



NATIONAL OPEN UNIVERSITY OF NIGERIA
Plot 91, Cadastral Zone, Nnamdi Azikiwe Express Way, Jabi - Abuja
FACULTY OF MANAGEMENT SCIENCES
2020_1 EXAMINATION

COURSE CODE: MBA851

COURSE TITLE: Project Evaluation

CREDIT UNIT: 2

INSTRUCTION: 1. Indicate your Matriculation Number clearly

2. Attempt question one (1) and any other three (3) questions; four questions in all

3. Question one (1) is compulsory and carries 25 marks, while the other questions carry 15 marks each.

4. Present all your points in a coherent and orderly Manner

TIME ALLOWED: 2½ Hours

1(a) The cost of a project is ₦500,000.00 and it generates cash inflows of ₦150,000.00, 300,000.00 and ₦400,000.00 over a three year period. Given that the rate of return is 5%, Obtain the Net Present Value (NPV). **(15marks)**

(b) From (a) above, calculate the benefit – cost ratio of the project and advise the management.

Note: All calculation must be approximated to 4 decimal places **(8marks)**

(c) List two merits and two demerits of NPV **(2marks)**.

(Total marks 25)

2(a) Discuss the key segments of project evaluation. **(10marks)**

(b) Enumerate the critical elements of successful projects. **(5marks)**

(Total marks 15)

3(a) Differentiate between forward linkage effects and backward linkage effects of a project

(4marks)

(b) Differentiate between intermediate goods and capital goods. **(5marks)**

(c) List the components of engineering evaluation in a manufacturing project. **(6marks)**

(Total marks 15)

4(a) Define the term “Installed Capacity”. **(5marks)**

(b) A factory can produce 5000 cartons of biscuit per hour all things being equal. But due to breakdown of a machine, the factory could only produce 2300 cartons of biscuit per hour. What is the factory’s installed capacity and 2300 cartons is what? **(5marks)**

(c) List five items that must be included in the checklist for the management segment. **(5marks)**

(Total marks 15)

5(a) State the decision rules for the following:

(i) Net Present Value (NPV) **(3marks)**

(ii) Benefit- Cost Ratio **(3marks)**

(iii) Internal Rate of Return (IRR) **(3marks)**

(b) Discuss the three factors that affect the demand for a product. **(6marks)**

(Total marks 15)

6(a) Make a list of nine items that you hope to find in the demand and market segment checklist. **(9marks)**

(b) What is a Project Cycle? **(3marks)**

(c) Define Project Cost. **(3marks)**

(Total marks 15)