



MASENO UNIVERSITY
UNIVERSITY EXAMINATIONS 2013/2014

**FIRST YEAR SECOND SEMESTER EXAMINATIONS FOR THE
DEGREE OF MASTER OF ARTS IN PROJECT PLANNING &
MANAGEMENT
(HOMA BAY CAMPUS)**

**PPM 817: ECONOMICS FOR PROJECT PLANNING &
MANAGEMENT**

Date: 13th April, 2014

Time: 9.00 - 12.00 noon

INSTRUCTIONS:

- **Answer ANY FOUR questions.**



PPM: 817- ECONOMICS FOR PROJECT PLANNING & MANAGEMENT
[Homabay Campus]

ANSWER ANY FOUR QUESTIONS

QUESTION ONE

a) In your own view as the project manager, provide a plan formulation and requisites for successful planning for a firm of your own choice.

(15 Marks)

QUESTION TWO

Write short notes on **three** of the following:

- | | |
|---|------------------|
| i) Planning by direction and planning by Inducement | (3Marks) |
| ii) Financial and physical planning | (3Marks) |
| iii) Perspective planning and annual planning | (3Marks) |
| iv) Rolling and fixed plans | (3 Marks) |
| v) Planning in a mixed economy | (3 Marks) |

QUESTION THREE

a) The following relates to the economy of a given country

G is the rate of growth = 5%

S_p is the saving rate of profit receivers =25%

P_Y is the share of profit in total income =50%

S_w is the saving rate of the wage earner=5%

Required

Calculate the shadow rate of interest for the economy **(10 Marks)**

b) Discuss the uses of shadow prices in the project. **(5Marks)**

QUESTION FOUR

- i) Discuss the stages of project evaluation (5 Marks)
- ii) By the use of a graph explain the relationship between NPV and IRR (5 Marks)
- iii) Limitations arise in cost-benefit analysis of measuring the present and future benefits from a project and costs incurred in obtaining these benefits. Identify and explain these limitations (5 Marks)

QUESTION FIVE

- i. What is the meaning and assumptions of input – output analysis? (5 Marks)
- ii. Below is input –output table of economy as a whole in a particular year. It shows the values of the flows of goods and services between different productive sectors especially inter – industry flows. For your understanding, a three sector economy is taken in which there are two inter – industry sectors, agriculture and industry, and one final demand sector.

Purchasing sectors

Selling sector	Sector	Agriculture	Industry	Final demand
	Agriculture	50	150	100
Industry	100	250	150	
Total cost	300	500	250	

Using the above table calculate

- i) Value added for each sectors **(3 Marks)**
- ii) Total output of agriculture **(3.5 Marks)**
- iii) Total output of Industrial **(3.5 Marks)**

QUESTION SIX

- a) Define what you mean by the word
 - i) Linear programming? Explain the uses of linear programming in planning **(3 Marks)**
 - ii) What are the assumptions underlying the linear programming? **(3 Marks)**
- b) i) By the use of a graph explain the concept of capital – output ratio of a given economy **(5Marks)**
- ii) List and explain factors determining capital – output ratio. **(4 Marks)**