

# KARACHI UNIVERSITY BUSINESS SCHOOL

## UNIVERSITY OF KARACHI

MBA – IV	
<b>Course Title</b>	<b>: Project Appraisal</b>
<b>Course Number</b>	<b>: BA (M) 683</b>
<b>Credit Hours</b>	<b>: 03</b>

### Course Outline:

#### **Basic Idea of Projects:**

Main Feature of Projects,  
Capital Budgeting, Importance and Difficulties  
Project Development Cycle  
Aspects of Appraisal  
Objective of Investment Decision Making  
Basic Consideration: Risk and Return

#### **Market Appraisal:**

Information Required for Market and Demand Analysis  
Secondary Source of Information  
Market Survey  
Demand Forecasting: Trend Projection Methods, Consumption  
Level Method, Lend use Method

#### **Technical Appraisal:**

Materials and Inputs: Raw Materials, Processed Industrial  
Materials and Components, Auxiliary Materials and Factory  
Supplies, Utilities  
Production Technology  
Plant Capacity  
Location and Site  
Machinery and Equipment, Structure and Civil Works  
Project Charts and Layout, Work Schedules

#### **Financial Aspects of Appraisal:**

Cost of Project and Means of Financing: Cost of Project, Major Components and their Details.  
Means of Financing: Planning the Capital Structure of a New Company:  
Equity, Term Loans, Bridge Loan, Sponsors Non-Interest Bearing Loans, Security of Loans,  
Interest and Principal Repayments, Restrictive Covenants and Main Contents of the Loan  
Agreements.  
Financial and Development Financial Institutions.

### **Profitability: Financial Projection:**

Production Estimates, Production Capacity, Capacity utilization and Sales Estimates,  
Formulation of Assumptions for Financial Projections.  
Cost of Production: Materials, Labor, Utilities, Factory Overhead, Administrative, Marketing,  
Financial and Other Expenses.  
Development of Different Schedules for Projected Income Statement and Balance Sheet based  
on various Appraisal factors already considered above.  
Break Analysis and Sensitivity Analysis.

### **Economic and Financial Appraisal – Single Project:**

Measuring Cost and Benefits: Cash Inflows and Outflows:  
Internal Cash Flows, Operational Cash Flows and Terminal Cash Flows.  
**Time Value of Money**, Estimating and Appropriate Discount Rate, Future and Present Value of  
Single Cash Flow, Future and Present Value of and Annuity, Discount Factors, Annuity Factors  
and Capital Recovery Factor.  
Present Value of an Uneven Series, Shorter Compounding Periods,  
Effective versus Nominal Rate.

### **Cost of Capital:**

A Central concept in Financial Management,  
Linking the investment and financial decisions,  
Cost of Different Sources of Finance.

### **Project Selection Criteria:**

Project Criteria for Single Projects:  
Calculating Internal Rate of Return  
Estimating Net Present Value  
Calculating Benefit Cost Ratio  
Other Project appraisal criterion.

### **Post-Completion and Life Cycle of the Project:**

**REQUIRED READING: TEXT BOOKS:**

1. Steve Curry & John Weiss, "Project Analysis in Developing Countries", St Martin Press Inc. USA (Latest Edition)
2. Ch. Muhammad Hussain, "Project Appraisal, Monitoring & Evaluation Process", Karachi Royal Book Co, Karachi.
3. Prasanna Chandra "Projects, Preparation, Appraisal, Budgeting and Implementation", (Latest Edition), Indian Institute of Management, Bangalore
4. The World Bank, "Guideline for Calculating Financial and Economic Rates of Return for DFC Projects", Washington DC. USA, 1984
5. Vircent muro, "Preparation of Project Feasibility Studies for Philippine Business Enterprises", Manilla Business Technology Corp.
6. John E. Walsh Jr, "Preparting Feasibility Studies in Asia", Tokyo, Asian Productivity organization (APO)
7. Steve Curry & John Weiss, "Project Analysis in Developing Countries", St Martin Press Inc. USA (Latest Edition)
8. The World Bank, "Guideline for Calculating Financial and Economic Rates of Return for DFC Projects", Washington DC. USA, 1984
9. Vircent muro, "Preparation of Project Feasibility Studies for Philippine Business Enterprises", Manilla Business Technology Corp.
10. John E. Walsh Jr, "Preparting Feasibility Studies in Asia", Tokyo, Asian Productivity organization (APO)
11. Ch. Muhammad Hussain, "Project Appraisal, Monitoring & Evaluation Process", Karachi Royal Book Co, Karachi.

