

Code: ECON-409

Title: Project Appraisal and Investment Analysis

Credit Hours: 03

Prerequisite: Public Sector Economics

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.

Recommended Books:

- Hughes, A., & D.J. Storey. (1994). Finance and The Small Firm” (Ed) Routledge, London.
- Bruno Solmik. (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.