



# THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

**A. M. E. C. E. A**

**MAIN EXAMINATION**

**MAY - JULY 2015 TRIMESTER**

**FACULTY OF ARTS AND SOCIAL SCIENCES**

**DEPARTMENT OF DEVELOPMENT STUDIES**

**REGULAR PROGRAMME**

**SDS 302: PROJECT APPRAISAL TECHNIQUES**

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**Date: JULY 2015**

**Duration: 2 Hours**

**INSTRUCTIONS: Answer Question ONE and ANY OTHER TWO Questions**

- Q1. a) Define the following terms:
- i Project appraisal. (2 marks)
  - ii Log frame Matrix. (2 marks)
  - iii Feasibility studies. (2 marks)
- b) Explain the advantages of Average Rate of Return (AAR) (6 marks)
- c) Discuss the following means of project appraisal
- i Technical feasibility. (2 marks)
  - ii Cultural feasibility. (2 marks)
  - iii Political analysis. (2 marks)
- d) Outline and describe the various necessary steps in Cost-Benefit Analysis. (12 marks)
- Q2. a) Identify and discuss the process of project risk management. (6 marks)
- b) Describe the importance of log frame matrix to project managers. (4 marks)

- Q3. a) Project budget has a number of important purposes. Discuss such purposes and give relevant examples. **(10 marks)**
- b) If a commercial project costs shs 3 million to establish and yields an annual net cash inflows of shs 420,000. Calculate its payback period. **(2 marks)**
- c) Discuss the merits of using payback method that you know. **(4 marks)**
- d) Differentiate between the payback method and the Net Present Value (NPV) method. **(4 marks)**
- Q4. a) A project under the public private partnership requires shs 1 million to initiate. It has a scrap value of shs 25,000 after 6 years. The expected profit after taxes during the 6 years is given as sh75,000, sh81,000, sh90,000, sh180,000, sh100,000, sh110,000. Calculate its Average Rate of Return (ARR) **(4 marks)**
- b) Evaluation reports are important project assessment selection and management documents. Describe the main purposes of evaluation. **(8 marks)**
- c) Discuss the areas of concern when disseminating a project report to an audience. **(8 marks)**
- Q5. a) Develop a project of your choice and explain its objectives, methodology, resources and outputs. **(8 marks)**
- b) An NGO is analyzing two projects so as to select the best. Project A has initial capital of shs 20,000 and scrap value of shs 1,000 after four years. Its cash flow is shs 7,000, shs 5,000, shs 3,000 and shs 8,000 for 4 years. Project B has initial capital of shs 25,000 and a scrap value of shs 2,000. Its income is shs 6,500, shs 5,000, shs 5,000 and shs 7,000 for the same period. Calculate their Net Present Value (NPV) and state which of the two projects should be selected and why. Use the 10% discount rate. **(12 marks)**

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