



**NATIONAL OPEN UNIVERSITY OF NIGERIA
FACULTY OF SOCIAL SCIENCES
DEPARTMENT OF ECONOMICS**

COURSE TITLE: PROJECT EVALUATION

COURSE CODE: ECO 329

UNITS: 3

TIME ALLOWED: 3 HOURS

INSTRUCTION: ANSWER FOUR (4) QUESTIONS. ALL QUESTIONS CARRY EQUAL MARKS

QUESTION ONE

- (ai). Define the term “Project” in project evaluation. (2½ marks)
- (aii). Discuss Four (5) characteristics of a Project in Project Evaluation (10marks)
- (b). Discuss the different types of Evaluation in Project analysis. (5marks)
(17½marks)

QUESTION TWO

- (a). Discuss whether banks are interested in projected cash flow statement of a project. (5½marks)
- (b). Discuss the stages of Project Life Cycle in project analysis. (12marks)
(17½marks)

QUESTION THREE

- (a). Discuss the term ‘project cost analyses’ in project evaluation. (10marks)
- (bi). Discuss the term ‘capacity planning’ in project analysis. (5½marks).
- (bii). Make a clear distinction between Gross Profit margin and Net Profit Margin. (2marks)
(17½marks)

QUESTION FOUR

- (a). Discuss the payback period as a popular methods of project evaluation. (3½marks)
- (bi). A project requires a cash outlay of N800, 000 and yields an annual cash inflow of N100, 000 for a period of 10 years; calculate the payback period. (5marks)
- (bii). Discuss the tools and techniques that project managers can use to ensure knowledge and lessons learned from previous projects are not lost, and can be shared for the benefit of future projects. (9marks).
(17½marks)

QUESTION FIVE

- (a). Analyse the Discounted Cash Flow (DCF) technique for appraising large investment decision. (5½marks).
- (b). A car manufacturer has decided to make a significant investment into expanding its presence in Africa by setting up a large assembly facility in Nigeria. It has estimated its initial set up costs to be in the region of Nigeria naira N6.398M.

Forecast net income from the project is detailed below:

Year 1 - 1.400M

Year 2 - 1.450M

Year 3 – 1.550M

Year 4 – 1.625M

Year 5 – 1.480M. You are required to

- (i). Calculate the projected payback time for the project to the nearest month. (2marks)
- (ii). Calculate the Net Present Value of the project using a discount factor of 5% and comment on the attractiveness of the project.

Discount factors at 5% are; Yr 1 = 0.952, Yr 2 = 0.907, Yr 3 = 0.864, Yr 4 = 0.823, Yr 5 = 0.784
(10marks)

(17½marks)

QUESTION SIX

Write short note on the following:

- (a) Speculative Risk (3.5marks)
- (b) Operational Risk (3.5marks)
- (c) Subjective and Objective Risk (3.5marks)
- (d) Social Profitability (3.5marks)
- (e) Operating Profit Margin (3.5marks)

(17½marks)