



(Knowledge for Development)

KIBABII UNIVERSITY
UNIVERSITY EXAMINATIONS
2020/2021 ACADEMIC YEAR
MAIN EXAMINATION
BACHELOR OF EDUCATION

COURSE CODE: IRD 400

COURSE TITLE: PROJECT APPRAISAL

DATE: 14TH OCTOBER, 2021 TIME: 9.00AM – 11.00AM

INSTRUCTIONS TO CANDIDATES

1. Answer Question One and any other TWO Questions
2. Question **one(COMPULSORY)** carries **30 marks** and each of the other two questions carry **20 marks** each.

KIBU observes ZERO tolerance to examination cheating

This Paper Consists of 2 Printed Pages. Please Turn Over.

QUESTION ONE

- a. With reference to Project Appraisal explain the following terms.
- i) Project **(2Marks)**
 - ii) Project Appraisal **(2Marks)**
 - iii) Time value of Money **(2Marks)**
 - iv) Project activity **(2Marks)**
 - v) Capital Recovery **(2Marks)**
- b. You have been appointed as a consultant by Faridi Company and one of your terms of reference is to ensure successful project implementation. Discuss five factors that as an expert you will advice management to consider in order to implement the project successfully with minimal risks. **(10 Marks)**
- c. Explain the various types of project appraisal. **(10 Marks)**

QUESTION TWO

- a. Project appraisal is one of the key steps in Project Management. Discuss the importance of Project Appraisal **(10 Marks)**
- b. Matatizo Limited is a newly established company under Small and Medium Enterprises category. They have recently won a contract to construct an administration block at Milele Primary School. Being a well-known project consultant, the company director has approached you to guide the company on how they can source for the project funds. Clearly explain the sources of funds that the company can use. **(10 Marks)**

QUESTION THREE

- a. Discuss the effects of Inflation on projects that have been financed after due project appraisal has been carried out. **(10 Marks)**
- b. You have been engaged as consultant to review and evaluate a project for its feasibility and cost effectiveness so as to approve or reject a project. Clearly describe how as an expert you are going to systematically develop and conduct the project appraisal process. **(10 Marks)**

QUESTION FOUR

- a. Using suitable examples, discuss the risks that project can face in the third world countries. **(10 Marks)**
- b. Discuss the objectives of Project Appraisal both to the donor and the project beneficiaries. **(10 Marks)**

QUESTION FIVE

- a. Liberty Investment management has resolved to invest Kshs 2,000,000/= in a Bank savings account at an interest rate of 5% p.a. What will be the future value of the investment at the end of three years? **(5Marks)**
- b. Milele Ventures company Limited would like to know the present value of buying a building that is worth Kshs 5,000,000/= in five years' time. The company's cost of capital is 9%. **(5 marks)**
- c. Skylimit Co is considering a project with the following cash flows.

Year	Initial investment (Kshs 000)	Variable costs (Kshs'000)	Cash inflows (Kshs '000)	Net cash flows (Kshs'000)
0	7,500			
1		(2,000)	6,500	4,500
2		(2,000)	6,500	4,500

Cash flows arise from selling 650,000 units at Kshs 10 per unit. Skylimit Co has a cost of capital of 8%.

Required: Measure the sensitivity of the project to changes in the following variables:

- i) Initial investment
- ii) Sales volume
- iii) Selling price
- iv) Variable costs

Giving justification, advice management on the most sensitive variable

(10 marks)