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**University Examinations 2015/2016**

THIRD YEAR FIRST SEMESTER EXAMINATION FOR THE DEGREE

OF

BACHELOR OF BUSINESS ADMINISTRATION

**BFB 3313: PROJECT COSTING AND CONTROL**

**DATE: APRIL 2016 TIME: 2 HOURS**

**INSTRUCTIONS:** *Answer question* ***one*** *and any other* ***two***questions.

**QUESTION ONE (30 MARKS)**

1. Using the above sketch, can you discern the existence of exogenous variables? Explain briefly. (3 marks)
2. The estimated cost of a project if built today is Ksh 4,000,000 and the costs are expected to rise 3.5 percent for the next 5 years. What will be the estimated cost if the project is built five years from now? (3 marks)
3. The budget calls for Kshs 40,000 Feet of water piping and the labour is budgeted at Kshs. 26,000. The work completed to date is 8,000 Feet of water piping and the labour cost is Kshs. 6,000. What is the projected total labour cost savings or labour cost overrun at completion (6 marks)
4. List and explain SIX major techniques used in determining project contingency costs.

(12 marks)

1. Describe the main advantages of parametric estimating in project management costs (12 marks)

**QUESTION TWO (20 MARKS)**

The supply of an undisclosed drug has been found to have a link to the prevailing interest rates as depicted in the table below. Determine the supply when the interest rate is 5% (12 marks)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Interest rate % | 9 | 2 | 8 | 7 | 6 |
| Supply in “000” Kgs | 1,910 | 1,330 | 2,015 | 1,575 | 1,430 |

1. What are the FOUR main assumptions in application of regression analysis (8 marks)

**QUESTION THREE (20 MARKS)**

1. Describe the process of developing a parametric model indicating the steps involved. (12 marks)
2. How is parametric estimation different from analogous estimation (8 marks)

**QUESTION FOUR (20 MARKS)**

1. Describe the tools and techniques used for Estimating project Costs. (14 marks)
2. Use the excerpt below to estimate the total cost of the event. (6 marks)

You are the project manager of the Meru Gucheng’a Marathone Race (MGUMARA), with three primary components: marketing, registration and race-day coordination. During the coming race, for marketing, there will be 500 flyers printed up at a cost of Ksh. 2.50 each. It took two weeks for the flyers to be printed for last year event, so you estimate two weeks for the printing of the brochures for this event. Last year it took one week to design the on-line registration form and the cost to host the registration website was Ksh.3,850.00. You estimate the same this year. There will be four people used to coordinate the race. Each resource will be paid Kshs. 75 per hour and they will be working an estimated seven hours, based on the race last year.

**QUESTION FIVE (20 MARKS)**

Project estimation requires a level of expert judgment, not only in the project itself but more importantly on expert judgment of the business environment in which the project is being delivered. It is typically the role of the project manager to provide this expert judgment in order to decide what business risks need to be managed and which project estimating technique is likely to achieve the best results.

1. You are required to explain the KEY areas of consideration requiring expert judgment in project estimation (14 marks)
2. Why do firms use a Work Breakdown Structure in project management? (6 marks)