

**University of Sargodha**  
**Department of Economics**

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**COURSE OUTLINE**

**Course Title: INVESTMENT AND PROJECT APPRAISAL**

**Course Code: Econ-522**

**Credit Hours: 06**

**DESCRIPTION & OBJECTIVES**

This course focuses on the application of investment techniques to operating and investing decisions. The **purpose of investment and project appraisal** is to assess the viability of **project**, programme or portfolio decisions and the value they generate. In the context of a business case, the primary **objective of investment appraisal** is to place a value on benefits so that the costs are justified. The course is designed to ex-ante examination of a proposal project to determine whether the same should be implemented or not whereas project evaluation is an ex-post assessment of the impact of accomplished project and it ensures students reach a proficient level of professional applicability.

**TEACHING METHODOLOGY**

- Discussion on practical issues.
- Assignments and presentations/ project

**CONTENTS**

1. Introduction to Investment and Project Appraisal
2. Identify Project Benefits and Costs
3. Comparing Project Costs and Benefits(Measuring of a Project Worth)
4. Applying Discounted Measure of Project Worth
5. Cost Effective Analysis
6. Financial Analysis

**READINGS**

1. Hussain, Ch.M: "Project Appraisal, Monitoring and Evaluation Process with Special Reference to Pakistan "Royal Book Co. Karachi, (1985)
2. Adwin.J, Elton and Martin J Goober, Modern Portfolio Theory and Investment Analysis, John Wiley and Sons(1997).
3. Donald, E., Fischer, J., Security Analysis and portfolio Management, Prentice Hall Delhi, ( Latest)
4. United Nations: "Guide to Practical Appraisal- Social Benefit- Cost Analysis in Developing Countries, "Oxford & IBH publishing Co, New Delhi. ( Latest)
5. United Nations: "Manual for Evaluation of Industrial Projects" Oxford & IBH Publishing Co. New Delhi,(1980).

**COURSE SCHEDULE**

**Weeks**

***Topics and Readings***

1	<ul style="list-style-type: none"> <li>• The role of Investment and Project Appraisal</li> <li>• Meaning of Project Appraisal, usefulness and significance</li> <li>• Aspects of project appraisal with a special focus on economic &amp; financial analysis</li> </ul>
2	<ul style="list-style-type: none"> <li>• Contours and Dimensions of a project and its essential ingredients</li> <li>• Project VS Plans</li> <li>• Project Cycle</li> </ul>
3	<ul style="list-style-type: none"> <li>• Cost Benefits Analysis for Project</li> <li>• Categories of Costs and Benefits</li> </ul>
4	<ul style="list-style-type: none"> <li>• Methods of Project Appraisal</li> <li>• Market price and financial analysis ( Market Value ratios)</li> <li>• Finding Market Price and related problems</li> </ul>
5	<ul style="list-style-type: none"> <li>• Premium on Foreign exchange through use of Shadow exchange rate and conversion factor approach</li> <li>• Concept of Capitalization</li> <li>• Capital Market VS Money Market</li> </ul>
6	<ul style="list-style-type: none"> <li>• Types of Securities</li> </ul>
7	<ul style="list-style-type: none"> <li>• Non-Banking Financial Institution</li> <li>• Development Financing</li> <li>• Assets Structure</li> </ul>
8	<ul style="list-style-type: none"> <li>• Real and Financial investment</li> <li>• Financial Intermediaries</li> <li>• Capital Budgeting Technique: Project evaluation and selection</li> <li>• Portfolio Theory and Investment Analysis</li> </ul>
<b>Mid Term Exam</b>	
9	<ul style="list-style-type: none"> <li>• Financing the industrial sector, Large scale and small scale</li> <li>• Speculation and Inter-relationship of financial and real variables in the economy</li> </ul>
10	<ul style="list-style-type: none"> <li>• Measuring Market Value and Market Value Added</li> <li>• Changes in relative price and inflation</li> </ul>
11	<ul style="list-style-type: none"> <li>• Shadow Prices: Meaning, Need, Limitations and Uses</li> <li>• Shadow Prices and economic analysis</li> </ul>
12	<ul style="list-style-type: none"> <li>• Trade Policies with Market Imperfections and Distortions Market</li> <li>• Imperfections and Distortions defined</li> </ul>
13	<ul style="list-style-type: none"> <li>• Undiscounted measures of project worth</li> <li>• Discounted measures of project worth</li> </ul>
14	<ul style="list-style-type: none"> <li>• Investment Ratio</li> <li>• Comparative assessment of discounted measures</li> </ul>
15	<ul style="list-style-type: none"> <li>• Social VS Economic Benefits</li> <li>• Project evaluation and selection (Capital budgeting techniques)</li> <li>• Choose among mutually exclusive alternatives</li> </ul>
16	<ul style="list-style-type: none"> <li>• Sensitivity analysis</li> <li>• The time value of money, the interest rate, simple and compound interest</li> <li>• Defining risk and return</li> <li>• Area and elements of analysis</li> </ul>
17	<ul style="list-style-type: none"> <li>• Methods of analysis: Constant Effect Method, Constant Cost Methods</li> <li>• Present Worth, Annual Worth, Cross over discount rate</li> </ul>

- Measuring of Cost Effectiveness
- Limitations of Project appraisal analysis

## **Final Term Exam**

### **RESEARCH PROJECTS**

During the whole course several tasks will be given to the students i.e. Different financial project analysis etc.

### **ASSESSMENT CRITERIA**

Mid Term: 30 marks  
 Sessional: 20 marks  
*Project: 5 marks*  
*Assignment: 5marks*  
*Presentation: 5 marks*  
*Participation: 5 marks*  
 Final Exam: 50 marks

### **RULES AND REGULATIONS**

1. Students should ensure 85% class attendance
2. Students should the plagiarism policy set by HEC and follow the 19% similarity index throughout the assignments and research projects.
3. Students should submit their assignments in time