

BOWEN UNIVERSITY, IWO
FACULTY OF SOCIAL AND MANAGEMENT SCIENCES
DEPARTMENT OF BANKING AND FINANCE
B.Sc. DEGREE PROGRAM

FIRST SEMESTER EXAMINATION 2013/2014 SESSION

COURSE TITLE: PROJECT APPRAISAL AND RESTRUCTURING

COURSE CODE: BFN 431

TIME ALLOWED: 3HRS

INSTRUCTIONS: ANSWER QUESTION ONE, AND ANY THREE OTHERS

1. In your capacity as the Head, Corporate Finance Department of your Bank, you have been asked to supervise the preparation of an appraisal report on a composite cassava flour milling venture submitted for financing by Bowen Flour Mills Plc. The management will want a briefing on the scope of activities involved and the time it will take to accomplish the work. From your experience, the main activities which must be undertaken are summarized below, along with the duration and dependency relationship.

Activity	Description	Preceding Tasks	Duration
M	Departmental-Meeting and Briefing	-	1
A	Collect all necessary data	M	4
B	Study the Agric. and other Economic policies of the Government	M	1
C	Investigate legal issues involved	M	3
D	Calculate shadow prices	A	1
E	Assess technical feasibility	A	8
F	Review market report	A	12
G	Prepare economic analysis	D,E&F	2
H	Carry out financial and Managerial evaluation	E&F	3
I	Prepare draft appraisal report	B,C,G&H	1
	i. Construct an arrow network to illustrate the dependencies of the activities listed above.		
	ii. How many paths are in the network? List the paths and their duration.		
	iii. What is the minimum time period required to complete the assignment? Explain your answer	-	25 Marks

2. Explain what is meant by Work Breakdown structure in project planning. Create a work break down structure for a term paper or final year student project you are working on. What are the steps in WBS -15 Marks
3. Explain any three of the following:
 - 1) Project cost Estimate
 - 2) Dummy activity
 - 3) Events and milestone
 - 4) Responsibility Matrix
 - 5) Shadow Price- 15 Marks
4. What is a project?
Discuss fully the characteristics of projects that differentiate them from other kinds of jobs or job processes - 15 Marks
5.
 - a) List and discuss the key aspects of project evaluation
 - b) A cash flow projection is a must for any project preparation even if other financial projection (Balance sheet, profit/loss) are not prepared. State the assumption underlying the preparation of cash flow projection - 15 Marks
6. A company is considering a choice between two equipments A & B. Equipment A has a cost of N75,000 and net cash flow of N20,000 per year for 6 years. The substitute equipment B would cost N50,000 and generate net cash flow of N14,000 per year.
The cost of capital of both equipment is 11 percent. Calculate the IRR and NPV for the equipments -which equipment should be accepted by the company and why? - 15 Marks