MAASAI MARA UNIVERSITY

REGULAR UNIVERSITY EXAMINATIONS
2022/2023 ACADEMIC YEAR
THIRD YEAR FIRST SEMESTER

SCHOOL OF BUSINESS & ECONOMICS
BACHELOR OFSCIENCE IN ECONOMICS

COURSE CODE: ECO 3109-1

COURSE TITLE:PROJECT APPRAISAL AND ANALYSIS

DATE: 15TH DECEMBER, 2022   **TIME: 1100-1300**

INSTRUCTIONS TO CANDIDATES

1. Answer Question **ONE** and any other **THREE** questions

*This paper consists of **three** printed pages. Please turn over.*

QUESTION ONE

a) The county government of Narok intends to undertake the following two mutually exclusive projects (P_X and P_Y). The table below gives their cash flows and initial costs. Use the Net Present Value (NPV) and the Internal Rate of Return (IRR) techniques to decide which project should be undertaken. (Use a required rate of return of 12 per cent).

Project	Yearly Cash Flows (USD Millions)					
	0	1	2	3	4	5
P_X	(1,885)	750	880	820	550	510
P_Y	(2,050)	800	1550	950	730	495

(10 Marks)

b) Discuss the non-numeric models used in project selection and state the advantages they have over the numeric models. **(6 Marks)**

c) Differentiate between a novel project and a familiar project. **(4 Marks)**

QUESTION TWO

a) Describe the four steps of project identification and selection process.
(8 Marks)

b) Discuss the rationale for Social Cost Benefit Analysis (SCBA). **(4Marks)**
c) Differentiate between strategic attractiveness and financial attractiveness in project selection. **(3 Marks)**

QUESTION THREE

a) Discuss the nine features which distinguish one project from another.
(9 Marks)

b) Explain the circumstances when shadow pricing should be used in measurement of costs and benefits in projects. **(6 Marks)**

QUESTION FOUR

a) Use the following pay off matrix to explain the decision making criteria appropriate to uncertainty as listed below the matrix

N\S	1	2	3	4
1	2	2	0	0
2	1	1	1	1
3	0	4	0	0
4	0	3	0	0

    i) The Maximin (Wald criterion) **(2 Marks)**
    ii) The Minimax (minimum regret) criterion **(2 Marks)**
    iii) The index of pessimism criterion (index of pessimism is 0.9) **(2 Marks)**
    iv) Laplace Criterion **(2 Marks)**

b) Explain the four gender implications a project design may depict during gender appraisal. **(4 Marks)**

c) Differentiate between a risk situation and an uncertainty situation for a project. **(3 Marks)**

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