

EASTERN UNIVERSITY, SRI LANKA

FACULTY OF COMMERCE AND MANAGEMENT

FINAL YEAR- FIRST SEMESTER EXAMINATION IN BBA/COM/SP HRM/SP
MKT/SP ENT/SP ACC- 2009/2010 (DEC 2010)

MGT 401 PROJECT MANAGEMENT

Answer all questions

Time: Three Hours

Q1. INVENTORY MANAGEMENT IN PRANAVI LTD.COMPANY

The Director of the Pranavi Ltd. Company is considering computerizing the company's ordering inventory and billing procedures. She estimates that the annual savings from computerization include a reduction of ten clerical employees with annual salaries of Rs. 15,000 each, Rs. 8,000 from reduced production delays caused by raw materials inventory problems Rs. 12,000 from lost sales due to inventory stock outs and Rs. 3,000 associated with timely billing procedures. The purchase price of the system is Rs. 200,000 and installation costs are Rs. 50,000. These outlays will be capitalized (depreciated) on a straight - line basis to a zero book salvage value which is also its market value at the end of five years. Operation of the new system requires two computer specialists with annual salaries of Rs. 40,000 per person. Also annual maintenance and operating (cash) expenses of Rs. 12,000 are estimated to be required.

The company's tax rate is 40% and its required rate of return (cost of Capital) for this project is 12%

Based on the above case information answer the following questions.

- a) Advise whether the company should computerize its system (Using NPV, and Pay back period methods)

(08 Marks)

- b) Find the projects cash flows and NPV assuming that the system can be sold for Rs. 25,000 at the end of five years even though the book salvage value will be zero.

(08 Marks)

- c) Find the projects cash flows NPV assuming that the book salvage value of depreciation purposes is Rs. 20,000 even though the machine is worthless in terms of its resale value.

(08 Marks)

(Total - 24 Marks)

Q2.

- a). Describe the five function of management and state how do you think each of these functions comes into play in the course of the project?

(Marks 06)

- b). There are many constraints on the completion of projects. With regard to this explain the constraints on completion of project with example.

(Marks 06)

- c). Explain why project planning is vital to project management. Describe the steps involved in a detailed planning process?

(Marks 06)

(Total Marks 18)

Q3.

- a). What factors would you take into account when selecting members of a project team, and how would you motivate them if you were the project manager?

(Marks 08)

- b). The project manager who is responsible for conducting the feasibility study would normally consider the timing. Do you agree? Explain.

(Marks 06)

- c). What is likely to happen when a specific resource on a Project is concurrently allocated to more and more projects?

(Marks 06)

(Total Marks 20)

Q4.

The Postgraduate Studies Unit of the Faculty of Commerce and Management, Eastern University Sri Lanka has acquired the old administration block and it has planned to turn it into an Information and Printing Unit. The table below shows a list of the required activities, with their immediate predecessors, estimated time and the required human resources.

Activity	Pre- Activity	Duration (days)	Human resource
A	-	3	4
B	A	4	2
C	A	8	5
D	A	3	2
E	B	2	5
F	D	3	2
G	C,E,F	6	3
H	G	2	2
I	G	5	4
J	H	4	6
K	H	2	3
L	K,I	3	2

- a) Draw the network diagram and identify the critical path. (08 Marks)
 - b) Estimate the human resource required to complete the project. (04 Marks)
 - c) If the availability of human resource is ten men per day, how would you reschedule the activities to complete the project within the estimated time? (08 Marks)
- (Total 20 Marks)

Q5)

a) *Evaluation is an important instrument^{to} measure the validity of a project. There are number of techniques used to evaluate projects. Each technique is judged by some factors.*

i) In view of the above statements explain the techniques that are used to evaluate projects.

(06 Marks)

ii) In view of the above statements explain the factors that should be used to judge any type of technique that is used to evaluate projects.

(06 Marks)

b) Briefly explain the main purpose of project evaluation and what they seek to answer.

(06 Marks)

(Total 18 Marks)