



OFFICE OF THE DEPUTY PRINCIPAL
ACADEMICS, STUDENT AFFAIRS AND RESEARCH

UNIVERSITY EXAMINATIONS

2020 /2021 ACADEMIC YEAR

FOURTH YEAR SECOND SEMESTER REGULAR EXAMINATION

**FOR THE DEGREE OF BACHELOR OF
ECONOMICS**

COURSE CODE: ECO 426

**COURSE TITLE: PROJECT APPRAISAL AND
EVALUATION**

DATE: 21ST JULY 2021

TIME: 1:00PM - 4:00 PM

INSTRUCTION TO CANDIDATES

- SEE INSIDE

THIS PAPER CONSISTS OF 3 PRINTED PAGES

PLEASE TURN OVER

REGULAR – MAIN EXAM**ECO 426: PROJECT APPRAISAL AND EVALUATION****STREAM: BA ECONOMICS****DURATION: 3 Hours****INSTRUCTIONS TO CANDIDATES**

- i. Answer Question **ONE** and any other **TWO** questions.
- ii. Maps and diagrams should be used whenever they serve to illustrate the answer.
- iii. Do not write on the question paper.

SECTION A**Question One**

- a) Distinguish between the following terms as used in project planning and management.
- i. 'Project appraisal' and 'project evaluation' (5 marks)
 - ii. 'Risky situation' and 'uncertainty situation' (5 marks)
- b) Explain any five major causes of project failures (10 marks)
- c) Bungoma County government has two mutually exclusive projects to invest in. You have been appointed as project planning and appraisal consultant for the project. Both projects would have an initial cost outlay of Sh. 10,000,000. The projects expected cash flows are as follows:

Year		0	1	2	3	4	5	6
Cash flows	Project 1	-10	1.2	3.0	5.0	5.4	6.0	1.1
(in million Kes)	Project 2	-10	2.89	4.11	3.0	2.0	5.8	0.5

Required: Using the ordinary payback period method, which project should be undertaken? (10marks)

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Required: Using the ordinary payback period method, which project should be undertaken? (10marks)

- a) Construct a Gantt chart which will provide an overview of the planned project. (10 marks)
- b) How soon could the project be completed? (3 marks)
- c) Which activities need to be completed on time in order to ensure that the project is completed as soon as possible? (7 marks)