

# Project Management Assignment 2

by  
Dr Mohd Yazid  
Faculty of Manufacturing Engineering  
[myazid@ump.edu.my](mailto:myazid@ump.edu.my)

# Assignment 2

- Aims
  - To organize project initiation by developing strategies to support project's goal.
- Expected Outcomes
  - Students are able to set the objectives, scopes, develop team members, propose project comparison and select final project.
- References
  - William, R.T. 2013. Project Management. Random Exports
  - Heagney, J. 2012. Fundamentals of Project Management. American Management Association.
  - Richardson and Gary, L. 2010. Project Management theory and practice. Taylor and Francis.

# Assignment 2

Your firm has a project A which is trying to decide whether to invest in a new project opportunity for planning horizon of 5 years based on the following information. The initial investment is RM300,000 and the annual cost of operation is RM20,000. The company predicts that the project will generate a stream of earning RM100,000 for the first 2 years while RM200,000 for the next 3 years.

- a) Develop a cash-flow diagram.
- b) What are the NPV and payback period for undiscounted cash flow before tax?
- c) What are the NPV and payback period for discounted cash flows for interest of 30 and 35%?
- d) Estimate their internal rate of return (IRR).
- e) Compute the cash flow after tax of 30%
- f) What are the NPV and payback period for undiscounted cash flow after tax.
- g) What are the NPV and payback period for after tax discounted cash flows for interest rate of 20% and 30%?
- h) Estimate their internal rate of return (IRR).
- i) If the project B has IRR (after tax) of 35%, which are the best decision.

# Dr Mohd Yazid

# Project Management

## Assignment 2