KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2011/2012

SECOND SEMESTER EXAMINATION FOR THE DEGREE OF

BACHELOR OF SCIENCE

SCH 205: PLANT ECONOMICS AND INDUSTRIAL MANAGEMENT

DATE: Tuesday, 27th March 2012 **TIME:** 2.00 p.m. – 4.00 p.m.

INSTRUCTIONS:

Answer ALL questions.

Question 1 (Total 12 marks)

(a) Define the following terms:

(i) A plant

(ii) A process. (4 marks)

(b) Distinguish between

(i) Legal liability and Bailee's liability.

(ii) Depletion and obsolescence.

(8 marks)

Question 2 (Total 20 marks)

(a) (i) Mention one major rule to be always followed when coming up with an Ideal Quality design: (2 marks)

(ii) What would be the ultimate effects on your design if this rule is not followed? (10 arks)

(b) On receiving a developed process design development paper, you notice that the capital fund commitment stage has not been captured well. With the help of the Reming cycle

(i) Explain the cycle's concept that you expect to be affected. (4 marks)

(ii) If the design is finally implemented without making the necessary correction, what will be the expected trend on the management concept? Explain your answer.

(4 marks)

Question 3 (Total 14 marks)

(i) Distinguish between depreciation and maintenance as factors affecting profitability of investment. (4 marks)

(ii) Define physical depreciation and mention the factors that contribute to this type of depreciation. (6 marks)

(iii) Why is it difficult for an industrial plant to predict future replacement values? (4 marks)

Question 4 (Total 8 marks)

The original investment for an asset was Ksh. 100,000/=. The asset was assumed to have a service life of 12 years with Ksh. 20,000/= as salvage value at the end of the service life.

After the asset has been in use for 5 years, the remaining service life and final salvage value are re-estimated at 10 year Ksh. 10,000/= respectively.

Under these conditions, what is the depreciation cost during the sixth year of the total life if straight line depreciation is used? (10 marks)

Question 5 (Total 10 marks)

You have been hired as a consultant industrial chemist to advice an investor on the possible establishment of a "leather processing plant".

(i) How will you come up with a prefeasibility study for this intended purpose? (2 marks)

(ii) Mention 4 major factors you will want considered to determining the plants location. (4 marks)

(iii) Which Insurance, Legislative and Environmental issues will you advice them to take into account? (8 marks)

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