



MASENO UNIVERSITY
UNIVERSITY EXAMINATIONS 2015/2016

**FOURTH YEAR FIRST SEMESTER EXAMINATION FOR THE DEGREE
OF BACHELOR OF ARTS IN ECONOMICS AND BACHELOR OF
BUSINESS ADMINISTRATION WITH INFORMATION TECHNOLOGY**

MAIN CAMPUS

AEC 418: PROJECT APPRAISAL AND EVALUATION

Date: 13th January, 2016

Time: 8.30 - 10.30am

- **Answer Question ONE and any other TWO Questions.**



Q1. a) Discuss the following components of feasibility and option analysis.

- i) Option identification [4 Marks]
- ii) Feasibility analysis [4 Marks]
- iii) Option selection [4 Marks]

b) Explain the concept of benefit-cost ratio as a financial appraisal tool for projects. [6 Marks]

c) Given the following data:

	PV(0)	PV(1)	NPV	PV(1)/PV(0)
Project A	100	200	100	2
Project B	50	110	60	2.2
Project C	50	120	70	2.4

Which is the preferred projects? [2 Marks]

d) Describe the process of measuring financial return to capital of a project. [5 Marks]

e) Characterize shadow wage distortions in market with informal activities. [5 Marks]

Q2. a) The Board of Directors of Kanyama County have appointed you a project appraiser for Kirinyaga Kutus Road Transport project. Advise the project management group on the key stages of appraisal of the project. [15 Marks]

b) Citing examples show how monetization of non-market impacts can be done. [5 Marks]

Q3. a) Distinguish between cost-effectiveness and multi-criteria analysis in Project appraisal. [14 Marks]

b) Describe the important issues to be considered when acquiring land and resettling affected populations for projects.

[6 Marks]

Q4. a) Distinguish between product factor method and averting method behaviour in environmental quality analysis. [10 Marks]

b) Discuss the concept of social discount rate in project analysis. What are its theoretical under-pinnings? [10 Marks]

Q5. a) Explain the procedure for conducting sensitivity analysis for projects.

[10 Marks]

b) Discuss two probability distribution used to determine the critical variables in risk analysis. [10 Marks]