



**NATIONAL OPEN UNIVERSITY OF NIGERIA**  
**UNIVERSITY VILLAGE, JABI-ABUJA**  
**FACULTY OF MANAGEMENT SCIENCES**  
**2018 FIRST SEMESTER EXAMINATION**

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**COURSE CODE: BFN 409**

**CREDIT UNIT: 3**

**COURSE TITLE: PROJECT EVALUATION**

**TIME ALLOWED: 3 HOURS**

**Instructions:**

- 1. Attempt question number One (1) and any other Two (3) questions.**
- 2. Question number 1 carries 25 marks, while the other questions carry 15 marks each.**
- 3. Present your work in coherent and orderly manner.**

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**QUESTION ONE (COMPULSORY)**

Calculate the net present value of a project which cost N500,000 but generates cash inflows of N150,000, N300,000, N400,000, N200,500, and N192,500 over a five year period. The required rate of return is 10%. These discount factors are relevant: 0.909; 0.826; 0.751; 0.687; and 0.594 respectively.

(b) Compare Financial Analysis with Economic Analysis in relation to project evaluation.

**QUESTION TWO**

(a) Figures below represent some aspects of a project cost.

|                                    |                              |
|------------------------------------|------------------------------|
| Land, Building and steel structure | =N= 22,000,000               |
| Machinery and equipment            | -----                        |
| Storage tanks                      | 8,100,000                    |
| Utilities                          | -----                        |
| Pre-operational expenses           | 1,450,000                    |
| Working capital                    | -----                        |
| Total:-                            | <u><u>=N=174,907,994</u></u> |

Additional information: (i) sum of the first three items equals =N=120,740,000; and (ii) sum of the last two items equals =N=32,067,994. You are required to calculate for the missing figures.  
**Show all your workings**

- (b) The cost of a project is normally classified into distinct areas. Mention and explain such types of project costs.

### **QUESTION THREE**

- (a) Projected cash flow statements assist us to evaluate a firm's future performance and financial condition. What are the basic questions do they assist the firm to answer?  
(b) Mention and explain the basic sources of cash inflows from a project.

### **QUESTION FOUR**

- (a) A project costs N100,000 and has a scrap value of N40,000. The cash inflows before depreciation and taxes are N40,000, N50,000, N60,000 for the first three years. The tax rate is 50% and depreciation is on straight line basis.

You are required to calculate the accounting rate of return for the project.

- (b) What are the major characteristics of a project?

### **QUESTION FIVE**

- (a) Explain the term Cost-Benefit Analysis.  
(b) Cost-benefit analysis has to obey certain principles in order to be meaningful. Mention and discuss two of these principles with good examples.

### **QUESTION SIX**

According to Kaye (2001), there are stakeholders that could be affected by a risk incident occurring in the organization. Mention and briefly elucidate them.