MASENO UNIVERSITY

UNIVERSITY EXAMINATIONS 2014/2015

FOURTH YEAR FIRST SEMESTER EXAMINATIONS FOR THE DEGREE OF BACHELOR OF ARTS IN ECONOMICS, BACHELOR OF SCIENCE IN MATHEMATICS AND ECONOMICS AND BACHELOR OF BUSINESS ADMINISTRATION WITH INFORMATION TECHNOLOGY

MAIN CAMPUS

SUPPLEMENTARY

AEC 418: PROJECT APPRAISAL AND EVALUATION

Date: 15ᵗʰ November, 2015   Time: 8.30 – 10.30 am

INSTRUCTIONS:

- Answer question ONE and any other TWO questions.
- Question ONE carries 30 marks.
- The rest of the questions carry 20 marks each

Q1. a) Describe the basic components of a project appraisal.   [5 Marks]

     b) Explain the following terms as used in socio-economic context analysis of projects.

Q1. a) Describe the basic components of a project appraisal.   [5 Marks]

b) Explain the following terms as used in socio-economic context analysis of projects.

    i) Indirect and Network Effects   [3 Marks]

    ii) Who has standing?   [3 Marks]

    iii) Option Identification   [3 Marks]

    iv) Option Selection   [3 Marks]

c) Discuss the following financial analysis parameters in project appraisal process.

    i) Financial return on investment   [5 Marks]

    ii) Financial return on capital   [5 Marks]

    iii) Benefit-cost ratio   [3 Marks]

Q2. a) You have been appointed as a project manager in Kindaruma road project in Sawia Constituency. Using illustration of transport network case study. Discuss project appraisal and evaluation process of the project with Sawia Roads Board.   [8 Marks]

b) Describe shadow wage distortion in the following cases:

    i) Competitive labour markets   [3 Marks]

    ii) Market with Informal Activities   [3 Marks]

c) Explain how the non-market impact of the following sectors are valued in project appraisal.

    i) Transport   [2 Marks]

    ii) Health care   [2 Marks]

    iii) Environment   [2 Marks]

Q3. a) Explain the following terms as used in the risk assessment of projects.

    i) Optimism bias   [4 Marks]

    ii) Risk prevention   [5 Marks]

    iii) Risk aversion and precautionary principle.   [5 Marks]

b) Discuss the critical steps in sensitivity analysis.   [6 Marks]

Q4. a) Distinguish between cost-effectiveness and multi-criteria analysis in Project appraisal.   [14 Marks]

b) Describe the important issues to be considered when acquiring land and resettling affected populations for projects.

[6 Marks]

Q5. a) Explain the following two relationships in the context of evaluation environmental externalities in project appraisal process.

$$NPV\,(r) = \sum_{t=1}^{r} \frac{B_t - C_t - EXT_t}{(1+r)^t} - C_0$$

i)   [5 Marks]

ii) Derive the net present value of the externality.   [5 Marks]

b) Discuss primary and secondary economic impacts that may arise from a project implementation.   [10 Marks]