



“Investing in Africa’s future”

**COLLEGE OF HEALTH, AGRICULTURE AND NATURAL
SCIENCES**

NAEC 408: PROJECT APPRAISAL AND EVALUATION

SUPPLEMENTARY EXAMINATION

LECTURER: MRS. R. MUCHANYUKA

DURATION: 5 HOURS

INSTRUCTIONS

1. Choose and Answer **ONE** Question Only
2. Answer in Essay form
3. DO NOT Repeat Material

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?
[50]
- 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). [50]

QUESTION 2

Baby corn is an agricultural company which is planning to invest \$100 000 to start dairy production. The following are the expected cash inflows from the dairy project. In the 1st year they expect cash inflow of \$10 000, in the 2nd year \$15 500, in the 3rd year 20 000, in the 4th year \$ 35 000, in the 5th year \$39 000 and in the 6th year \$40 000. Alternatively, the company can invest the \$100 000 in beef production with expected cash inflows of \$ 12 000 per year until the initial investment is paid off.

Calculate: (show working)

- a) The Payback period for milk and for beef production. [40]
- b) Net Present Values (NPV) for both projects; Where their interest rates will be at 8% per annum. [50]
- c) Comment on both calculations whether the project is viable or not. [10]

QUESTION 3

- a) Carry out a market appraisal and a technical appraisal for a dairy farming project .[50]
- b) Carry out a social appraisal and economic appraisal for a mushroom project.[50]

End of Examination Paper