



# THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

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

P.O. Box 62157

00200 Nairobi - KENYA

Telephone: 891601-6

**MAIN EXAMINATION**

**MAY – JULY 2019 TRIMESTER**

**FACULTY OF ARTS AND SOCIAL SCIENCES**

**DEPARTMENT OF DEVELOPMENT STUDIES**

**REGULAR/ODEL PROGRAMME**

**MPM 507: PROJECT APPRAISAL TECHNIQUES**

**Date: JULY 2019**

**Duration: 3 Hours**

**INSTRUCTIONS: Answer any FOUR Questions**

- Q.1 Give a detailed explanation of Social Cost Benefit Analysis and its relevance in a project appraisal process **(15marks)**
- Q2. a) Critically show the importance of project appraisal in the life cycle of a project **(8marks)**
- b) Identify and explain the determinant aspects of a project environment that make it critical in the success of a project life cycle **(7marks)**
- Q3. Discuss the criteria for project appraisal **(15marks)**
- Q4. a) What is a Net Present Value (NPV) of a project proposal? **(5marks)**
- b) Consider a project which has the following cash flow stream and calculate its NPV. The cost of capital  $k$  for the firm is 10%. **(10 marks)**
- | Year | Cash Flow  |
|------|------------|
| 0    | -1,000,000 |

1	200,000
2	200,000
3	300,000
4	300,000
5	350,000

Formula:

$$NPV = \sum_{t=0}^n \frac{(\text{Benefits} - \text{Costs})_t}{(1 + r)^t}$$

Where;

*r*=discount rate

*t*=Year

*n*=analytic horizon in years

Q5. a) Explain four types of project appraisal **(8marks)**

b) Calculate the Payback Period of a project that involves a cash outlay of ksh. 600,000, and generates cash inflow of Ksh. 100,000, 150,000, 150,000 and 200,000 in the first, second, third and fourth years respectively, assuming that cash inflow is not constant.

**(7marks)**

Q6. Discuss project appraisal in relation to technical, economic, financial, social and environmental analyses **(15marks)**

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