

Prequalification Test

The BSRIA Advanced Life Cycle Costing course is designed for delegates with a base level of knowledge of life cycle costing concepts and fundamentals, covered in the Introduction to economic and environmental appraisal course. The purpose of this test is to establish whether you have the base level of knowledge, without having attended the Introduction to economic and environmental appraisal course.

This test has 10 multiple-choice questions, with answers provided on the last page. If you have difficulty with a significant number of these questions, it is recommended that you review BSRIA's Whole-Life Costing Analysis (BG 5/2008) guide or attend the Introduction to economic and environmental appraisal course.

Please answer the following questions:

1.	Which of these cost categories is included in whole life costing but is NOT considered part of life cycle costing?	a.	Construction
		b.	Occupation
		c.	Maintenance
		d.	Income
2.	Which of these characteristics is NOT directly associated with life cycle costing?	a.	Compares different technical solutions to the same problem
		b.	Incorporates financial costs and benefits over a period of time
		c.	Predicts inflation rate
		d.	Uses Net Present Values to compare like for like solutions

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3.	Which of these statements is FALSE for the Discount rate?	a.	Negative discount rates are possible
		b.	Public sector discount rates are typically higher than private sector
		c.	Public sector projects discount rate are defined by the Treasury
		d.	Discount rate is the percentage (rate) by which monetary value changes over time

4	Which of these statements is FALSE for the Study period?	a.	The longer the study period, the more accurate the results from analysis
		b.	Study period can be in months
		c.	Costs incurred before and after the study period are ignored in analysis
		d.	The study period starts at year 0

5	According to ISO 15686, Part 5, maintenance can costs be considered:	a.	Only as lump sum costs
		b.	Only as recurring costs
		c.	Either as lump sum or recurring costs
		d.	Neither as lump sum or recurring costs

6	Which of these costs is NOT a lump sum?	a.	Capital cost of boiler
		b.	Maintenance of boiler
		c.	Replacement of boiler
		d.	Scrap metal cost for replaced boiler

7	To calculate Net present value of lump sums, what is NOT required?	a.	Inflation rate
		b.	Real discount rate
		c.	Year of occurrence of cost/benefit
		d.	Future value

8	Which of these is FALSE for Net Present Value:	a.	Translates a cost/benefit in the future into an equivalent cost 'now'
		b.	Requires a future value and discount factor for calculation
		c.	Has a similar concept to compound interest
		d.	Can only be calculated from first principles

9	Based on cost being positive in a life cycle model, the preferred alternative is the one that:	a.	Produces the lowest life cycle cost
		b.	Produces the highest life cycle cost
		c.	Produces a life cycle cost that is between the highest and lowest

10	Which of these statements is FALSE about life cycle costing?	a.	Life cycle costing is only part of a decision making process
		b.	Life cycle costing provides a definitive economic decision
		c.	Life cycle costing results are only as robust as the input data
		d.	Documenting all assumptions and information sources is critical

Answers

1. d
2. c
3. b
4. a
5. c
6. b
7. a
8. d
9. a
10. b