

**THE OPEN UNIVERSITY OF SRI LANKA  
BACHELOR OF MANAGEMENT STUDIES – LEVEL 5  
ASSIGNMENT TEST- 2010  
PROJECT APPRAISAL – MCU 3204  
DURATION: TWO (02) HOURS**



This paper contains Five Questions.

Date : 5<sup>th</sup> June 2010

Time : 2.00 pm – 4.00 pm

**Answer any FOUR questions.  
All questions carry equal marks.**

1. a) Distinguish between projects and programmes. Use suitable examples to highlight key features. (8 marks)  
b) What are the major differences between commercial projects and social projects? What measures would be useful in evaluating the effectiveness of social projects? (12 marks)
2. a) Explain different sources of new project ideas with suitable examples. (8 marks)  
b) “New project ideas go through several stages in the project life cycle and at some stages they get rejected.” Explain. (12 marks)
3. Explain the aspects a manager has to look into when assessing the marketing feasibility of a project. Using your knowledge in relation to Sri Lankan business environment explain the key factors that have to be looked into under marketing feasibility for projects related to fast moving consumer goods. (20 marks)
4. a) Explain the different internal and external sources of financing options, available for projects. (10 marks)  
b) The financing plan of a project is given below. What is the cost of capital for the project? (10 marks)  
– 50,000 ordinary shares of Rs. 100/-. (Expected dividend payments are 18%)  
– Debentures (20%) Rs. 3.0 million and,  
– 5 year loan from a financial institute for Rs. 2.0 million at 25% rate of interest per annum
5. a) Using suitable Sri Lankan examples, explain the difficulties faced by the managers in preparing financial estimates: specially with valuation of costs and benefits. (10 marks)  
b) Explain the merits and demerits of using debt capital for projects. What are the limitations of using debt capital for project financing? (10 marks)