



# THE CATHOLIC UNIVERSITY OF EASTERN

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**MAIN EXAMINATION**

**SEPTEMBER-DECEMBER 2020 TRIMESTER**

**Faculty of Arts and Social Sciences**

**DEPARTMENT OF SOCIAL SCIENCE & DEVELOPMENT STUDIES**

**REGULAR PROGRAMME**

**MPM 507: PROJECT APPRAISAL TECHNIQUES**

<b>Date: DECEMBER 2020</b>	<b>Duration: 3 Hours</b>
<b>INSTRUCTIONS: Answer any FOUR Questions</b>	

Q1. (a) Using relevant illustrations discuss the importance of project budgeting. (7 marks)

(b) Using relevant examples discuss the role of project appraisal in project planning (8 marks)

Q2 (a) With the help of a suitable diagram explain Internal Rate of Return (15 marks).

Q3. In detail explain two discounted techniques other than Internal Rate of Return for appraising a commercial projects(15 marks).

Q4. a) The initial investment of a project is Kshs. 200,000 and benefits for the four years are as follows: 50,000, 80,000, 80,000 and 100,000 respectively. If the cost of capital is 8%, calculate the payback period (7 marks).

b) Giving relevant examples discuss any four aspects of project appraisal (8 marks).

Q5. Explain the importance of doing stakeholders analysis before implementing a social project(15 marks).

Q6. From the following information calculate the Benefit-Cost Ratio (B/C Ratio) of two projects and suggest which of the two projects should be accepted assuming a discount rate of 10% (15 marks).

	Project X	Project Y	
Initial investment	20,000	30,000	
Estimated life	5 years	5 years	
Scrap value of (Kshs.)	1000	2000	

Cash inflows of the two projects.

Year	Project X	Project Y
1	50,000	20,000
2	10,000	10,000
3	10,000	5,000
4	3,000	3,000
5	2,000	2,000