(Knowledge for Development)

KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS
2017/2018 ACADEMIC YEAR

FOURTH YEAR 1ST SEMESTER
SUPPLEMENTARY/SPECIAL EXAMINATION

FOR THE DEGREE OF BACHELOR OF SCIENCE IN AGRICULTURAL ECONOMICS & RESOURCE MANAGEMENT

COURSE CODE: IAE 480
COURSE TITLE: PROJECT PLANNING AND MANAGEMENT

DATE: 2ND OCTOBER 2018 **TIME: 3 – 5 PM**

INSTRUCTIONS TO CANDIDATES

Answer Question ONE and any other two (2) Questions.

TIME: 2 Hours

Question 1

a) Write explanatory notes on the following

i. Externality (3mks)

ii. Time value of money (3mks)

iii. Critical path analysis (4mks)

b) Explain techniques used in valuing benefits (5mks)

c) Describe major causes of agricultural project failures (5mks)

d) Many projects are aimed at change in agriculture and can be seen in relation to development. Explain various categories of development projects (10mks)

Question 2

Mumias sugar Company has explored two mutually exclusive projects to invest in. You have been appointed as a project planning and appraisal officer of the project. Both projects would have an initial cost outlay of Sh. 1,000,000. The projects expected cash flows are as follows:

Year		**0**	**1**	**2**	**3**	**4**	**5**	**6**
Cash flows	**Project 1**	-10	1.2	3.0	5.0	5.4	6.0	1.1
(in million Kes)	**Project 2**	-10	2.89	4.11	3.0	2.0	5.8	0.5

Required:

a) Assuming a discounting rate of 10%, which project would be chosen using the discounted payback period method? (16mks)

b) Briefly explain the advantages of discounted payback period method (4mks)

Question 3

Before any project is undertaken there are important facets of project analysis. Explain these facets. (20mks)

Question 4

Assume that a project costs Sh. 600,000 now and is expected to produce year-end cash flows of Sh. 100,000, Sh. 140,000, Sh. 250,000, Sh. 400,000 and Sh.500,000 in years 1 through 5.

a) Assuming that the appropriate discount rate is 10%, calculate the Net Present Value of the project. (15mks)

b) What are the differences between net present value method (NPV) and internal rate of return (IRR) method for comparison of project? (5mks)