

Uva Wellassa University

Faculty of Management

Degree of Bachelor of Business Management in Entrepreneurship and Management

SECOND YEAR SECOND SEMESTER EXAMINATION – SEPTEMBER/OCTOBER

2013

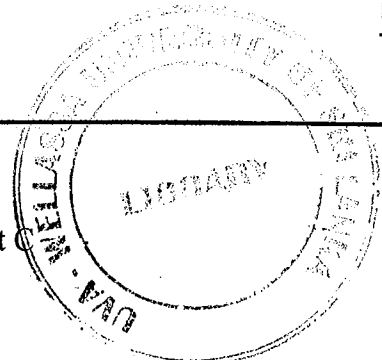
EMG 272 -2 Project Management



Part - C Essay Questions

Answer two (02) questions including question number one in Part C

Marks Allocated: 50



1. a) Briefly explain the term payback period? (05Marks)
- b) Explain the decision rule of Internal Rate of Return (IRR) (03 Marks)
- c) Briefly explain any one of non-financial appraisal methods of project appraisal (05 Marks)
- d) List out three pros and cons of calculating Net Present Value (NPV) of a project (06 Marks)
- e) ABC Lanka Ltd. is planning to undertake a project requiring initial investment of Rs.10, 000 and it is expected to generate cash inflows of Rs. 4,000, Rs. 3,000, Rs. 5,000 and Rs: 2,000 in four years to follow. Assuming 10% rate of discount.

You are required to:

- i. Calculate the Net Present Value (NPV) of this project. (05 Marks)
- ii. Gross profitability index of this project. (02 Marks)
- iii. Assume that you are a manager of ABC Lanka Ltd. and discuss your decision regarding this project. (04 Marks)

(Total Marks 30)

2. XYZ Company Ltd has been manufacturing mobile phones for many years. Recently, company product research team submitted a report suggesting that the new model of mobile phone which is comparatively cheaper with additional features than earlier model. A part of the planning process, the company generated the following activity list.

Activity	Description	Immediate Predecessor	Time (Weeks)		
			Optimistic	Most Probable	Pessimistic
A	Develop product design	—	4	5	12
B	Plan Market research	—	1	1.5	5
C	Prepare routing	A	2	3	4