

NATIONAL UNIVERSITY OF LESOTHO

FACULTY OF AGRICULTURE

BSC AGRICULTURE EXAMINATIONS

AEC 424 AGRICULTURAL PROJECT PLANNING AND EVALUATION

MARKS 100

TIME:3 HOURS

MAY, 2020

Instructions: Answer **all** questions

The ministry of agriculture has established three projects on horticulture to produce fruits for export market. The information below shows the information on the three projects.

Year	Capital items	Operation & maintenance	Production cost	Gross costs	Gross benefit	Net value of incremental production
Project 1						
1	50,000			50,000	-	-50,000
2	25,000			25,000	-	-25,000
3		2,500	2,500	5,000	15,000	10,000
4		2,500	2,500	5,000	30,000	25,000
5		2,500	2,500	5,000	40,000	35,000
6		2,500	2,500	5,000	40,000	35,000
7		2,500	2,500	5,000	30,000	25,000
Total	75,000	12,500	12,500	100,000	155,000	55,000
Project 2						
1	50,000			50,000	-	-50,000
2	25,000			25,000	-	-25,000
3		2,500	2,500	5,000	20,000	15,000
4		2,500	2,500	5,000	35,000	30,000
5		2,500	2,500	5,000	45,000	40,000
6		2,500	2,500	5,000	40,000	35,000
7		2,500	2,500	5,000	25,000	20,000
Total	75,000	12,500	12,500	100,000	155,000	65,000
Project 3						
1	50,000			50,000	-	-50,000
2	25,000			25,000	-	-25,000
3		2,500	2,500	5,000	35,000	30,000
4		2,500	2,500	5,000	45,000	40,000
5		2,500	2,500	5,000	25,000	20,000
6		2,500	2,500	5,000	20,000	15,000
7		2,500	2,500	5,000	20,000	15,000
Total	75,000	12,500	12,500	100,000	145,000	37,000

- a. Using the undiscounted measures of project worth, which project is worthwhile and why? (10)
- b. Using data for project 2, calculate the Net Present worth of this project at 14% interest rate comment if this project is worth implementing on the basis of its NPW (10)
- c. Using PROJECT 3, at 14% discount rate, calculate the Net –Benefit Investment Ratio and comment on the worth of this project (10)
- d. If prices of output rose by 10%, how sensitive is project 2 to price increases? (10)
- e. For project 2, what is the benefit-cost ratio? Can this project be implemented on the basis of this measure? (10)

Question 2

Agricultural projects go through different phases, discuss any three phases through which agricultural projects pass in the project cycle. (15)

Question 3

Discuss the any two aspects of agricultural projects (10)

Discuss the important costs of agricultural projects (25)