KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2016/2017

SECOND SEMESTER EXAMINATION FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION

BMS 842: PROJECT PLANNING AND ORGANIZATION

DATE: Monday, 15th May 2017 **TIME: 2.00p.m-5.00p.m**

INSTRUCTIONS

Answer Question ONE and any other THREE questions

Question One

Patfill is a manufacturer of household appliances. The project manager has developed a scoring model to analyze and select new items to be added to its product line. The model is also used to select old items to be dropped from the line. It employs both objective and subjective estimates of scores for the financial and nonfinancial elements that make up the model. The board of directors is pleased with the model and feels that it include all the factors relevant to the drop/add decision. The board is also comfortable with the factor weights developed by the manager. During a recent meeting the board of directors discovered that they had made significant errors when estimating coasts and benefits of various project. After a careful study of the estimates, the board discovered that the sponsors of a product seemed to overestimate its benefits and underestimate its costs.

Required

a) Critically explain some of the limitations of this project selected model described in this case study. (10marks)

b) Using relevant examples, explain at least five nonnumeric models at the disposal of the board in selecting new items to add to its product line. (10marks)

c) Contrast subjective and object measures. Give Examples of the proper use of each type of measure when evaluating competing projects. (5marks)

d) By what the criteria do you think the board of management should judge selection models. (5marks)

e) Identify some of the ethical issues that the board of managers is likely to deal with as it select new items to be added to its product line. (10marks)

Question Two

a) Projects formulation is a process that project designers have to embrace in order to achieve development goals

i) Explain the project formulation process. (5marks)

ii) Indicate four key parts that any project objective should contain.(5marks)

b) In project design, it is important to identify alternative options of solutions for addressing needs satisfaction. Evaluate the role of feasibility study of a project in needs assessment. (10marks)

Question Three

a) The search for a promising project idea is the first step towards establishing a successful project. To the extent of this statement:

i. Discuss the different sources from which good project ideas can be identified (5marks)

ii. Describe the basic factors one must bear in mind when writing an effective project proposal. (54marks)

b) In the following table three times estimates (in weeks)-optimistic (a), pessimistic (b) and most likely (m) -are given for different activites of a project.

Activity	a	M	b
1-2	4	6	10
1-3	3	7	12
1-4	5	6	9
1-7	2	4	6
2-4	6	10	20
2-6	3	4	7
2-7	5	9	15
3-4	3	7	12
4-5	2	4	5
5-6	1	3	6
3-7	2	5	8
6-7	1	2	6

i) Draw the network. (3marks)

ii) Determine the critical path and critical activities (2marks)

iii) Find the expected duration of the project and the standard deviation of the expected duration (2marks)

iv) Compare the probability of completing the project in 30 weeks (3marks)

Question Four

a) Explain the term 'project appraisal' and discuss widely the key parameters relevant in undertaking this process towards the final approval of projects. (15marks)

b) From the following information, calculate the Net Present Value(NPV) of the following projects and suggest which of the two projects should be accepted assuming a discount rate of 10%. (5marks)

Year	Project X cash flows	Project Y Cash flow	Discount rate (10%)
1	5,000	20,000	0.9091
2	10,000	10,000	0.8264
3	10,000	5,000	0.7513
4	3,000	3,000	0.6830
5	2,000	2,000	0.6209
Initial Investment	20,000	30,000	
Estimated life	5years	5years	
Scrap Value	1,000	2,000	

Question Five

Planning a project before implantation helps project designers convert the contents of project briefly to a form everyone can understand. To the extent of this statement

a) Explain the major steps project designers undertake in the process of project planning before implementation (10marks)

b) Describe the main elements of a logical framework as a project planning tool(10marks)