

**NATIONAL OPEN UNIVERSITY OF NIGERIA**

**UNIVERSITY VILLAGE, JABI-ABUJA**

**FACULTY OF MANAGEMENT SCIENCES**

**2018 FIRST SEMESTER EXAMINATION**

**COURSE CODE: BFN 409 CREDIT UNIT: 3**

**COURSE TITLE: PROJECT EVALUATION**

**TIME ALLOWED: 3 HOURS**

**Instructions: 1. Attempt question number One (1) and any other Two (3) questions.**

**2. Question number 1 carries 25 marks, while the other questions carry 15          marks each.**

**3. Present your work in coherent and orderly manner.**

**QUESTION ONE (COMPULSORY)**

Calculate the net present value of a project which cost N500,000 but generates cash inflows of N150,000, N300,000, N400,000, N200,500, and N192,500 over a five year period. The required rate of return is 10%. These discount factors are relevant: 0.909; 0.826; 0.751; 0.687; and 0.594 respectively.

(b) Compare Financial Analysis with Economic Analysis in relation to project evaluation.

**QUESTION TWO**

(a) Figures below represent some aspects of a project cost.

Land, Building and steel structure =N= 22,000,000

Machinery and equipment -----

Storage tanks 8,100,000

Utilities -----

Pre-operational expenses 1,450,000

Working capital -----

Total:- =N=174,907,994

Additional information: (i) sum of the first three items equals =N=120,740,000; and (ii) sum of the last two items equals =N=32,067,994. You are required to calculate for the missing figures. **Show all your workings**

(b) The cost of a project is normally classified into distinct areas. Mention and explain such types of project costs.

**QUESTION THREE**

(a) Projected cash flow statements assist us to evaluate a firm’s future performance and financial condition. What are the basic questions do they assist the firm to answer?

(b) Mention and explain the basic sources of cash inflows from a project.

**QUESTION FOUR**

(a) A project costs N100,000 and has a scrap value of N40,000. The cash inflows before depreciation and taxes are N40,000, N50,000, N60,000 for the first three years. The tax rate is 50% and depreciation is on straight line basis.

You are required to calculate the accounting rate of return for the project.

(b) What are the major characteristics of a project?

**QUESTION FIVE**

(a) Explain the term Cost-Benefit Analysis.

(b) Cost-benefit analysis has to obey certain principles in order to be meaningful. Mention and discuss two of these principles with good examples.

**QUESTION SIX**

According to Kaye (2001), there are stakeholders that could be affected by a risk incident occurring in the organization. Mention and briefly elucidate them.