

EASTERN UNIVERSITY, SRI LANKA

FINAL YEAR 1<sup>ST</sup> SEMESTER EXAMINATION IN AGRICULTURE-2018 (2014/2015)

EC 4101: PROJECT PLANNING AND INVESTMENT ANALYSIS

Time: 01 hour

Answer ALL questions.

1. a) Why is Investment Appraisal important to a firm/organization? (05 mks)  
b) Briefly explain the following methods of Investment Appraisal;  
i) Accounting Rate of Return (ARR) (05 mks)  
ii) Net Present Value (NPV) (05 mks)  
iii) Internal Rate of Return (IRR) (05 mks)  
c) Gayani AgroFoods Ltd. is considering an investment program. It has a choice of three projects each of which cost Rs.60 Mn, but the firm's capital supply is limited to Rs.60 Mn only.

Project A

Project B

Project C

Rice Mill

Milk Bottling Factory

Prawn Processing Factory

Forecasted Net Cash Flows (Rs.Mn):

Year	Project A	Project B	Project C
0	60	60	60
1	12	18	24
2	21	12	27
3	27	21	15
4	15	21	15
5	21	19	9

Use the following Discount Factors (DF) at 15% for calculation:

Year	1	2	3	4	5
DF	0.870	0.756	0.658	0.572	0.497

- Using the above information, i) Perform an investment appraisal of the above three projects using the Benefit-Cost Ratio (BCR) and (20 mks)  
ii) Recommend a project for implementation with justification. (10 mks)

2. a) What is Project Management?

(10 mks)

b) "Risk management is project management for reducing delays, losses and being able to adjust". Comment on the above statement. (20 mks)

c) What does the terms "**Milestones**" and "**Deliverables**" mean in project planning? (10 mks)

d) Explain briefly the following:

i) Work Breakdown Structure (WBS)

ii) PERT chart

iii) GANTT chart

(10 mks)

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