



Answer only three (03) questions including question number 01 in Part B

Marks Allocated: 70

01. i. Differentiate the "Internal Rate of Return" from "Net Present Value". (04 Marks)
- ii. Discuss why the "Time Value of Money" is considered as one of the important factors for evaluating projects. (04 Marks)
- iii. Briefly explain the advantages and disadvantages of calculating payback period. (04 Marks)
- iv. There are two (02) mutually exclusive projects under active consideration of ABC Company. Both the projects have a life of 5 years and have initial cash outlays of Rs. 1, 00,000 each. The company pays tax at 50% rate and the maximum required rate of the company has been given as 10%. The straight line method of depreciation will be charged on the projects. The projects are expected to generate a net cash inflow before taxes as follows :

Year	Project X (Rs.)	Project Y (Rs.)
1	40,000	60,000
2	40,000	30,000
3	40,000	20,000
4	40,000	50,000
5	40,000	50,000

Based on the above given information you are required to,

- a) calculate the Pay-back Period of each project. (02 Marks)
- b) calculate the Average Rate of Return (ARR) for each project. (03 Marks)
- c) calculate the Net Present Value (NPV) and Profitability Index (PI) for each project. (06 Marks)
- d) calculate the Internal Rate of Return (IRR) for each project. (04 Marks)
- e) discuss your final decision regarding these two projects as the project manager of ABC Company. (03 Marks)

(Total Marks 30)

02.

- i. Explain the key features of the stages in project life cycle. (08 Marks)
- ii. Assume that you are a Project Manager of EK Construction Private Limited. Recently your organization has been assigned a project to construct a new shopping complex in a city area. As the Project manager, briefly discuss the initial steps that you should take to plan this project. (12 Marks)

(Total Marks 20)

03.

- i. "Top-down Budgeting is the most common method which is used by many project organizations compared to the Bottom-up Budgeting". Do you agree with this statement? Discuss. (08 Marks)
- ii. Murrey and Sons (Pvt.) Limited has decided to invest the project of establishing a new paper manufacturing plant. The company is required to do the Environmental Impact Assessment to get the approval for starting this project. Briefly discuss the steps that should be done to assess the environmental impacts of this project. (12 Marks)

(Total Marks 20)

04. ABC Software Company (Pvt.) Limited has scheduled the following activities to complete the software development project for its client.

Activity	Immediate Predecessor	Time (Days)		
		Optimistic	Most Probable	Pessimistic
A	—	1	2	3
B	—	2	3	4
C	—	1	3	5
D	A	1	2	3

E	B	1	1	1
F	B	1	2	3
G	B	2	3	4
H	C	3	5	7
I	C	1	3	5
J	A	2	3	4
K	D,E	2	3	4
L	F,K	2	4	6
M	G,H	3	4	5
N	I	1	3	5
O	J,L,M,N	1	2	3

- i) Draw a project network diagram. (07 Marks)
- ii) Develop an activity schedule. (06 Marks)
- iii) Find out the critical activities and expected project completion time. (02 Marks)
- iv) Assume that the management allotted 15 days for this project. What is the probability to achieve that target? (05 Marks)

(Total Marks 20)

