



“Investing in Africa’s future”

COLLEGE OF HEALTH, AGRICULTURE & NATURAL SCIENCES

NAEC 408: PROJECT APPRAISAL AND EVALUATION

NOVEMBER/ DECEMBER 2022

LECTURER: MRS. R. MUCHANYUKA

DURATION: 3 HOURS

INSTRUCTIONS

1. Answer all questions in section A and any 3 from section B
2. Answer in Essay form
3. DO NOT Repeat Material

SHOW ALL CALCULATIONS

SECTION A [25Marks]

QUESTION 1

If you were employed by a commercial farmer who wanted to start on vegetable production on his new land and you were asked to give him advice on whether he should establish such a project or not,

- a) Explain the steps you would take before advising the farmer to implement the project?
[15]

- b) If you found the project feasible, what indicators would you consider in the technical analysis of this project? (Use any vegetable of your choice as an example)
[10]

SECTION B

ANSWER ANY THREE QUESTIONS

QUESTION 1 [25 Marks]

1. Mr Sign is a businessman working on pig production. He wants to invest in poultry production. The investment cost is \$ 500 000 with an interest rate of 15%. The poultry production will take 5 years. In the first year, the benefits were \$45 000 and the costs \$10 000. In the second year, the benefits were\$ 35 000 and the costs \$12 000. In the third year, the benefits were \$ 50 000 and the costs\$ 20 000. In the fourth year the benefits were \$70 000 and the costs\$ 25 000. In the fifth year, the benefits were\$75000 and the costs \$40000. Calculate the NPV and decide if it is wise to invest in the project or not.

QUESTION 2 [25 Marks]

- a) With an aid of an agricultural example, show how you can analyze a project of your choice. (15)
- b) Differentiate economic growth from economic development. (5)
- c) Illustrate with an example the Time value of money. (5)

QUESTION 3 [25 Marks]

- a) Carry out a market appraisal and a technical appraisal for a dairy farming project [15]
- b) Carry out a social appraisal and economic appraisal for a mushroom project [10]

QUESTION 4 [25 Marks]

GG Holdings is planning to undertake a broiler project requiring initial investment of \$500 000 and is expected to generate \$72 250 in Year 1, \$180 000 in Year 2, \$140 000 in year 3, \$300 250 in Year 4 and \$400 000 in Year 5.

Explain

- a) What the Payback period method of financial analysis of a project is? (5)
- b) Its strengths and weaknesses. (8)

Calculate the payback period for GG Holdings and explain whether it is advisable to invest in the broiler project or not given an alternative dairy project to invest the \$500 000 with a payback period of 4 years 1 month. (12)

END OF EXAMINATION PAPER