

EASTERN UNIVERSITY SRI LANKA

FACULTY OF COMMERCE AND MANAGEMENT

FINAL YEAR FIRST SEMESTER EXAMINATION IN BACHELOR OF BUSINESS

ADMINISTRATION – 2012/13 (February/March 2015) (Proper)

MGT 4023 Project Management

Answer all Questions

Time: 3 hours

Q1. Read the following case and answer the questions given below

ABC Company

Background

ABC company is an accountancy and management consultancy business with about 170 employees. About half the employees are accountants or professional consultants and the remainder are support staff. The firm has four departments which handle customers' business, with one department responsible for each of the following areas:

Public sector	39 staff
Small business (under Rs. 1 million annual turnover)	40 staff
Large business (over Rs. 1 million annual turnover)	40 staff
Charities and other not-for-profit enterprises	25 staff

The Large business department has traditionally been the major department, but in recent years the main expansion of the business has been in the Small businesses department, for retail businesses in particular. There is now a proposal to split the Small business department into two new departments, dealing with retail and non-retail respectively. The new Retail small business department will be formed from about half of the Small business department's current staff with staff members expected to rise to 35 through new posts. This new department will be housed in new premises (yet to be found) but within one mile of the current of offices. A project is being set up to:

- find premises.
- agree the requirements of the section for the next five years.
- plan and estimate the costs of the move.
- procure all the equipment, including the equipment.
- occupy the new premises in stages.

The firm is run by an executive board consisting of the managing director (who is a partner), the four heads of departments (also partners), the human resources manager, the information systems (IS) manager and the financial director (also a partner). The sponsor for the relocation project is the head of the Small business department. The financial director has been very keen on setting up the new department, but the managing director took some persuading to support the split and the move. The managing director sees the move as an opportunity to extend the use of IT in the company and to begin a move to a "state of the art" IT platform. Currently there are information systems on job-progress, company accounts and payroll. The IT platform is a fully networked system allowing file sharing and transfer and electronic mail. A leading and respected consultant from the Small business department has been designated project manager and the project should be completed in eight months.

- a) How much contact, and of what type, would you expect between the project manager and sponsor?
(04 marks)
 - b) Who are the key stakeholders on the executive board, and what contact would you expect between them and the project manager?
(04 marks)
 - c) What other special considerations are there for the project manager?
(10 marks)
 - d) What formal reporting might be expected?
(04 marks)
- (Total 22 Marks)

2. a) *"Projects are dynamic systems that must be kept in equilibrium"*.
Based on the above statement identify and explain the main constraints that operate on every project.
(06 Marks)
- b) List and explain the characteristics of a Projects with appropriate example.
(08 Marks)
 - c) Explain the different types of project evaluation with appropriate example.
(06 Marks)
- (Total 20 Marks)

- 3 a) *"A project appraisal would consist of checking in detail the validity of the project in all its aspects in order to recommend acceptance".*

Based on the above statement identify and explain the major aspects to be considered in the appraisal of a project.

(Marks
10)

- b) *"Risk and uncertainty are present in most projects"*

Define the term "Risk" and "Uncertainty" and explain the ways through which the managers try to manage risk and achieve project success.

(Marks 10)
(Total 20 Marks)

4. ABC, Ltd. is a manufacturing company engaged in the manufacturing of valves. They have been in the business for last 3 years and have been manufacturing only one type of valves. They started their business initially with sales of 10,000 valves per month and now they have grown the volume to about 50,000 valves per month. They have been buying all the raw material for the valve and were doing all the manufacturing in house. Now they have established themselves in the market and are planning to expand and produce different varieties of valves.

Mr. Mohan is the production head of ABC Ltd. and has been successful with the production and the level is continuously increasing. But in recent times, he is facing the problem of quality complaints which have gone up from average 0.2 % in previous 2 years to 0.5 % this year. Also, he is finding that there is a high level of dissatisfaction among the workers regarding workload as well as salary levels. The workers are regularly complaining about the over work.

In order to address some issues of the company Mr. Mohan is considering computerizing the company's ordering inventory and billing procedures. He estimates that the annual savings from computerization include a reduction of ten clerical employees with annual salaries of Rs. 45, 000 each. Rs 24, 000 from reduced production delays caused by raw materials inventory problems Rs. 36,000 from lost

sales due to inventory stock outs and Rs. 9,000 associated with timely billing procedures. The purchase price of the system is Rs.750,000 including free installation. This outlay will be capitalized (depreciated) on a straight - line basis to a zero book salvage value which is also its market value at the end of five years. Operation of the new system requires two computer specialists with annual salaries of Rs. 120,000 per person. Also annual maintenance and operating (cash) expenses of Rs.36,000 are estimated to be required.

The company's tax rate is 40% and its required rate of return (Cost of capital) for the project is 12%.

Based on the above case information answer the following questions.

- a) Advise whether the company should computerize its system (Using NPV, and Payback period methods).

(08 Marks)

- b) Find the project's cash flows and NPV assuming that the system can be sold for Rs. 75,000 at the end of five years even though the book salvage value will be zero.

(10 Marks)

(Total 18 Marks)

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The Centre for External Degrees and Extension Courses of the EUSL has acquired some portions of the building occupied by the Faculty of Commerce and Management in the old faculty premises and it is planned to turn it into an administrative zone of the Centre for External Degrees and Extension Courses. The table below shows a list of the required activities, with their immediate predecessors, estimated Human resources and durations.

Activity	Preceding activity	Duration (days)	No. of men
A	-	4	9
B	-	5	3
C	A	6	4
D	B	8	4
E	B	4	5
F	C	2	6
G	A	5	7
H	D	4	6
I	E, F	4	5
J	E, F	6	4
K	G, H, I	3	10
L	J, K	7	8
M	E, F	10	6
N	L	4	7

a) Draw up the network diagram and identify the critical path and the duration of the project.

(08 marks)

b) Based on the above information, calculate the total human resource required for this project.

(06 marks)

c) If the human resource availability is 15 men per day, how would you adjust the activities?

(06marks)

(Total 20 marks)