



NATIONAL OPEN UNIVERSITY OF NIGERIA
91, CADASTRAL ZONE, UNIVERSITY VILLAGE, JABI, ABUJA
FACULTY OF MANAGEMENT SCIENCES
JANUARY 2018 EXAMINATION
EXAM QUESTIONS

Course Title: Project Planning Management Credit Unit: 2

Course Code: CRD407

Time: 2 Hours

Instructions: 1. Attempt question Number one (1) and any other two (2).
2. Question number 1 is Compulsory and carries 30 marks,

while the other questions carry 20 marks each.

3. Present all your points in coherent and orderly manner.

Question 1

A company is considering the following investment projects:

Cash Flows (Rs)				
Projects	C_0	C_1	C_2	C_3
A	- 10,000	+ 10,000		
B	- 10,000	+ 7,500	+ 7,500	
C	- 10,000	+ 2,000	+ 4,000	+ 12,000
D	- 10,000	+ 10,000	+ 3,000	+ 3,000

- (a) Present the results based on (i) Payback, (i) ARR, (iii) IRR and (iv) NPV, assuming discount rates of 10%
- (b) Rank the project according to each of the following methods in a table
- (c) Assuming the projects are independent, which one should be accepted?
- (d) If the projects are mutually exclusive, which project is the best? (30 marks)

Question 2

Explain each of the following concepts

- (i) Project analysis
- (ii) Project evaluation
- (iii) Net present value (NPV)
- (iv) Integrator in terms of the function a project manager (20 marks)

Question 3

- i) Planning process is said to be an interrelations of various germane factors towards common goals with each working together as a system for best result.
List and explain the four key factors in planning process.
- ii) Who is a project Manager? Give five roles of a project Manager. (20 marks)

Question 4

- i) A sum of N1000 is placed in a savings account that promises 10% interest annually. What will be the compound value at the end of 2 years. Note that 10% interest rate is also 0.10.
- ii) A sum of N1000 is to be received by Mr. Bola in 5 years time. The interest rate or discount rate is 10%. What is the present value of the N1000 that will be received in 5 years time assuming a discount factor of .620921? (interpret your result).
- iii) List and explain the key steps involved in a capital budgeting process? (20 marks)

Question 5

- i) Define the term: project cost of capital.
- ii) A bank lends N200, 000 to Mr. Ojo and at the end of the day earns interest of N18, 000. What is the before- tax cost of debt? (interpret your results).
- iii) A firm issues a 9.5% perpetual bond for N95. The tax rate is 50%. What is the cost of the issue? (20 marks)