MACHAKOS UNIVERSITY

University Examinations for 2017/2018 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ECONOMICS

FOURTH YEAR SECOND SEMESTER EXAMINATION FOR

BACHELOR OF ECONOMICS AND FINANCE

BACHELOR OF ECONOMICS

EAE 412: PROJECT APPRAISSAL

DATE: 15/12/2017 **TIME: 8:30 – 10:30 AM**

INSTRUCTIONS:
Answer QUESTION ONE(compulsory) and any other TWO questions. Question One carries 30marks and the rest 20 marks each.

QUESTION ONE S(COMPULSORY) (30 MARKS)

(a) Define the term Social cost-benefit analysis (4 marks)

(b) Explain why the costs and benefits of a project to society may differ from the costs

and benefits to the private entrepreneur (10 marks)

(c) Give reasons why the future net benefits of a project are discounted (4 marks)

d) A car manufacturer has decided to make a significant investment into expanding its presence in Africa by setting up a large assembly facility in Kenya. It has estimated its initial set up costs to be in the region of Kenya Shillings 6,398M.

Forecast net income from the project is detailed as follows:

Year 1, Kenya Shilling 1,400M

Year 2, Kenya Shilling 1,450M

Year 3, Kenya Shilling 1,550M

Year 4, Kenya Shilling 1,625M

Year 5, Kenya Shilling 1,480M.

Required;

Calculate the Net Present Value of the project using a discount factor of 5% and comment on the attractiveness of the project. (12 marks)

QUESTION TWO (20 MARKS)

Discuss in details the uses of cost-benefit analysis in:

(a) Developed countries (10 marks)

(b) Developing countries (10 marks)

QUESTION THREE (20 MARKS)

Write explanatory notes on the following:

(a) Technical aspect of project (5 marks)

(b) Human and managerial aspect of project (5 marks)

(c) Economic aspect of project (5 marks)

(d) Profitability of a project (5 marks)

QUESTION FOUR (20 MARKS)

(a) Describe the stages involved during Participatory Planning Approach to project identification and selection (12 marks)

(b) Explain the uses of sensitivity analysisin a project (8 marks)

QUESTION FIVE (20 MARKS)

a) Describe the main decision rules employed for projects, under uncertaintysituations (10 marks)

b) What are the similarities and differences between the UNIDO and Little- Mirrlees approaches to social cost benefit analysis of projects (10 marks)