

PROJECT APPRAISAL AND INVESTMENT ANALYSIS

LECTURE 1

PROJECT APPRAISAL AND ITS ASPECTS

LEARNING OBJECTIVES

What is Project appraisal?

Difference between Project and plan?

Why project appraisal is useful?

What is its significance?

Various aspect of project appraisal?

Limitation of project Appraisal

WHAT IS PROJECT?

A project is a temporary endeavor designed to produce a unique product, service or result with a defined beginning and end, undertaken to meet unique goals and objectives, typically to bring about beneficial change or added value.

PROJECT VS. PLAN

Project	Plan
<ul style="list-style-type: none">• Group of tasks and activities designed to deliver Specified output.• Project has three basic things Scope, Time and Budget	<ul style="list-style-type: none">• It is a part of project.• Course of Action to achieve something.

PROJECT APPRAISAL

Project appraisal is the structured process of assessing the viability of a project or proposal. It involves calculating the feasibility of the project. It is a tool that company's use for choosing the best project that would help them to attain their goal.

PROJECT APPRAISAL OBJECTIVES

- Assessment of project in terms of its social financial and economic viability.
- Decide, whether to accept or reject a project.
- It is a tool to check the viability of a Project Proposal.

SIGNIFICANCE OF PROJECT APPRAISAL

- It helps in arriving at specific & predicted results.
- It evaluates the desirability of the projects.
- It provides information to determine the success or failure of a project.
- It employs existing norms to predict the rate of success or failure of a project (law and regulations).

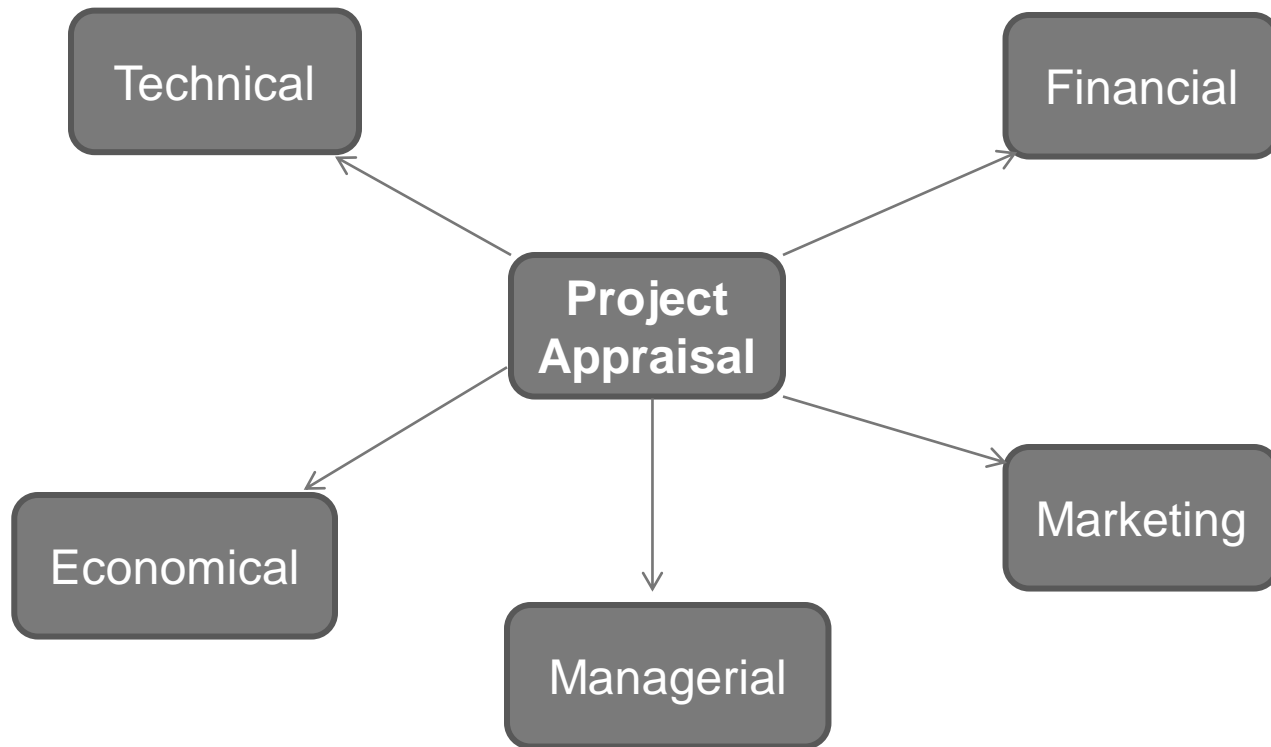
PROJECT APPRAISAL

Why there is a need of project appraisal?

- To ensure the project as designed to meet the objectives and needs of society
- To know how project will compete and compare with other feasible project in term of funds and other resources.

ASPECTS

Aspect of Project Appraisal



MARKET APPRAISAL

It is one of the major area of the time of introducing any product in market. Before the production actually starts, the entrepreneur needs to anticipate the possible market for the product/ service. He/she has to anticipate who will be the possible customers for his product and where and when his product will be sold.

MARKET APPRAISAL

Issue to be considered:

- Past and current demand trends
- Past and current supply position
- Imports and exports
- Nature of the competition
- Cost structure
- Elasticity and demand of consumer behavior, attitudes, preferences and requirements.
- Distribution channels marketing policies.

MARKET ANALYSIS

Methods to estimate the demand for a product

- Surveys
- Product Life cycle
 - Introduction
 - Growth
 - Maturity
 - Saturation
 - Decline

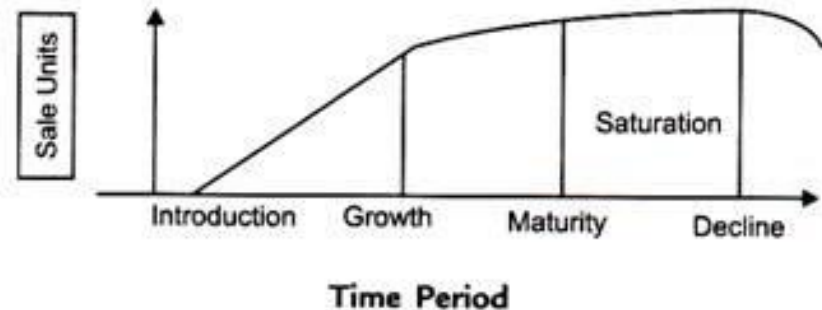


Fig. 16.1 Product Life-Cycle

FINANCIAL APPRAISAL

Financial appraisal analysis of the project helps to assess the cost of a project and review the project revenues. This helps the organization to avoid budgets projects resources and requirements to produce outputs.



FINANCIAL APPRAISAL

- **Cost:** Finding out the cost to complete the projects and produce the output.
- **Pricing:** Setting the product price for profit.
- **Financing:** Increasing in investment and efficient use of funds.
- **Investment vs. Income:** Understanding the cost of production and profit.

TECHNICAL APPRAISAL

Technical Appraisal helps to study the technical aspects of the project. For example , assessment of tools and technique, design, plan and schedule.



TECHNICAL APPRAISAL

While assessing the technical feasibility of the project

- Availability of land and site
- Availability of work force as per required skill and arrangements proposed for training-in-plant and outside.
- Availability of required raw material as per quantity and quality.

ECONOMICAL APPRAISAL

- Economic Appraisal looks at the project from the viewpoint of the whole economy.
- Focus on the total benefit of the project and less on the cost spent on the project.
- It helps to know about the project contribution for the development, industrial development, maximization of the employment, increased standard of living and govt. revenue.

MANAGERIAL APPRAISAL

- Management ability or competence plays an important role in making a project a success. In the absence of managerial competence, the projects may fail.
- On the contrary, even a poor project may become a successful one with good managerial ability.

MANAGERIAL APPRAISAL

- Project Organization and management.
- Management capabilities in planning, organizing, staffing, leading, implementing and controlling.



LIMITATIONS

- Quality of project analysis depends on quality of data collected and forecast made about cost and benefits.
- Over estimation of benefits and underestimation of cost quite common to get the project approve.
- Uncertainty of future is impossible to quantify.
- Project analysis is useful when there is definite starting and ending point otherwise it fails.