

**KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI**

<u>BS (BBA) – VII</u>	
Course Title	: PROJECT DEVELOPMENT, EVALUATION AND FEASIBILITY
Course Number	: BA(BS) – 631
Credit Hours	: 03

Course Contents

1. Basic Ideas of Projects

- 1.1. Main Features of Projects
- 1.2. Capital Budgeting, Importance and Difficulties
- 1.3. Project Development Cycle
- 1.4. Aspects of Appraisal
- 1.5. Objective of Investment Decision Making
- 1.6. Basic Consideration: Risk and Return

2. Market Appraisal

- 2.1. Information Required for Market and Demand Analysis
- 2.2. Secondary Source of Information
- 2.3. Market Survey
- 2.4. Demand Forecasting: Trend Projection Methods, Consumption
- 2.5. Level Method, Lend use Method

3. Technical Appraisal

- 3.1. Materials and Inputs: Raw Materials, Processed Industrial
- 3.2. Materials and Components, Auxiliary Materials and Factory
- 3.3. Supplies, Utilities
- 3.4. Production Technology
- 3.5. Plant Capacity
- 3.6. Location and Site
- 3.7. Machinery and Equipment, Structure and Civil Works
- 3.8. Project Charts and Layout, Work Schedules.

4. Financial Aspects of Appraisal

- 4.1. Cost of Project
- 4.2. Major Components and their Details
- 4.3. Means of Financing: Planning the Capital Structure of a New Company
 - 4.3.1. Equity
 - 4.3.2. Term Loans
 - 4.3.3. Bridge Loan

- 4.3.4. Sponsors Non-Interest Bearing Loans
 - 4.3.5. Security of Loans
 - 4.3.6. Interest and Principal Repayments
 - 4.3.7. Restrictive Covenants and Main Contents of the Loan Agreements
 - 4.4. Financial and Development Financial Institutions
- 5. Profitability: Financial Projections**
 - 5.1. Production Estimates
 - 5.2. Production Capacity
 - 5.3. Capacity utilization and Sales Estimates
 - 5.4. Formulation of Assumptions for Financial Projections
 - 5.5. Cost of Production
 - 5.5.1. Materials
 - 5.5.2. Labour
 - 5.5.3. Utilities
 - 5.5.4. Factory Overhead; Administrative, Marketing, Financial and Other Expenses.
 - 5.6. Development of Different Schedules for Projected Income Statement and Balance Sheet based on various Appraisal Factors
 - 5.7. Break Analysis and Sensitivity Analysis
- 6. Economic and Financial Appraisal – Single Project**
 - 6.1. Measuring Cost and Benefits: Cash Inflows and Outflows
 - 6.2. Internal Cash Flows, Operational Cash Flows and Terminal Cash Flows
 - 6.3. Time Value of Money
 - 6.4. Estimating and Appropriate Discount Rate
 - 6.5. Future and Present Value of Single Cash Flow
 - 6.6. Future and Present Value of and Annuity
 - 6.7. Discount Factors, Annuity Factors and Capital Recovery Factor
 - 6.8. Present Value of an Uneven Series
 - 6.9. Shorter Compounding Periods
 - 6.10. Effective Versus Nominal Rate
- 7. Cost Capital**
 - 7.1. A Central Concept in Financial Management
 - 7.2. Linking the Investment and Financial Decisions
 - 7.3. Cost of Different Sources of Finance.
- 8. Project Selection Criteria**
 - 8.1. Project Criteria for Single Projects
 - 8.2. Calculating Internal Rate of Return
 - 8.3. Estimating Net Present Value
 - 8.4. Calculating Benefit Cost Ratio.
 - 8.5. Other project appraisal criterion

9. Preparation of Appraisal (Feasibility) Report

- 9.1. Organization of the Feasibility Report
- 9.2. Executive Summary for the Board of Directors or Sponsors
- 9.3. Contents of the Reports
- 9.4. Presentation of the Information
- 9.5. Data and Deductions Derived from the Data
- 9.6. Annexure and their Placement Conclusions and Recommendations for Acceptance or Rejection of the Project.

Recommended 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"*, (Second Edition), Indian Institute of Management, Bangalore,