



JARAMOGI ODINGA OGINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF EDUCATION
UNIVERSITY EXAMINATION FOR THE DEGREE OF MASTER OF EDUCATION IN
PLANNING AND ECONOMICS OF EDUCATION
1ST YEAR, 2ND SEMESTER, 2017/2018 ACADEMIC YEAR
KISII CAMPUS, REGULAR: DEC-2017

COURSE CODE: EMA 853

COURSE TITLE: COST-BENEFIT ANALYSIS

DATE

STREAM: M.ED

TIME: 2HOURS

EXAM SESSION: December, 2017

Instructions:

- 1 Answer question ANY THREE questions.**
- 2 Candidates are advised not to write on the question paper.**
- 3 Candidate must hand in their answer booklets to the invigilator while in the examination room.**

QUESTION ONE

a) In appraising a project, the commonly used tool is Cost Benefit Analysis. Discuss six aspects that are appraised (3mks)

b) Calculate the NET Present value of the project given below (1mks)

Period I years	0	1	2	3	4	5
Cost (millions)	10m	8	9	15	16	18
Benefit(millions)	0	10	15	16	17	20
Net value(net present value)						

c) Mlachake Business is considering investing ksh.500,000 in starting an academy.

The expected future cash in-flows(benefits) in the next six years are as follows:

year	Cash inflows/benefits
1	80,000
2	100,000
3	140,000
4	150,000
5	190,000
6	240,000

If the discounting factor is 10%, determine:

i)NPV (10mks)

ii)IRR assuming 16% and 17% are discounting factors (4mks)

iii)On the basis of the NPV, calculate in i) above whether the project is viable and the rate at which the future value of expected benefits equals to present value costs. (2mks)

QUESTION TWO

With respect to question one, Suppose Mlachake wishes to inject more funds into the academy as follows:

Year 2 sh. 150,000

Year 3 sh. 90,000

Advice Mlachake whether the undertaking is worthwhile to venture into with the projected future cash inflows(Benefits) (20mks)

QUESTION THREE

Maintenance expenditure for a certain University in Kenya over the next 25years is expected to be released from Treasury as period outlays of ksh 20,000 at the end of 5 years, ksh 60,000 at the end of the 10th year, ksh100,000 at the end of 15th year and ksh 125,000 at the end of the 20th year with interest at 10%. What is the equivalent annual cost for a 25 year period? (20mks)

QUESTION FOUR

Examine reasons why stakeholders find it necessary to finance education (20mks)

QUESTION FIVE

- a) Examine the various costs and benefits of investments in education (10mks)
- b) Discuss the pros and cons of Cost-Benefit Analysis tool (10mks)

END!