



MURANG'A UNIVERSITY OF TECHNOLOGY

SCHOOL OF PURE AND APPLIED SCIENCES

DEPARTMENT APPLIED SCIENCE

UNIVERSITY ORDINARY EXAMINATION

2017/2018 ACADEMIC YEAR

**THIRD YEAR SECOND SEMESTER EXAMINATION FOR THE DEGREE OF
BACHELOR OF SCIENCE IN MATHEMATICS AND ECONOMICS**

BCE 410 – PROJECT APPRAISAL

DURATION: 2 HOURS

DATE: 18TH APRIL, 2018

TIME: 9.00 - 11.00 AM

Instructions to Candidates:

1. Answer **Question 1** and **Any Other Two** questions.
2. Mobile phones are not allowed in the examination room.
3. You are not allowed to write on this examination question paper.

SECTION A – ANSWER ALL QUESTIONS IN THIS SECTION

QUESTION ONE

When developing projects, project appraisal is an important activity to evaluate key factors of the project to check the viability of a project proposal.

- (a) Explain the importance of Project Appraisal Management. (10 marks)
- (b) Discuss the types of evaluation done in projects (10 marks)
- (c) Project financiers are concerned with minimizing the dangers of any events which have a negative impact on the financial performance of the project. Explain the methods of risk management in projects. (10 marks)

SECTION B – ATTEMPT ANY TWO QUESTIONS IN THIS SECTION

QUESTION TWO

- (a) Murang'a Dairies intends to invest in a machine for milk processing. It requires an initial capital of 225,000 and is expected to generate the following net inflows

Year 1 \$95,000

Year 2 \$80,000

Year 3 \$60,000

Year 4 \$55,000

Required:

Compute Net Present Value of the project if the minimum desired rate is 12%

Concept papers are summaries of issues that reflect the interests of the writer, with the intent of obtaining funds for the project from donors. Explain the four steps of writing the concept paper

(10 marks)

QUESTION THREE

- (a) Upon receipt of a project proposal, the funding organization must analyze it. Describe the project appraisal criteria (10 marks)
- (b) Write short notes on:
 - i. Internal rate of return (2.5 marks)
 - ii. Net Present Value (2.5 marks)
 - iii. Benefit cost Ratio (2.5 marks)
 - iv. Payback Period (2.5 marks)

QUESTION FOUR

- (a) The cashflow statement is one of the financial statements issued by a business, describing the cash flowing in and out of the organization. Discuss the three areas that the cashflow statement is divided into. (10 marks)
- (b) Discuss the components of project proposal (10 marks)