



THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

A. M. E. C. E. A

MAIN EXAMINATION

SEPTEMBER - DECEMBER 2023

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SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING AND FINANCE

BACHELOR OF COMMERCE

CFI 412: PUBLIC SECTOR PROJECT APPRAISAL

DATE: DECEMBER 2023

Duration: 2 Hours

INSTRUCTIONS: Answer Question ONE and any other TWO Questions

Q1.

- a) Describe the economic problems that can be focused in less developed countries.

(10 Marks)

b) A Company is considering two mutually exclusive projects requiring an cash outlay of sh15,000 each and with useful life of 5 years. The company required rate of return is 10% and the appropriate corporate tax rate is 25% .The project will be depreciated on a straight line basis. The before depreciation and taxes cash flows expected to be generated by the projects are as follows.

Year	1	2	3	4	5
Project A	8,000	7,000	9000	8,600	10,000
Project B	8,500	9,000	6,000	7500	9,500

Required for each project

- i) Pay back period **(2 Marks)**
ii) The average rate of return **(2 Marks)**
iii) The net present value **(7 Marks)**
iv) Profitability index **(2 Marks)**
v) The internal rate of return **(7 Marks)**

Q2.

- a) Describe the types of benefit and costs applicable in cost benefit analysis. **(10 Marks)**
b) A project has the following activities, and time estimates in weeks.

Activity	Immediate Predecessor	Optimistic Time	Most likely Time	Pessimistic Time
A	-	11	13	15
B	A	13	15	18
C	B	11	16	17
D	B	7	9	11
E	C	7	13	16
F	C, D	10	11	12
G	E, F	5	7	9

Required

- i) Draw the network. **(4 Marks)**
- ii) Determine the critical path. **(4 Marks)**
- iii) Determine the project duration. **(2 Marks)**

Q3.

- a) Discuss the things to be looked into in carrying preliminary screening. **(10 Marks)**
- b) Discuss why project fail. **(10 Marks)**

Q4.

- a) Discuss the important questions raised in technical analysis. **(10 Marks)**
- b) Describe the steps of planning for project implementation. **(10 Marks)**

END