

**21st NATIONAL CERTIFICATION EXAMINATION
FOR
ENERGY MANAGERS & ENERGY AUDITORS**

PAPER - 1 : GENERAL ASPECTS OF ENERGY MANAGEMENT & ENERGY AUDIT

Date : 25.09.2021 Timings : 09:30-12:30 HRS Duration : 3 HRS Max. Marks : 150

General instructions :

- o Please check that this question paper contains **8** printed pages
- o Please check that this question paper contains **64** questions
- o The question paper is divided into three sections
- o All questions in all three sections are compulsory
- o All parts of a question should be answered at one place

Section -I: OBJECTIVE TYPE

Marks : 50x1=50

| | | | |
|----|--|---|---|
| 1. | What is the heat content of the 200 liters of water at 50°C in terms of the basic unit of energy in kilo Joules (kJ) a) 3000 c) 1000 | b) 4187 d) 41870 | d |
| 2. | $C_2H_4 + xO_2 \rightarrow 2CO_2 + yH_2O$, what is the value of x + y? a) 2 c) 5 | b) 3 d) 8 | c |
| 3. | What is the "TOE" of 125 Ton of coal which has GCV of 4000 kcal/kg a) 40 c) 400 | b) 50 d) 500 | b |
| 4. | Infrared thermometer is commonly used to measure: a) Surface temperature c) Steam Temperature | b) Flue gas temperature d) Hot water temperature | a |
| 5. | Power in a 3 phase AC system is a) 3 x Voltage x Current c) 1.73 x Voltage x Current | b) Voltage x Current d) None of the above | d |
| 6. | Which industry among the following is not a designated consumer as per EC Act-2001? a) fertilizers c) cement | b) chlor alkali d) nuclear power stations | d |
| 7. | Star rating is a _____ program of BEE a) Demand Side Management c) Standards & Labeling | b) Integrated Energy Policy d) National Mission for enhanced energy efficiency | c |
| 8. | Energy consumption per unit of GDP is called as: a) energy elasticity c) energy per capita | b) energy intensity d) none of above | b |
| 9. | To maximize the combustion efficiency, it is required to _____ in the flue gas? | | b |

| | | | |
|-----|--|---|---|
| | c) 5000 kcal/kg | d) 8700 kcal/kg | |
| 34. | 1 BTU is equal to a) 252 Joule c) 3600 kcal | b) 252 cal d) 3.5 W | b |
| 35. | When the current leads the voltage in an AC electrical circuit, it is caused mainly due to a) Inductive load c) Capacitive load | b) Resistive load d) none of the above | c |
| 36. | The power indicated in the name plate of a motor denotes _____. a) minimum kW drawn by the motor c) maximum kVA drawn by the motor | b) maximum kW drawn by the motor d) none of the above | d |
| 37. | The law of conservation of energy is related with a) third law of thermodynamics c) first law of thermodynamics | b) second law of thermodynamics d) none of the above | c |
| 38. | The producer gas is basically _____. a) only CH ₄ c) CO, H₂ and CH₄ | b) only CO and CH ₄ d) only CO and H ₂ | c |
| 39. | Return on investment (ROI) is _____. a) initial investment/annual return c) annual net cash flow/capital cost | b) annual cost/capital cost d) none of the above | c |
| 40. | The process of capturing CO ₂ from point sources and storing them is called _____. a) carbon sequestration c) carbon capture | b) carbon sink d) carbon adsorption | a |
| 41. | The typical efficiency of a solar cell in the field is a) 12-15% c) 45-50% | b) 25-30% d) 80-85% | a |
| 42. | Capacity utilization factor of a solar PV power plant is in the range of _____. a) 80-85% c) 18-20% | b) 60-65% d) less than 10% | c |
| 43. | Contact type speed measurement can be carried out by _____. a) Tachometer c) Oscilloscope | b) Stroboscope d) Odometer | a |
| 44. | The "superheat" of steam is expressed as _____. a) degrees centigrade above saturation temperature b) degrees centigrade above critical temperature of the steam c) degrees centigrade below the boiling point of water d) all of the above | | a |
| 45. | The electrical power unit GigaWatt (GW) may be expressed as a) 1,000,000,000 MW c) 1,000 kW | b) 1,000 MW d) 10,000 W | b |
| 46. | Which of the following is not true of liquid fuels? a) the viscosity of a liquid fuel is a measure of its internal resistance to flow b) the viscosity of all liquid fuels decreases with increase in its temperature | | c |

| | | |
|-----|--|---|
| | <p>c) higher the viscosity of liquid fuels, higher will be its heating value</p> <p>d) viscous fuels need heat tracing</p> | |
| 47. | <p>Which one of the following is not the duty of an energy manager under EC Act ?</p> <p>a) Report to BEE and state level designated agency once a year</p> <p>b) Prepare an annual activity plan</p> <p>c) Conduct energy audit</p> <p>d) Prepare a scheme for efficient use of energy</p> | c |
| 48. | <p>Which one is not an energy consumption benchmark parameter?</p> <p>a) kcal/kWh of electricity generated</p> <p>b) kg/deg. C</p> <p>c) kW/ton of refrigeration</p> <p>d) kWh/kg of yarn</p> | b |
| 49. | <p>300 liters of water in a tank is heated from 30°C to 70°C by using a direct steam with an enthalpy of 600 kcal/kg. The mass in kg of steam used is _____.</p> <p>a) 10</p> <p>b) 200</p> <p>c) 40</p> <p>d) none of the above</p> | d |
| 50. | <p>Which of the following is not a unit of energy ?</p> <p>a) Joule</p> <p>b) Calorie</p> <p>c) Watt</p> <p>d) BTU</p> | c |

*****End of Section -I*****

Section – II: SHORT DESCRIPTIVE QUESTIONS

Marks: 8 x 5 = 40

- (i) Answer all **Eight** questions
(ii) Each question carries **Five** marks

| | | |
|--------|--|----------------|
| S-1 a) | List three types of performance contracting offered by ESCO and state the differences of each type. | 3 Marks |
| | Refer Guidebook-1, Page 178 | |
| S-1 b) | What is the need for normalizing data, while establishing baseline energy use? | 2 Marks |
| | Refer Guidebook-1, Page 142 | |
| S-2 a) | Why is an evacuated tube collector more efficient than a flat plate collector for solar water heating system? | 2 Marks |
| | Refer Guidebook-1, Page 264-265 | |
| S-2 b) | Explain the term Betz limit related to wind turbines | 2 Marks |
| | Refer Guidebook-1, Page 273 | |
| S-2 c) | Define capacity factor of a wind turbine | 1 Mark |
| | Refer Guidebook-1, Page 274 | |
| S-3 | Explain the concept of fuel substitution with three examples. | 5 Marks |
| | <p>Fuel substitution is basically substituting existing fossil fuel with, less cost/less polluting fuel, such as, natural gas, biogas and locally available agro-residues. Fuel substitution is applicable in all sectors of the Indian economy.</p> <p>Few examples of fuel substitution</p> <ul style="list-style-type: none"> • Natural gas for cooking and industrial use in place of LPG. • Replacement of coal by coconut shells, rice husk etc. | |

| | |
|-------|---|
| | <ul style="list-style-type: none"> • Replacement of diesel/petrol by CNG, in automobiles • Replacement of LDO by LSHS • Replacement of electrical heaters by steam heaters • Replacement of steam based hot water by solar systems |
| S-4 | <p>A 10 HP rated induction motor having name plate details of 415 V, 12 amps and 0.9 PF is being tested for an audit. Input measuring instrument display was showing 2 kVAr and PF of 0.758. Determine the percentage loading of the motor during the test. 5 Marks</p> |
| | $kW = KVA * PF \quad (1)$ $(KVA)^2 = (kVAr)^2 + (kW)^2 \quad (2)$ <p>Given kVAr = 2 and PF=0.758</p> <p>Solve for kW in eqn (2) using eqn (1) we get,</p> $kVA = kW/PF ; PF = kW/ kVA; (KVA)^2 = (kVAr)^2 + (kW)^2;$ $(kW/pf)^2 = (kVAr)^2 + (kW)^2$ $(kW)^2 = pf^2 (kVAr)^2 + pf^2 (kW)^2$ $(kW)^2 - pf^2 (kW)^2 = pf^2 (kVAr)^2$ $(kW)^2 (1- pf^2) = pf^2 (kVAr)^2$ $(kW)^2 = (pf^2 * (kVAr)^2) / ((1- pf^2))$ $kW = \sqrt{ (pf^2 * (kVAr)^2) / ((1- pf^2)) }$ $= ((pf * (kVAr)) / ((1- pf^2))^{0.5})$ $= (0.758*2)/((1-0.758^2))^{0.5}$ $= 2.32 kW$ <p style="text-align: center;">(Or)</p> $\cos \theta = 0.758$ $\tan \theta = 0.86$ $kW = kVAr / \tan \theta$ $= 2/0.86$ $= 2.32 kW$ <p style="text-align: center;">kW = 2.32 kW</p> <p>Motor rated input kW= $\sqrt{3} * V * I * \cos \theta = 1.732 * 0.415 * 12 * 0.9 = 7.76 kW$</p> <p>Percentage loading of motor= kW measured /rated input kW * 100</p> $= 2.32/7.76 * 100 = \mathbf{29.88\%}$ |
| S-5 a | <p>Calculate the Net Present Value of a project at a discount rate of 16% with an investment of Rs. 50,000 at the beginning of the first year and savings of Rs. 15,000, Rs. 18,000 and Rs. 20,000 respectively at the end of the first, second and third year. 3 Marks</p> |
| | $NPV = -50,000 + (15000/1.16) + 18000/(1.16 \times 1.16) + (20000/(1.16 \times 1.16 \times 1.16))$ $= -50,000 + 12931 + 13377 + 12813$ $= \mathbf{(- 10879)}$ |
| S-5 b | <p>State whether the project is viable or not? 2 Marks</p> <p>As NPV is negative the project is not viable.</p> |
| S-6 a | <p>List at least two factors affecting external energy bench marking of energy intensive processes. 2 Marks</p> <p>The factors affecting external benchmark could be:</p> <ul style="list-style-type: none"> • Scale of operation • Vintage of technology • Raw material specifications • Product specifications |
| S-6 b | <p>Compute the plant energy performance of a brewery unit for the current year based on the following data 3 Marks</p> |

| | Time frame | Production Level | Gross energy for the production level |
|-------|---|------------------|---------------------------------------|
| | Reference year | 1,00,000 Barrels | 35 Trillion Joules |
| | Current year | 1,10,000 Barrels | 38 Trillion Joules |
| | Production Factor = $\frac{\text{Current year production}}{\text{Reference year production}}$ $= \frac{110000}{100000}$ $= 1.1$ Reference year Energy Use = 35 Trillion Joules Current year Energy Use = 38 Trillion Joules Reference year Equivalent energy Use = (Reference year energy use) x (production factor) $= 35 \times 1.1$ $= 38.5$ Trillion Joules Plant Energy Performance = $\frac{(\text{Reference year Equivalent energy use} - \text{Current year Energy use}) \times 100}{\text{Reference year Equivalent energy use}}$ $= \frac{(38.5 - 38) \times 100}{38.5}$ $= 1.31\%$ (improvement) | | |
| S-7 | A furnace shell has to be cooled from 95°C to 45°C. The mass of the furnace shell is 4 tonnes. The specific heat of the furnace shell is 0.122 kcal/kg.°C. Water is available at 30°C. The maximum permissible increase in water temperature is 5°C. Ignoring the heat loss, compute the quantity of water required to cool the furnace. 5 Marks | | |
| | Mass of furnace shell (m) = 4000kg Specific heat of furnace shell (Cp) = 0.122 kcal/kg °C Temperature of shell before cooling (T1) = 95 °C Desired temp of shell after cooling (T2) = 45 °C Total heat that has to be removed from the furnace = $m \times Cp \times (T1 - T2)$ $= 4000 \times 0.122 \times (95 - 45)$ $= 24400$ kcal Quantity of water required (Q) = ? Specific heat of water = 1 kcal/kg °C Inlet cooling water outlet temperature = 30 °C Maximum cooling water outlet temperature = 35 °C Heat removed by water = $Q \times 1 \times (35 - 30)$ $= 5Q$ $5Q = 24400$ $Q = 24400/5$ $Q = 4880$ kg | | |
| S-8 | A University is interested in installing a Solar Roof Top PV (SPV) system under net metering system. It has a total roof top area of 1200 Sq. meters, where the shading effect is 20% of the total area. Assuming 1 kWp SPV panel requires 10 sq meter area and the peak output is for 5 hours per day, calculate the following. | | |
| S-8 a | How much kWp of Solar PV system can you suggest? | | 2 Marks |
| | $(1200 \times (1 - 0.2)) / 10 = 96$ kWp | | |
| S-8 b | How much would be the daily generation in kWh/day/kWp? | | 2 Marks |
| | $(96 \times 5) / 96 = 5$ kWh/day/kWp | | |
| S-8 c | How many kg of CO₂/ year is avoided for 250 days operation, if the CO₂ emission factor is 0.82 kg/kWh. | | 1 Mark |
| | $96 \text{ kWp} \times 5 \times 250 \times 0.82 = 98,400$ kg CO ₂ /year | | |

Section – III: LONG DESCRIPTIVE QUESTIONS

Marks: 6 x 10 = 60

- (i) Answer all **Six** questions
(ii) Each question carries **Ten** marks

| L-1 a) | What is the relevance of molten salt tanks in a typical solar power tower? | 2 Marks | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|------------------------------------|--|----------------|-------------------|----------------|------------|---------------------------|---------|--------------|---------------------------|----------|---------------|---------------------------------|---------------|--------------|----------------------------------|------|--|------------------|--|---------------|--------------------|------|--|-------------|--|--------------|----------------|----------|--|------------------------------------|-------------|--|
| | Molten salt tanks provide an efficient low-cost medium to store thermal energy. Molten salt from the cold salt tank is pumped through the central receiver where it is heated to 566 °C. The heated salt from the receiver is stored in the hot salt thermal storage tank. Cold salt at 288 °C flows back to the cold salt thermal storage tank and is re-used. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| L-1 b) | Explain how parabolic trough collectors work? | 4 Marks | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Refer Guidebook-1, Page 267 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| L-1 c) | Explain the difference between on grid and off grid solar PV systems? | 4 Marks | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Refer Guidebook-1, Page 268 & 269 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| L-2 a) | Explain how Ozone layer is beneficial to life on earth and how it is getting destroyed? | 5 Marks | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Refer Guidebook-1, Page 238 & 239 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| L-2 b) | What are the adverse effects of the melting of mountain glaciers on the eco system? | 3 Marks | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | It disturbs the ocean eco-system. Fresh water from melting ice caps desalinates the oceans besides raising the sea levels and flooding the low-lying areas near to coast/river beds. This will disturb the ocean currents which regulate the temperature. Also, the cooling property of white ice caps which reflect heat back into space is curtailed, thus contributing to further warming of the earth. Refer Guidebook-1, Page 247 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| L-2 c) | State the advantages and limitations of IRR as a tool for project financial analysis | 2 Marks | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Refer Guidebook-1, Page 172 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| L-3 a) | In a cement plant the various forms of energy consumed are mentioned in the table below: | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Source of Energy</th> <th>Qty</th> <th>Heat Value</th> </tr> </thead> <tbody> <tr> <td>Pet Coke consumed in kiln</td> <td>200 TPD</td> <td>6500 kcal/kg</td> </tr> <tr> <td>HSD consumed in the plant</td> <td>5 kL/day</td> <td>10200 kcal/kg</td> </tr> <tr> <td>Electricity purchased from Grid</td> <td>80000 kWh/day</td> <td>860 kcal/kWh</td> </tr> <tr> <td>Electricity "generated" from CPP</td> <td>2 MW</td> <td></td> </tr> <tr> <td>Heat rate of CPP</td> <td></td> <td>3770 kcal/kWh</td> </tr> <tr> <td>Load factor of CPP</td> <td>90 %</td> <td></td> </tr> <tr> <td>GCV of Coal</td> <td></td> <td>4000 kCal/kg</td> </tr> <tr> <td>Density of HSD</td> <td>0.9 kg/L</td> <td></td> </tr> <tr> <td>Annual operating days of the plant</td> <td>330 Days/yr</td> <td></td> </tr> </tbody> </table> | | Source of Energy | Qty | Heat Value | Pet Coke consumed in kiln | 200 TPD | 6500 kcal/kg | HSD consumed in the plant | 5 kL/day | 10200 kcal/kg | Electricity purchased from Grid | 80000 kWh/day | 860 kcal/kWh | Electricity "generated" from CPP | 2 MW | | Heat rate of CPP | | 3770 kcal/kWh | Load factor of CPP | 90 % | | GCV of Coal | | 4000 kCal/kg | Density of HSD | 0.9 kg/L | | Annual operating days of the plant | 330 Days/yr | |
| Source of Energy | Qty | Heat Value | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Pet Coke consumed in kiln | 200 TPD | 6500 kcal/kg | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| HSD consumed in the plant | 5 kL/day | 10200 kcal/kg | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Electricity purchased from Grid | 80000 kWh/day | 860 kcal/kWh | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Electricity "generated" from CPP | 2 MW | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Heat rate of CPP | | 3770 kcal/kWh | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Load factor of CPP | 90 % | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| GCV of Coal | | 4000 kCal/kg | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Density of HSD | 0.9 kg/L | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Annual operating days of the plant | 330 Days/yr | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Calculate the following: | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| i. | Total energy input in kcal per day | 2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Marks | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Source of Energy | Qty | Heat Value | Formula | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| | | | | | |
|--|---|---------|-------|----------|--|
| Pet Coke consumed in kiln | 200 | TPD | 6500 | kcal/kg | = 200*1000*6500 = 1300000000 kcal/day |
| HSD consumed by earth moving equipment | 5 | kL/day | 10200 | kcal/kg | = 5*1000*0.9*10200 = 45900000 kcal/day |
| Electricity purchased from Grid | 80000 | kWh/day | 860 | kcal/kWh | = 80000*860 = 68800000 kcal/day |
| Electricity generated from CPP | 2 | MW | | | |
| Heat rate of CPP | | | 3770 | kcal/kWh | |
| Load factor of CPP | 90 | % | | | |
| Density of HSD | 0.9 | kg/L | | | |
| Annual operating days of the plant | 330 | Days/yr | | | |
| Heat input to CPP | = (2 MW*1000) *Load Factor, 0.9* CPP Heat Rate 3770* 24 hrs/d | | | | = 162864000 kcal/day |
| Total heat input per day | = 1300000000 +45900000+68800000+162864000 | | | | = 1577564000 kcal/day |

ii. **Annual energy input in TOE (Tonnes of Oil Equivalent)** **3 Marks**

$$\text{Annual TOE} = \frac{1577564000}{10^7} \times 330 = 52060 \text{ TOE/annum}$$

iii. **Coal consumption per day for CPP in TPD** **4 Marks**

$$\begin{aligned} \text{Coal requirement for CPP} &= \frac{\text{CPP, MW} \times 1000 \times \text{CPP Load factor} \times \text{CPP Heat Rate}}{\text{GCV of Coal} \times 1000} \\ &= \frac{2 \times 1000 \times 0.9 \times 3770}{4000 \times 1000} = 1.697 \text{ TPH} \end{aligned}$$

$$\begin{aligned} \text{Coal Requirement for CPP per day} &= \text{Coal requirement for CPP per hour} \times 24 \\ &= 1.697 \times 24 = 40.716 \text{ TPD} \end{aligned}$$

iv. **Whether the unit qualifies as a designated consumer or not?** **1 Mark**

As the annual consumption is greater than 30,000 TOE for a cement plant, this unit will be considered as a Designated consumer.

L-4 a) **In a food processing plant, the monthly production related variable energy consumption was 1.9 times the production and the non-production related fixed energy consumption was 14,000 kWh per month upto December of the previous year. In the month of January, a series of energy conservation measures were implemented. Using CUSUM technique, develop a table and calculate the energy savings for the subsequent 6 months period upto the month of June from the data given below:** **7 Marks**

| Month | Production (kg) | Actual Energy Consumption (kWh) |
|-------|-----------------|---------------------------------|
| Jan | 62000 | 113600 |
| Feb | 71000 | 139000 |
| Mar | 75000 | 158000 |
| Apr | 59000 | 119300 |
| May | 62000 | 123700 |
| Jun | 73000 | 143600 |

| | | | | | | |
|---------|--------------|-------------------|----------------------|-------------------------|--------------|--------------|
| L4 a | Month | Production | Actual energy | Predicted energy | Ea-Ep | CUSUM |
|---------|--------------|-------------------|----------------------|-------------------------|--------------|--------------|

| | (P) | consumption (Ea) | Consumption (Ep) = 1.9*P+14000 | | |
|-----|-------|------------------|--------------------------------|--------|--------|
| Jan | 62000 | 113600 | 131800 | -18200 | -18200 |
| Feb | 71000 | 139000 | 148900 | -9900 | -28100 |
| Mar | 75000 | 158000 | 156500 | 1500 | -26600 |
| Apr | 59000 | 119300 | 126100 | -6800 | -33400 |
| May | 62000 | 123700 | 131800 | -8100 | -41500 |
| Jun | 73000 | 143600 | 152700 | -9100 | -50600 |

L-4 b) **Mention three commonly used financial tools for evaluating economic viability of an energy conservation measure?** **3 Marks**

L4 b) 3 main tools used are:

- Pay-back period
- Return on Investment
- Present value method

L-5 **A company invests Rs.12 lakhs and completes an energy efficiency project at the beginning of year 1. The firm is investing its own reserve money and expects an internal rate of return (IRR) of at least 12% on constant positive annual net cash flow of Rs. 3 lakhs, over a period of 5 years, starting with year 1.**

L-5 a) **Will the project meet the firm's expectations?** **3 Marks**

Use the NPV formula with $d = 0.12$ and check to what extent $NPV > 0$ at $n = 5$ years.

| | Cash out flow | Cash in flow |
|--------|---------------|--------------|
| Year 0 | -1200000 | 0 |
| Year 1 | | 300000 |
| Year 2 | | 300000 |
| Year 3 | | 300000 |
| Year 4 | | 300000 |
| Year 5 | | 300000 |

NPV for 12% discount rate

$$= -1,200,000 + \frac{300,000}{1.12^1} + \frac{300,000}{(1.12)^2} + \dots + \frac{300,000}{(1.12)^5}$$

$$= -1,200,000 + 267857.1 + 239158.2 + 213534.1 + 190655.4 + 170228.1 = (-) 118567$$

From the table above it is seen that, NPV is negative at 12%, and the project will not meet the firm's expectations. (3 marks)

L-5 b) **What is the IRR of this measure? (Use the interpolation formula for obtaining the nearest IRR value, interpolation formulae is**

$$= (\text{lower discount rate } \%) + \left\{ \frac{(\text{NPV at Lower discount rate}) \times (\text{Higher discount rate } \% - \text{Lower discount rate } \%)}{(\text{NPV at Lower discount rate} - \text{NPV at Higher discount rate})} \right\}$$

7 Marks

This means that the IRR of 12% must be selected smaller in order to have $NPV = 0$
The iterations for NPV at discount rates of 8%, 7% and 7.929% is given below:

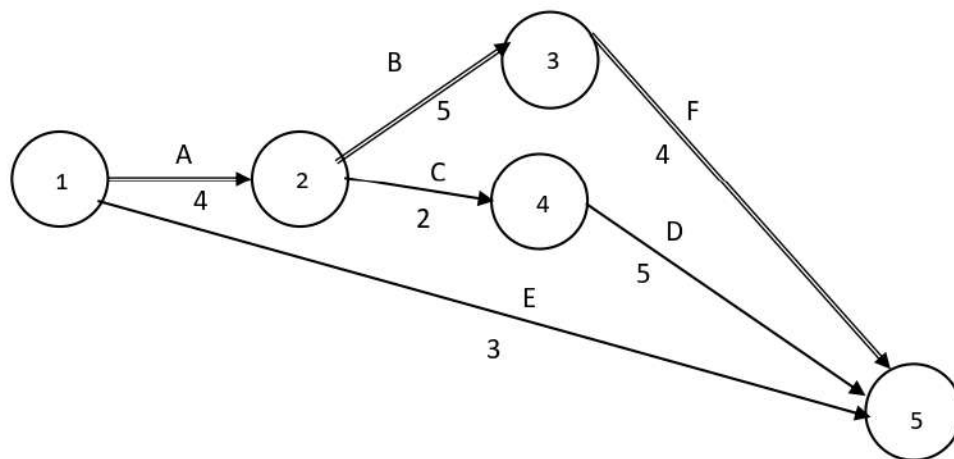
| Discount Rate | | | | | | | | |
|---------------|----------|-----------|----------|-----------|----------|-----------|----------|--|
| 12% | | 8% | | 7% | | 7.929% | | |
| 0.12 | | 0.08 | | 0.07 | | 0.07929 | | |
| Cash Flow | Year Ref | Cash Flow | Year Ref | Cash Flow | Year Ref | Cash Flow | Year Ref | |
| - | 0 | - | 0 | - | 0 | - | 0 | |
| 1200000 | 0 | 1200000 | 0 | 1200000 | 0 | 1200000 | 0 | |
| 267857.1 | 1 | 277777.8 | 1 | 280373.8 | 1 | 277960.5 | 1 | |
| 239158.2 | 2 | 257201.6 | 2 | 262031.6 | 2 | 257540.2 | 2 | |
| 213534.1 | 3 | 238149.7 | 3 | 244889.4 | 3 | 238620 | 3 | |

| | | | | | | | |
|----------|---|----------|---|----------|---|----------|---|
| 190655.4 | 4 | 220509 | 4 | 228868.6 | 4 | 221089.8 | 4 |
| 170228.1 | 5 | 204175 | 5 | 213895.9 | 5 | 204847.4 | 5 |
| -118567 | | -2186.99 | | 30059.23 | | 57.82047 | |

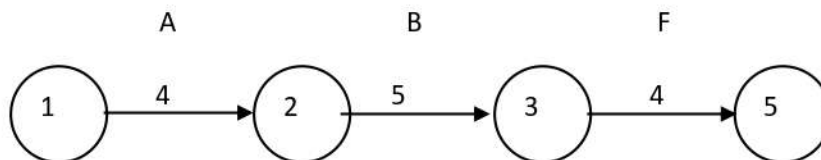
By iterations for total NPV at 12%, 8%,7% & 7.9%, the NPV is tending towards zero between 7.5 to 7.9% discount rate.

L-6 a) **Construct a CPM diagram for the data given below** **4 Marks**

| Activity | Precedent | Time, weeks |
|----------|-----------|-------------|
| A | Start | 4 |
| B | A | 5 |
| C | A | 2 |
| D | C | 5 |
| E | Start | 3 |
| F | B | 4 |
| Finish | D, E, F | -- |



L-6 b) **Identify the critical path** **2 Marks**



Total time on critical path: 13 weeks

L-6 c) **Also compute the earliest start, earliest finish, latest start & latest finish of all activities** **4 Marks**

Early start (ES), Early Finish (EF), Latest start (LS), Latest finish (LF) are:

| S.no | Activity | Duration | ES | EF | LS | LF |
|------|----------|----------|----|----|----|----|
| 1 | A | 4 | 0 | 4 | 0 | 4 |
| 2 | B | 5 | 4 | 9 | 4 | 9 |
| 3 | C | 2 | 4 | 6 | 6 | 8 |
| 4 | D | 5 | 6 | 11 | 8 | 13 |
| 5 | E | 3 | 0 | 3 | 10 | 13 |
| 6 | F | 4 | 9 | 13 | 9 | 13 |