



# THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

**A. M. E. C. E. A**  
**CITY CAMPUS**

P.O. Box 62157  
00200 Nairobi - KENYA  
Telephone: 891601-6  
Fax: 254-20-891084  
E-mail: academics@cuea.edu

**MAIN EXAMINATION**

**AUGUST - DECEMBER 2016 TRIMESTER**

**FACULTY OF ARTS AND SOCIAL SCIENCES**

**DEPARTMENT OF DEVELOPMENT STUDIES**

**EVENING PROGRAMME**

**MPM 507: PROJECT APPRAISAL TECHNIQUE**

**Date: DECEMBER 2016**

**Duration: 3 Hours**

**INSTRUCTIONS: Answer ANY FOUR Questions**

- Q1. In detail discuss any TWO discounted techniques of appraising a commercial Project **(15 marks)**
- Q2. Giving examples discuss three aspects of project appraisal **(15 marks)**
- Q3. Briefly discuss how you would make a case for implementing an identified Social project **(15 marks)**
- Q4. Discuss the importance of carrying out a participatory project appraisal **(15 marks)**
- Q5. Your company is considering two projects, project A and project B, each of which requires an initial outlay of Kshs. 50 million. The expected cash inflows from these projects are:

Year	Project A	Project B
1	Kshs. 11 million	Kshs. 38 million
2	19	22
3	32	18
4	37	10

- a) What is the payback period for the project **(5 marks)**

- b) What is the discounted payback period for each project if the cost of capital is 12 percent? **(10 marks)**

Q6. Peter and John Industries limited is considering implementing a project whose expected cash inflows are as follows:

Year	Cash inflows Kshs.
0	1,000,000
1	100,000
2	200000
3	300,000
4	600,000
5	300,000

- a) What is the Net Present Value (NPV) of the project if the discount rate is 14 percent? **(6 marks)**
- b) What is the NPV of the project if the discount rate is 12 percent for year 1 and rises by 1 percent for the remaining period **(9 marks)**

**\*END\***