



2<sup>ND</sup> SEM. 2004/2005

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**UNIVERSITY OF SWAZILAND**

**FINAL EXAMINATION PAPER**

**PROGRAMME:**                    **DEGREE IN AGRICULTURE (AEM OPTION) V**  
**DEGREE IN AGRICULTURE (CP OPTION) V**  
**DEGREE IN AGRICULTURE (AEM OPTION) V**  
**DEGREE IN AGRICULTURE (APH OPTION) V**  
**DEGREE IN AGRICULTURAL EDUCATION V**

**COURSE CODE:**                **AEM 507**

**TITLE OF PAPER:**            **PROJECT APPRAISAL AND EVALUATION**

**TIME ALLOWED:**              **TWO (2) HOURS**

**INSTRUCTION:**                **ANSWER ALL THREE (3) QUESTIONS**

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GRANTED BY THE CHIEF INVIGILATOR**

**QUESTION ONE**

- a. Careful project preparation is, if not absolutely essential, at least the best available means to promote and to insure a sound regional and national development, particularly, in developing countries. Evaluate this statement.

**(15 Marks)**

- b. Describe the project cycle and consider the role of an agricultural economist at each stage.

**(10 Marks)**

- c. Distinguish between 'financial' and 'economic' appraisal of a project. How would you go about undertaking an economic appraisal of a project?

**(15 Marks)**

**QUESTION TWO**

- a. The projected flow of net incremental benefits (NIB) in emalangi for an agricultural investment in Tambuti is presented in Table 1.

Year	1	2	3	4	5	6	7	8	9	10
NIB (E)	-45353	16490	25585	29090	25690	25305	20750	20750	20750	20750

- i. Using the Net Present Value (NPV) criterion, find out whether the project is viable at 45% and 50% rate of discount, respectively.

**(10 Marks)**

- ii. Using the values for R equal to 45% and 50%, calculate the Internal Rate of Return (IRR) of the project by applying Gittinger's interpolation rule.

**(15 Marks)**

- b. What are the advantages and disadvantages that the two investment criteria 'NPV' and 'IRR' are likely to exhibit in practice.

**(5 Marks)**

(A discounting Table is attached)

**QUESTION THREE**

- a. It is said that economic viability of a project is largely a function of its technical viability. Therefore, undertaking of a thorough technical analysis of a project is, in most cases, made a prerequisite for government or donor or aid- agency funding. As an agricultural economist, how would you argue in favour of this requirement.

**(20 Marks)**

- b. How can you estimate whether a capital project is worth more to a company than it costs?

**(10 Marks)**