

EASTERN UNIVERSITY, SRI LANKA

FINAL YEAR 1<sup>ST</sup> SEMESTER EXAMINATION IN AGRICULTURE-2015 (2009/2010)

EC 4101: PROJECT PLANNING AND INVESTMENT ANALYSIS

Time: 01 hour

Answer ALL questions.

1. a) What do you understand by the term **PROJECT**?
  - b) Explain briefly the **PROJECT CYCLE**.
  - c) Briefly explain the following methods of **Investment Appraisal**:
    - i) Payback Period
    - ii) Accounting Rate of Return (ARR)
    - iii) Net Present Value (NPV)
    - iv) Internal Rate of Return (IRR)
  - d) What are the **BENEFITS and COSTS** of a Project?
  - e) Briefly explain **Benefit-Cost Analysis (BCA)**.
- 
2. a) What is Project Management?
  - b) Explain briefly the following:
    - i) Work Breakdown Structure (WBS)
    - ii) PERT chart
    - iii) GANTT chart
  - c) What is a Project Plan? What are the benefits of Project Planning?
  - d) What is Discounting? Why is it used in project appraisal?
  - e) Two mutually exclusive projects A and B are proposed to a firm for implementation. The firm has no financial constraints for funding these projects, but cannot handle both projects at the same time due to human resources shortage. The projects both have a project life of 3 years.  
**Project A:** PV of Costs = Rs.15.Mn, PV of Benefits = Rs.17 Mn.  
**Project B:** PV of Costs = Rs.20.Mn., PV of Benefits = Rs.24 Mn.  
Using the project details given above, perform an investment analysis and explain clearly which one of the two projects you would recommend to the firm for implementation.

\*\*\*\*\*