P. O.Box 845-50400 Busia(K)
principal@auc.ac.ke
Tel: +254 741 217 185
+254 736 044 469
off Busia-Malaba road

ALUPE UNIVERSITY COLLEGE
...*Bastion of Knowledge*....

OFFICE OF THE DEPUTY PRINCIPAL
ACADEMICS, STUDENT AFFAIRS AND RESEARCH

UNIVERSITY EXAMINATIONS

2020/2021 ACADEMIC YEAR

THIRD YEAR SECOND SEMESTER MAIN/REGULAR EXAMINATION

FOR THE DEGREE OF BACHELOR OF SCIENCE

COURSE CODE: **IRD 400**

COURSE TITLE: **DEVELOPMENT PROJECT APPRAISAL**

DATE: 22ND JULY, 2021   **TIME: 1 P.M TO 4 P.M**

INSTRUCTION TO CANDIDATES

- SEE INSIDE

THIS PAPER CONSISTS OF 3 PRINTED PAGES   PLEASE TURN OVER

COURSE CODE: IRD 400 COURSE TITLE: DEVELOPMENT PROJECT APPRAISAL

STREAM: BSC   **DURATION: 3 Hours**

INSTRUCTIONS TO CANDIDATES

i.   *Answer Question **ONE** and any other **TWO** questions.*
ii. *Maps and diagrams should be used whenever they serve to illustrate the answer.*
iii. *Do not write on the question paper.*

QUESTION ONE

(a) Citing relevant example for each, describe the following project related terms;
  (i)   Activities   (4 marks)
  (ii) Outcomes   (4 marks)

(b) Planning is the heart of the project life cycle. Support this statement demonstrating the project planning process   (10 marks)

(c) Itemize the minimum set of socials issues which should be addressed as a part of the social feasibility exercise   (4 marks)

(d) Certain projects require an initial cash outflow of $ 25,000. The cash inflows for 6 years are as follows

	$
	$
Year 1	5,000
Year 2	8,000
Year 3	10,000
Year 4	12,000
Year 5	7,000
Year 6	3,000.

Required; Using net present value technique, advise if the project is viable if the required rate of return is 10% per annum   (8 marks)

QUESTION TWO

(a) Distinguish between burst and merger events as used in Critical Path Method (CPM) analysis   (4 marks)

(b) The following network diagram outlines a certain project in Mega Limited.
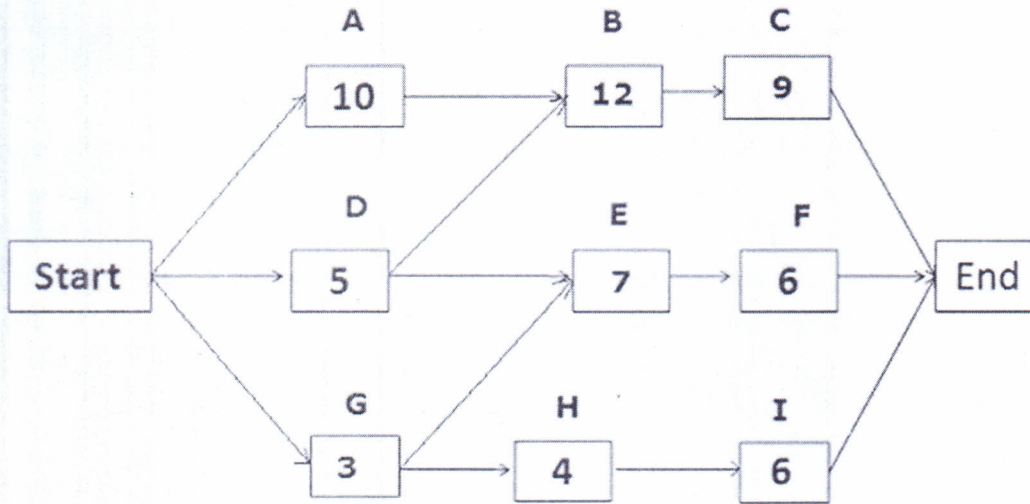
Required; Identify the total paths   (16 marks)

QUESTION THREE

Explain the following terms under discounting and compounding;

a) Time value for money concept   (4 marks)
b) Ordinary annuity versus annuity due   (4 marks)
c) Willing Enterprises has decided to invest $100,000 in mega project paying 8% interest. If the firm leaves the money 3 years, how much will it have if;
d) Interest rate is compounded semiannually   (4 marks)
e) Monthly   (4 marks)

QUESTION FOUR

Kenya Commercial Bank (KCB) has appointed you to be their investment manager. The following information has been provided by the bank;

	Project A ($)	Project B ($)
Initial cost	200,000	150,000
Cash inflows p.a for 6 years		
Under Optimistic circumstances	100,000	90,000
Under Most likely circumstances	75,000	82,000
Under pessimistic circumstances	55,000	45,000

Required;

a) Advise the bank on the project to undertake if the discount rate is 12% using sensitivity technique   (10 Marks)
b) The probabilities for both projects under optimistic, most likely and pessimistic are given to 0.2, 0.6 and 0.2 respectively. Assume circumstances occur in year 1, 2 and 3 respectively. Advise the project to undertake using probability technique
(10 Marks)

QUESTION FIVE
a) Company A seeks to adopt a work management tool that organizes at least 50 incoming work requests per week so that their team can streamline task assignment within 30 days of receipt. Assess whether the project goal is SMART (10 Marks)

b) Execution phase of project lifecycle typically begins with a project kickoff meeting where the project manager outlines the project objectives to all stakeholders involved. As a project manager, explain the tasks you will do before that meeting happens   (10 Marks)

****