



MASENO UNIVERSITY

UNIVERSITY EXAMINATIONS 2015/2016

**FOURTH YEAR FIRST SEMESTER EXAMINATION FOR THE DEGREE
OF BACHELOR OF ARTS IN ECONOMICS AND BACHELOR OF
BUSINESS ADMINISTRATION WITH INFORMATION TECHNOLOGY**

CITY CAMPUS - DAY

AEC 418: PROJECT APPRAISAL AND EVALUATION

Date: 30th November, 2015

Time: 2.00 - 4.00pm

INSTRUCTIONS:

- Answer Question ONE and any other TWO Questions.



- Q1. a) Briefly summarize the general principles of a project appraisal and evaluation. [7 Marks]
- b) Distinguish between direct and indirect economic effects for transport system projects. [4 Marks]
- c) Differentiate between feasibility analysis and option selection processes in project appraisal. [6 Marks]
- d) Zumani Consultants have been given mandate by Government of Zuala to perform financial appraisal for Zuala National Hospital. Initial investment for the project was ZSh. 50 Million. Cash flow from the project from year 1: ZSh. 20 Million, year 2: ZSh. 30 Million, year 3: ZSh. 40 Million, year 4: ZSh. 35 Million, year 5: ZSh. 45 Million. The rate of return is 10% per annum.
- i) Compute the net present value for Zuala National Hospital. [5 Marks]
- ii) Should Zuala Government invest in the hospital or not? [2 Marks]
- e) Explain benefit-cost ratio as an element of financial appraisal for projects. [6 Marks]
- Q2. a) You are appointed as project appraiser for IBEA Energy project. Advise the project management group on the key stages of appraisal of the project. [15 Marks]
- b) Discuss the factors to consider when designing a Multi-Criteria Analysis. [5 Marks]
- Q3. a) Explain shadow wage distortions in economic appraisal of projects. [5 Marks]
- b) Discuss the manifestation of shadow wages distortions in the following markets.
- i) Competitive labour markets. [3 Marks]
- ii) Market with informal activities. [6 Marks]
- iii) Markets with involuntary unemployment. [6 Marks]

Q4. a) Environmental externalities tend to affect the social welfare contribution of project to beneficiaries. Using illustrations discuss how the environment externalities can be incorporated in the net present value of a project. [10 Marks]

b) Explain the impacts of community projects on the following:

i) Secondary markets. [5 Marks]

ii) Public finances and GDP [5 Marks]

Q5. a) Compare and contrast between contingent valuation methods and hedonic pricing method. [14 Marks]

b) Discuss the process of conducting cost effectiveness analysis in projects. [6 Marks]