

Course Code: ECON-426

Title: Project Appraisal and Investment Analysis

Credit Hours: 03

Prerequisite: Public Sector Economics

Course Objectives:

This course aims to cover the working of public sector, that is, how the projects are evaluated, how do governments decide which project is worth spending on. In addition, how do governments arrange finances and conduct investment analysis.

Learning Outcomes:

At the end of this course, students will be able to

- Analyze different phases of project cycles
- Critically evaluate various aspects of agriculture projects
- Evaluate different types of projects on the basis of discounted measures

Course Contents:

Introduction	Meaning of Project Appraisal, usefulness and significance, Aspect of project appraisal with a special focus on economic versus financial analysis, Contours and Dimensions of a project and its essential ingredients, Project Vs. Plans. Project Cycle.
Identify Project Benefits and Costs	Objectives of Costs and Benefits, The Incremental / Net Benefits and “With” and “Without” Comparisons. Categories of Costs and Benefits.
Pricing Project Costs and Benefits	Prices reflecting values, Market price and financial analysis, finding market prices and related problems, Change in relative prices and inflation: Shadow Prices and economic analysis, Removal of market price distortions in traded and non-traded goods. Premium on foreign exchange through use of Shadow exchange rate and conversion factor approach
Comparing Project Costs and Benefits (Measuring of a Project Worth)	Undiscounted measures of project worth, Discounted measures of NPW, IRR, BCR, Net benefit – Investment Ratio, Comparative assessment of discounted measures. Social vs. Economic benefits and selection of projects
Applying Discounted Measures of Project Worth	Sensitivity analysis, switching value, Choice among mutually exclusive alternatives, Domestic resource cost of foreign exchange earning / saving.
Cost Effectiveness Analysis	Areas and elements of analysis, Methods of analysis: Constant Effect Method, Constant Cost Method, Measuring of cost effectiveness, Present Worth, Annual Worth, Cross over discount rate, Limitation of analysis.
Financial (Investment) Analysis	Theoretical and empirical examination and saving and investment, Concept of capitalization types of securities, non-banking financial institution. Development financing, Asset Structure, Stock Prices, Money Market, Portfolio Theory and Investment Analysis. Financing the industrial sector; Large scale and small scale, Interest rate. Bond market, Real and financial investment. Financial intermediaries; Speculation and Inter – relationship of financial and real variables in the economy.

Teaching Methodology:

- To deliver lectures on topics included in course outline
- To require each student to solve independent assignments on topics included in the course.

Evaluation Criteria:

Evaluation Method	
Quizzes/Assignments	
Mid-Term Exam	
Final-Term Exam	

Recommended Books:

- Hughes, A., & D.J. Storey. (1994). Finance and The Small Firm” (Ed) Routledge, London.
- Bruno Solnik. (1996). International Investment, Addison Wesley.
- Burno Solnik. (1996). International Investments” 3rd Ed. Addison, Wesley publishing Co.
- Donald, E., Fischer, Arnold, J. (1997). Security Analysis and Portfolio Management. Prentice Hall, Delhi.