

# [Project managment](https://assignbuster.com/project-managment/)

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Project Management Project management PROJECT SELECTION We live in a world of finite resources and therefore cannot carry out all the projects we need. We therefore have to rank all the proposed projects and then select the most beneficial. Below are the three selected projects. The project sponsor is specific on the kind of project he is willing to finance; they should be between500, 000 and 1 million and should have a payback period of between 6months and 2 years.   
Project 1: Oil pipeline cost   
Direct cost   
Wages & salaries 188440   
Employee benefit 8000   
Consultants travel 9000   
Cost of raw material 250000   
supplies 50000   
Depreciation 40000   
taxes 120000   
Fees 40000   
Motor expense 46000   
insurance 50000   
Machinery at cost 250000   
Indirect cost   
Repair& maintenance 130000   
Total 1, 181, 440   
Project 2: Health centre   
Direct cost   
Wages & salaries 300000   
Social expenditure 10000   
Employee benefit 8000   
Travel 12000   
supplies 50000   
Depreciation 40000   
taxes 110000   
Building rent 40000   
Motor expense 46000   
insurance 50000   
Machinery 250000   
Light 5000   
Indirect cost   
Repair& maintenance 200000   
Total 1, 220, 000   
Project 3: RENEWABLE ENERGY RESEARCH   
Direct cost   
Wages & salaries 150, 000   
Social expenditure 35000   
Consultants and researcher’s travel 105000   
Cost of raw material 35000   
supplies 30000   
Depreciation 25000   
taxes 120000   
Fees 20000   
Motor expense 35000   
Building rent 40000   
insurance 60000   
Machinery at cost 100000   
Employee benefit 107000   
Light 5000   
Indirect cost   
Repair& maintenance 130000   
Total 997000   
Additional information   
Payback period   
Cash flow per year   
1. Oil pipeline cost   
3 years   
450, 000   
2. Health centre   
2 years   
560, 000   
3. Renewable energy research   
2 years   
540, 000   
From the above information on the proposed projects, one project is to be selected. In order to achieve this, information on total cost, ROI and payback period will be used.   
Total cost-the proposed budget should be between 500, 000 and 1 million. This means that the first two projects on Oil pipeline and a Health centre do not qualify since their total costs exceed the available budget. Therefore, using costs I will select the project on renewable energy research since it meets this requirement.   
Payback period- a smaller payback period is recommended since it shows that the company is able to recover its costs of investment in a short period. It shows that the project is generating high income. Therefore, the second and third projects will be selected since they have lower payback period (Kinney & Raiborn 2008)   
Return on investment-this is the returns of investment divided by the cost of investment (George & Franklin 1996). The proposed project’s ROI for a 4 year period:   
Project 1 ROI= 1800000-1, 181, 440 / 1, 181, 440= 0. 52   
PROJECT 2 ROI= 2240000-1, 220, 000 / 1, 220, 000= 0. 83   
PROJECT 3 ROI= 2, 160, 000-997, 000 / 997, 000= 1. 17   
In connection to this, project 3 will be selected since it has a higher ROI despite it having a lower cash flow as compared to Project 2.   
In conclusion, from the following analysis it is evident that project three is most favourable; it has achieved the recommended initial investment requirement, has a high ROI and its payback period is also low. I would therefore select it for implementation.   
References   
Kinney, M & Raiborn, C. 2008. Cost Accounting: Foundations and Evolutions. Thomson North West: Boulevard.   
George, T &Franklin, J. 1996. Understanding Return on Investment. New York: John Wiley & Sons.