MAKERERE UNIVERSITY

COLLEGE OF BUSINESS AND MANAGEMENT SCIENCES

SCHOOL OF STATISTICS AND PLANNING

INTERNSHIP OPTION 5 (PROJECT), YEAR: 2022

GROUP B (2022)

PROJECT: BUILDING A CASH-FLOW MODEL TO ASSESS FEASIBILITY OF A CAPITAL PROJECT

A Covid-19 Herbal Medicine company is opening a new outlet in a large town. The company purchased the premises for Ushs. 100,000,000 on 1 January 2021. The total cost of refurbishing the premises will be Ushs. 300,000,000 which will be incurred in six equal instalments payable monthly in advance with the first payment made on 1 October 2021.

The store is expected to open on 1 May 2022 and is expected to tins of the herb each month as shown in the base sheet of the **BASISB** workbook, with each tin of the herb assumed to sell for Ushs. 2000. All income from herbal sales can be assumed to be received continuously during the month.

The costs of staffing and maintaining the new outlet will be Ushs. 2,000,000 per month payable continuously from 1 May 2022 and it is assumed that these will cost inflation on each 1 September of 2% per annum effective. It is also assumed that all costs and income will cease at the end of 2032.

Use a yield on a Uganda's 10-year bond as the risk discount rate.

- Construct a Model to calculate the net present value of the proposed store and determine whether the store is profitable.
- Construct a model to calculate the discounted payback period to the nearest month
- Construct a model to calculate the internal rate of return.

The company now assumes that the price of a tin of the Covid-19 herb inflates at 10% at the start of each calendar year, with the first increase on 1 January 2025.

- Construct a revised model to calculate the revised net present value.
- Discuss your results and comment on suitability of the assumptions used.

The Assumptions, Cash flow Model and Results should be presented in a well prepared report.

Structure of the Report

Chapter:1: Background

Chapter 2: Assumptions

Chapter 3: Methodology

Chapter 4: Results and Discussions

Chapter 5: Sensitivity Analysis

Chapter 6: Conclusion and Recommendations