

EASTERN UNIVERSITY SRI LANKA
FACULTY OF COMMERCE AND MANAGEMENT
FINAL YEAR FIRST SEMESTER EXAMINATION IN BACHELOR OF BUSINESS
ADMINISTRATION- 2013/2014
PROPER /REPEAT (DECEMBER/JANUARY -2015/2016)



MGT 4023 Project Management

Answer all Questions

Time: 3 hours

Q1.

Read the case study below and answer the questions that follow.

CEMPPEAR Educational Institute, INC. is a country based Local Company mainly engaged in the provision of educational services. The Company operates private schools for elementary students, junior high-school students and high-school students corresponding to their different purposes, abilities and characters. It operates its schools in several districts in Sri Lanka including Colombo, Kandy, Jaffna and Kurunegala. The directors of the company have decided in the last annual general meeting to increase the market coverage of their institution by penetrating in Batticaloa district. As they possess insufficient knowledge about the educational profile of Batticaloa district, they hired a consultancy service organization to carry out the initial research and submit the report regarding the potentiality of opening their institution in Batticaloa district. Consultancy organization submitted its report in two weeks with the consultancy charge of Rs. 250,000. An extract of the report is as follows.

“....It is suggested investing in an education institute in Batticaloa town for offering professional courses. Even though there are some institutions already offering professional courses in Batticaloa, they are limited only up to intermediary levels. Advanced level or strategic level courses are not offered in Batticaloa, thus students travel to Colombo to follow these courses. Cost of renting a building as per the company requirement is Rs. 180,000 per month. It is a three story building with three lecture halls in each story. It is preferred to conduct the weekend lectures (Saturday and Sunday) as per the requirements of 78% of the potential students. 3 lectures can be conducted per day in a lecture hall. Qualified lecturers should be hired from Colombo to conduct the lectures. According to the research

conducted, the lecturer fee is Rs. 5,000 per lecture. Other overheads including electricity, water, telephone, internet and transportation are amount to Rs. 80,000 per month. Further the initial cost of establishment has been estimated as Rs. 40,000,000. The duration of all courses is 6 months (The courses will be restarted for the next batch once the completion of courses for the 1st batch). 30 students are expected to register for each of the nine courses to be offered. Course fee is amount to Rs. 50,000 per student. Assume that all the 9 lecture halls are occupied in weekends....”

On the other hand, the report stated that there is a scope for establishing a research institute in Batticaloa district as there is a pool of qualified lecturers in the district. There is a huge demand for researches but unfortunately, due to lack of a research institute, the demand is not met. Therefore, CEMPPEAR INC. can establish the research institute recruiting Eastern university and South Eastern university lecturers to write project reports, researches and theses. The initial cost of establishing such an institute is Rs. 20,000,000. Overhead cost for the institution is amount to Rs. 25,000 per month. The demand per month, revenue and cost of project report, research and thesis are as follows.

	Demand	Revenue	Cost
Project Report	20	Rs. 55,000	Rs. 40,000
Research	15	Rs. 80,000	Rs. 65,000
Thesis	10	Rs. 140,000	Rs. 100,000

Assume the demand is constant over 5 years and can be met with the current availability of the lecturer pool. The government tax rate differs between these two institutions due to the nature of the service provision. The following table depicts the tax structure for the next 5 years.

Year	Education Institute	Research Institute
1	10%	-
2	10%	5%
3	9%	6%
4	8%	7%
5	8%	7%

CEMPPEAR INC. can undertake only one proposal due to the resource constraints. Both proposals are based on 5 year time period. The discount rate is 10%. Assume year-end cash flows except initial cost of establishment. Assume 52 weeks in a year.

Discount Rate @ 10%

Year 1	Year 2	Year 3	Year	Year 5
0.91	0.83	0.75	0.68	0.62

Questions:

- a)
- Calculate the total lecturer fee of option 1 (Education Institute) for a year.
 - Calculate the total course fee of option 1 (Education Institute) for a year.

(08 Marks)

- b)
- Calculate the net cash flow for option 1 (Education Institute) for year 1 to year 5.
 - Calculate the net cash flow for option 2 (Research Institute) for year 1 to year 5.

(06 Marks)

- c) Using these cash flows, undertake an investment appraisal of the two options using:

- Discounted payback
- Internal Rate of Return (IRR)
- NPV

(11 Marks)

- d) Using the results of your investment appraisal, which option would you advise the directors to accept?

(03 Marks)

(Total = 28 Marks)

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- a. "Developing the Work Breakdown Structure is the most critical part of the Joint Project Planning".

Based on the above statement define the term "Work Breakdown Structure (WBS)" and illustrate this with appropriate example.

(06 Marks)

- b. "Monitoring is tracking the use of resources, the flow of outputs and studying the impacts of projects where as Evaluation is a tool to measure the progress achieved in meeting the objectives of a project."

Based on the above statement identify and explain the Challenges in Monitoring and Evaluation of projects.

(06 Marks)

(Total = 12 Marks)

3. a. "The Logical Framework is a highly effective planning tool for defining inputs, outputs, timetables, success assumptions and performance indicators."

Based on the above statement briefly explain in what ways the "Logical Framework Approach" will be helpful to plan, monitor, evaluate projects.

(06 Marks)

- b. "Preparing a Logical Framework Matrix (LFM) is now a requirement as part of its programme and project preparation procedures."

Based on the above statement, develop a logical framework matrix for improving the level of education in a selected village/ area.

(10 Marks)

- c. Briefly explain the basic principles of logical Framework.

(04 Marks)

(Total 20 marks)

4. a. "Participatory Rural Appraisal (PRA) is considered one of the popular and effective approaches to gather information in rural areas."

Based on the above statement define the term "Participatory Rural Appraisal (PRA)" and explain its key principles.

(08 Marks)

- b. Explain the important tools used in the Participatory Rural Appraisal (PRA) with appropriate example.

(14Marks)

(Total 22 Marks)

5. The Faculty of Commerce and Management is considering to build a car park near the New Faculty Complex. The table below shows a list of the required activities, with their immediate predecessors, estimated Human resources and durations to complete the above purpose.

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

- a) Draw up the network diagram and identify the critical path.

(08 marks)

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

(05 marks)

- c) If the human resource availability is 12 men per day, how would you adjust the activities?

(05marks)

(Total 18 marks)