marks)
 - ii. Project appraisal (2marks)
 - iii. Project development (2marks)
 - iv. Sensitivity analysis (2marks)
- b) Kerstin intends to invest in either project Q or P. The expected cash flows from the project are as follows;

<i>Year</i>	<i>Project P</i>	<i>Project Q</i>
0	(1,500,000)	(1,500,000)
1	620,000	800,000
2	1,000,000	220,000
3	320,000	350,000
4	600,000	720,000
5	50,000	300,000

The company's required rate of return is 14%

Required

- (c) Using the payback period method (PBP), advice Kerstin on which of the two projects to invest in. (5marks)
- d) Using the Net present value method (NPV), advice Kerstin on which of the two projects to invest in. (6marks)
- (i) Using the profitability index method (PI), advice Kerstin on which of the two projects to invest in. (6marks)

QUESTION TWO (15Mks)

With the help of a sketch diagram, discuss the various stages involved in formulating a project plan (15marks)

QUESTION THREE (15Mks)

- a) Outline the main objectives of project management (5marks)
- b) Discuss various steps during Monitoring and Review of projects (10marks)

QUESTION FOUR (15Mks)

- a) Discuss the various tools in project appraisal (5marks)
- b) Otieno intends to invest Ksh.10,000 for a period of 25 years. Determine the future value of the investment if it earns 15% compound interest annually. (5marks)
- c) Determine the compound interest ^{rate} that will be required to produce Ksh.324,000 after 6 years of saving if the initial amount invested is Ksh.120,000. (5marks)

QUESTION FIVE (15Mks)

A project consists of 9 activities and the three time estimates are given below;

Activities		Days		
I	J	T_o	T_M	T_p
10	20	5	6	7
10	30	8	10	13
10	40	9	11	12
20	30	5	8	9
20	50	9	11	13
40	60	14	18	22
30	70	21	25	30
60	70	8	13	17
50	80	14	17	21
70	80	6	9	12

- i) Draw a network for the given project (3marks)
- ii) Find the project critical path and project completion time. (5marks)
- iii) Find the project completion time (TE), range, Standard deviation and variance (7marks)