KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI
FINAL EXAMINATION, JUEN 2010; AFFILIATED COLLEGES
PROJECT APPRAISAL: BA (M) - 683
MBA – IV

Date: July 18, 2010 Max Marks: 60
Max Time: 3 Hours

Question 1

(a) What do you understand by a project and its kinds?

(b) Discuss a Project Development Cycle in detail.

Question 2

(a) What important questions are raised prior to market analyses and their importance?
(b) What are the essential of market analyses while preparing a market analyses for a development project?

Question 3

(a) Explain the cost of the project and its mean of financing.
(b) While considering the means of financing a project what analyses is carried out for its capital structure?

Question 4

(a) Cash Flow stream associated with the following two A AND B projects is given below:

Year	Project A	Project B
0	(300,000)	(300,000)
A	50,000	60,000
B	70,000	80,000
C	75,000	70,000
D	80,000	90,000
E	60,000	75,000
F	190,000	170,000
G	100,000	120,000
H	250,000	260,000

REQUIRED:

(a) For each of the project A and B calculate the payback period, NPV and Benefit Cost Ratio. Assume a discount rate is 12%.
(b) What project is to be selected on this basis?

Question 5

High Corporation Ltd. Is planning to establish two mutually exclusive projects for investment X and Y. projected cash flow of these projects given below:

Year	X	Y
0	(200,000)	(200,000)
1	(150,000)	(140,000)
2	50,000	40,000
3	170,000	180,000
4	80,000	90,000
5	100,000	95,000
6	140,000	150,000
7	150,000	160,000

REQUIRED:

(a) Calculated the modified Internal Rate of Return (MIRR) of each project assuming the reinvestment rate is 12%.

(b) Which project is suitable for investment and should be accepted for investment?

Question 6

(a) Drive the general formulae for the following: each step is to be given for arriving at the formulae

- (i) Present value of an Annuity
- (ii) Future value of an Annuity
- (iii) Formula for Perpetuity

(b) What is the present value of an income stream which provides an income of Rs. 5000 a year for the first five years and then Rs. 6000 a year for even thereafter, if the discount rate is 12%?

KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI
FINAL EXAMINATION, JUNE & JULY 2009: AFFILIATED COLLEGES
PROJECT APPRAISAL: BA (M) - 683
MBA – IV

Date: July 03, 2009 **Max Marks: 60**
Time Allowed: 3 Hours

Instructions: Attempt Six questions only. All questions carry equal marks.

Question: 1 **10**

a. How would you define a project? Why the Capital Budgeting decisions are so important and what difficulties are encountered while making such decisions?

b. Discuss the Broad phases of Capital Budgeting Process.

Question: 2 **10**

Describe briefly the business environments that need to be monitored as well as the dimensions along which a firm may appraise its strengths and weakness for identifying the investment opportunities.

Question: 3 **10**

a. When appraising a project what key questions are raised prior to Market Analysis?

b. How would you find out the effective demand of an industrial project? Describe all the Sources of information you would tap in order to accomplish this task.

Question: 4 **10**

What broad issues are covered under Technical and Engineering Aspects while preparing feasibility report of an industrial project? Give description of each.

Question: 5 **10**

Cash flow streams for two alternative investments, A and B are:

	Rupees	Rupees
Year	**A**	**B**
0	(200,000)	(300,000)
1	40,000	75,000
2	35,000	85,000
3	40,000	70,000
4	45,000	60,000
5	50,000	80,000
6	70,000	100,000
7	160,000	120,000
8	140,000	130,000

Required

a. For each A & B calculate precisely the payback period, net present value and Benefit Cost Ratio. Assume a discount rate of 12 percent.

b. Which project is to be accepted or rejected o the basis of above three criteria?

Question: 6 **10**

a. Derived the General Formulae for the followings. Each step to be given for arriving at the result:

1. Present Value of and Annuity
2. Future Value of an Annuity
3. Formula for the Perpetuity

b. What is the present value of an income stream which provides Rs. 3000 a year for the first five years and Rs. 4000 a year for even thereafter, if the discount rate is 10%?

Question: 7 **10**

Standard Corporation is considering two mutually exclusive investments, Project P and Project Q. the expected cash flows of these projects are as follow:

Year	**Project P**	**Project Q**
0	Rs. (1000)	Rs. (1000)
1	Rs. (1200)	Rs. (1200)
2	700	600
3	1,000	9,000
4	1,500	1,000
5	2,000	1,600
6	4,000	3,500

Required

What is the Modified Internal Rate Return (MIRR) of each project assuming the reinvestment rate of 15% and Weighted Average Cost of Capital (WACC) 12%?

KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI

FINAL EXAMINATION: AFFILIATED COLLEGES
PROJECT APPRAISAL: BA (M) - 683
MBA – IV

Date: January 21, 2009 **Time Allowed: 3 Hours**
Max Marks: 60

Instructions: Attempt any five questions.

Q.No.1 (a) What questions would you raise in SWOT analysis?
(b) The scope for private sector has been expended in recent years. Comment
(c) Discuss the steps involved in a sample survey.

Q.No.2 (a) What types of information are required for market and demand analysis?
(b) Describe and evaluate the end-use method for forecasting.

Q.No.3 (a) What are the components of cost of projects? Discuss them in detail.
(b) Describe the various sources of finance that may be used to meet the cost of project.

Q.No.4 (a) what are the basic principles for measuring costs and benefits of capital expenditure proposal from the financing angle?
(b) What are the components of cash flows associated with project?

Q.No.5 (a) Briefly discuss investment appraisal criteria with the classification of discounting and non-discounting?
(b) Decision Tree Analysis is a useful tool for the analysis of the project. Discuss the technique of Decision Tree Analysis.

Q.No.6 Social cost benefit analysis is a methodology develops for evaluating investment project from the social point of view. Explain.

Q.No.7 the G Corporation is considering three possible capital projects for the next year. Each project has a one year life and project returns develop on the next year's state of the economy. The estimated rates of return are shown in the table:

State of the economy	Probability of each State Occurring	Rates of Return if State Occurs		
		A	**B**	**C**
Recession	0.25	10%	9%	14%
Average	0.50	14%	13%	12%
Boom	0.25	16%	18%	10%

Required
(a) What is the expected rate of return on the portfolio?
(b) What are variance and standard deviation of the portfolio?
(c) What are the co-variance and correlation coefficient between project A and B? Between Project A and C

KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI
FINAL EXAMINATION, JUNE 2008: AFFILIATED COLLEGES
PROJECT APPRAISAL: BA (M) - 683
MBA – IV

Date: July 07, 2008 **Time: 3 Hours**
Max Marks: 60
Instructions: Attempt Six questions only. All questions carry equal marks.

Q.No.1 (a) what important factors should be considered to analyze the market and financial aspects of any project?

(b) Waheed Electronics is considering an investment in a new, improved chip making machine. The company estimates that there is a 20% chance of a 30% loss, a 25% chance of a 6% loss, a 30% chance of a 25% return, and a 25% chance of a 40% return. What is the expected return from this investment?

(c) Differentiate between quantitative and causal method of demand forecasting.

Q.No.2 (a) Briefly explain ecological analysis.

(b) Discuss the key consideration in determining the debt equity ratio of a firm. When should a firm use more equity?

Q.No.3 Fine Crab Company is analyzing some new investment proposals. The after tax cash flows for three of these proposals are shown below.

	Year				
Proposals	**0**	**1**	**2**	**3**	**4**
A	-Rs. 100	Rs. 40	Rs. 40	Rs. 40	Rs. 40
B	-Rs. 50	Rs. 25	Rs. 25	Rs. 25	-
C	-Rs. 90	Rs. 20	Rs. 30	Rs. 40	Rs. 50

Required
Compute of each project:
a. Payback.
b. NPV at 20%
c. IRR
d. PI at 20%.

Q.No.4 (a) purchase of a copying machine by a law office is expected to save Rs. 1,000 a year for five years. The machine will cost Rs. 5,000 and can be depreciated straight line for five years and then sold for Rs. 500. Given the law firm's tax rate of 40%, what are the annual cash flows arising from the purchase and what is its net present value? Assume a 10% discount rate.

(c) A new investment project is to be demolish an existing gas station and construct a small shopping mall. Which of the items should be treated as incremental cash flows relevant to the investment decision?

Q.No.5 (a) Naeem, Inc., is considering two mutually exclusive projects. Their cash flows are as follows:

Projects	**0**	**1**	**2**	**3**	**4**	**5**
X	Rs. -10,000	Rs. 3,500	Rs. 3,500	Rs. 3,500	Rs. 3,500	Rs. 3,500
Y	Rs. -20,000	Rs. 6,000	Rs. 6,000	Rs. 6,000	Rs. 6,000	Rs. 6,000

The after returns on Naeems' debt and equity are 8% and 14%, respectively. Naeem has a capital structure of 66.6% debt and 3.33% equity.

If Naeem used the WAAC approach to evaluate its projects, which project would it select?

(b)` What is projected balance sheet? For preparing the projected balance sheet what information is needed?

KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI
FINAL EXAMINATION, JANUARY-2008: AFFILIATED COLLEGES
PROJECT APPRAISAL: BA (M) - 683
MBA – IV

Date: **Time: 3 Hours**
Max Marks: 60

PART A (30 Marks)

Instructions: Attempt any three questions. Each question carries 10 marks.

Q.No.1 Explain the main features of projects. Highlight the feature of infrastructure development projects in hydel power generation in Pakistan.

Q.No.2 Discuss the method of calculating financial internal rate for project selection.

Q.No.3 Evaluating the various bases of project identification in developing countries like Pakistan. Which of these is the most important one for manufacturing industries using imported raw materials?

Q.No.4 Differentiate between the concepts of economic and financial justification of projects

PART B (30 Marks)

Q.No.5 Compute the financial internal rate of return and net present value for the following project.

Total Investment	Rs. 10 billion
Equity	Rs. 2 billion
Loan	Rs. 6 billion
Construction Period	Three years

Phasing of Capital expenditure

	Year 1	Year 2	Year 3	Total
Equity	1	1	-	2
Loan	2	2	4	8
Total:	3	3	4	10

Loan Period:	13 years
Moratorium period for loan repayment	3 years
Interest rate	15 % per annum
Income Tax Rate	30%
Annual Operating cost:	Rs. 2 billion
Annual revenue	Rs. 4 billion
Economic life (after project completion)	10 years
Salvage value	Rs. 2 billion
Opportunity cost of capital	12% per annum

KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI
FINAL EXAMINATION, SPRING-2006: AFFILIATED COLLEGES
PROJECT APPRAISAL: BA (M) - 642
MBA – IV

Date: July 01, 2006 **Time: 3 Hours**
Max Marks: 60

INSTRUCTIONS

1) Attempt any two questions.
2) All questions carry equal marks.

Q.No.1 Chemicals Ltd. Is establishing a chemical plant, the cost of which is expected to be Rs. 11,440 thousands as follows:

COST OF PROJECT AND MEANS OF FINANCE

The cost of the project is estimated at Rs. 11,440 thousands as follows:

Land and site development	Rs. 000
Building	390
Plant and machinery	1,500
Miscellaneous fixed assets	6,200
Preliminary expense	400
Pre-operating expenses including interest during construction	200
Contingency margin	1,150
Working capital (this will remain same throughout 5 years of operations)	850
Total	**11,440**

The proposed means of financing are a follows:

Share capital	4,000
Term Loans	6,400
State government's special incentive loans (Repayable in 6 installments after 5 years)	1,040
Total	**11,440**

BASIC ASSUMPTIONS UNDERLYING FINANCIAL PROJECTTIONS

1. The construction period will last for one year.
2. The company would work for 300 days per year on a 2 shift basis. The installed capacity on this basis works out to 2880 tons per annum.
3. The company will start commercial production on January 1, of year 1. the expected capacity utilization will be 50% in the first year, 60% in the second year, and 70% for the third year and beyond.
4. The average ales realization per kilogram of chemical will be 12 net of excise duty.
5. The cost of raw materials and consumable will be 65% of sales. The cost of power will be 4% of sales.
6. Wages and salaries are expected to be Rs. 0.9 million, Rs. 1 m and Rs. 1.2 m for the first, second, and third operating years and 1.5 thereafter.
7. Factory overhead expenses will be Rs. 50,000 for each year.
8. Administration expenses will be Rs. 100,000 per year.
9. Selling expense will be 10% of sales.
10. The term loan will be repaid in 5 equal yearly installments, with the first installment falling due at the end of the second operating year. The interest rate on the outstanding term loan will be Rs. 10%.
11. The bank finance foe working capital will cost 15%.
12 the depreciation rates for company law purchases are as follows:

Building	3.34 percent
Plant and machinery	8.09 percent
Miscellaneous fixed assets	5.15 percent

13 The preliminary expenses may be written off in 5 equal annual installments.

14. The firm plans to pay dividend from the second year. The dividend rates are proposed to be 12%.
15. Tax will be 30% of profit after tax.
16. Life of the project is assumed to be five years.
17. The salvage of fixed assets of the plant is expected to be Rs. 5,000,000.
18. Working capital can be disposed off after 5 years at Rs. 200,000.

Required

a. Prepare the projected income statement on the basis of the above assumptions.
b. Yearly Cash Accruals for five years.
c. Net present value, IRR, ARR of the project. Sponsors expect return on their equity at the rate of 12.5%. Whereas interest on long term loan of Rs. 6,400 is 10% mentioned earlier.
d. What criteria, in your opinion, from the above is considered better?

Q.No.2 (a)` Define the Discounting and non-discounting criteria. How these criteria are applied while accepting or rejecting a project.

(b) Give the merits and demerits of each discounting and non-discounting criteria.

(c) The Indus company is considering two mutually exclusive investments, project P and Project Q. The expected cash flows are as follows:

Year	Project P	Project Q
	Rs. 000	Rs. 000
0	(1,000)	(1,000)
1	100	200
2	(500)	400
3	300	600
4	2,000	800
5	4,000	100
Residual value after 5 years	250	300

Required

a. What is the IRR of each project?
b. Which project would you choose if the cost of the capital is 10%.
c. What is the pay back period of each of the above projects?

Q.No.3 (a) In the per-feasibility study or preliminary project report, the basic elements of the project are estimated on a rough basis. In the full feasibility study, all elements of the project are elaborated in detail in order to give a reliable basis for the subsequent evaluation of the project. Please explain the elements of a project.

(b) What is sensitivity analysis? When is it applied? What are the advantages of it?

Q.No.4 The Haleem Tobacco Company evaluates projects by using a discount rate that is equal tot the T-bill plus the estimated standard deviation of returns. (Standard deviation of the IRR) of the project. They are evaluating the following 10-years projects:

Project	Initial Outlay (Rs.)	Expected Cash Flow (Rs.)	Expected Salvage value (Rs.)	Expected Standard Deviation of Returns
W	150,000	30,000	20,000	0.04
X	140,000	25,000	75,000	0.06
Y	170,000	35,000	125,000	0.08
Z	230,000	50,000	200,000	0.12

Required

(a) Find NPV of each project if the T-bill rate is 85. if the projects are independent, which one(s) should they adopt? If the projects are mutually exclusive, which one (if any) should they adopt?
(b) Find NPV of each project if the T-bill rate is 12%. If the projects are independent, which one(s) should they adopt? If the projects are mutually exclusive, which one (if any) should they adopt?
(c) Is the "NPV" in part (b) really an NPV? Why or why not?