

1.011 Project Evaluation
C.D. Martland

Assignment 7
Risks & Uncertainties

Assigned: April 14, 2003
Due: April 25, 2003

1. Sample problems

As usual, do enough sample problems to be sure you understand the basic concepts of Chapter 10, “Dealing with Uncertainty”

2. Risk & Uncertainty in your project

- a. Identify at least 4 types of risks and uncertainties that related to the project you are studying.
- b. Discuss the ways that these problems were considered (or could have been considered) in the evaluation and development of the project.
- c. Using your spreadsheet from Assignment 6, show how different assumptions concerning costs or revenues or other aspects of performance would affect the evaluation of the project.
 - a. Create at least five scenarios relevant to your project. Each scenario should have several elements related to both costs and benefits (e.g. major cost drivers, unit costs, demand, time for construction, general economic conditions, ...). Scenarios could include a base case along with cases that are, say, pessimistic, worse than expected, better than expected, and optimistic. You could choose to vary some or all of the major elements of the project when you construct these scenarios.
 - b. Show results for each scenario.
 - c. Discuss the results and identify the most critical risks and uncertainties.
 - d. Identify steps that could be taken to reduce the most critical risks and uncertainties.