

Dr. Babasaheb Ambedkar Open University
Term End Examination July – 2026

Course	: Diploma Course	Date	: 07/07/2026
Subject Code	: DFM-02	Time	: 11:30am to 01:45pm
Subject Name	: Project Appraisal and Analytical Tools in Financial Management	Duration	: 02.15 Hours
		Max. Marks	: 70

Q-1 M Ltd. furnishes the following statement:

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Balance sheet as at 31st March, 2011

Liabilities	Rs.	Assets	Rs.
3,000 Equity shares of Rs. 10 each fully paid up	30,000	Land and Buildings	30,000
12% Debentures	20,000	Plant and Machinery	13,000
Sundry Creditors	10,000	Goodwill	20,000
General reserve	8,000	Marketable Securities	3,000
P&L account	15,000	Sundry Debtors	10,000
Provision for tax	8,000	Stock	10,000
Bank Overdraft	4,000	Cash on hand	9,000
	95,000		95,000

Other information for the year ended on 31st March, 2011, was as follows:

Sales	Rs. 3,50,000
Gross Margin	Rs. 35,000
Net Margin	Rs. 14,000
Provision for tax	Rs. 5,000

You are required to:

- (1) Arrange the balance sheet in the vertical form.
- (2) Calculate the following ratios and comment upon it.
 - (a) Acid Test Ratio
 - (b) Proprietary Ratio
 - (c) Return on Capital Employed
 - (d) Return on Equity
 - (e) Working Capital Ratio
 - (f) Gross and net profit ratio

OR

Explain the Capital Investment Process.

Q-2 Alpha Ltd. is considering two development projects. Each requires an investment of Rs. 5,20,000. The net cash flow of both projects is projected as follows:

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At the end of the year	Project No. 1 Rs.	Project No. 2 Rs.
1	1,30,000	2,60,000
2	1,85,000	2,50,000
3	1,87,500	65,500
4	1,25,000	62,500

Determine with the help of the Net present value method which of the two projects is preferable? Calculate profitability on the basis of the present value of cash flow at 5% rate of discount.

The present value of a rupee at 5% discount is as follows:

First Year	Rs. 0.9524
Second Year	Rs. 0.9070
Third Year	Rs. 0.8638
Fourth Year	Rs. 0.8227

OR

What is a Cash Flow Statement? Explain the three major heads of inflows and outflows in the cash flow statement.

- Q-3** A Nisha Ltd. is considering two mutually exclusive projects, A and B. In both cases, the initial investment will be Rs. 1,10,000 and the useful life of both will be 10 years. The scrap value for both projects is zero. The probable cash flows will be as follows: **14**

	Project A (Rs.)	Project B (Rs.)
Optimistic	50,000	70,000
Most Likely	40,000	35,000
Pessimistic	18,000	4,000

If the rate of discount is 10%. Calculate the present value and state which project is better out of the two. The annuity of Rs. 1 at 10% for 10 years is Rs. 6.145.

OR

How does a Fund Flow Analysis differ from a Balance Sheet? Explain.

- Q-4** In what manner does ZBB differ from Traditional Budgeting? Explain. **14**

OR

Write a Note on Factoring Services.

- Q-5 (A) Short notes (Any three)** **09**

1. Advantage of Lease
2. Forecast vs. Budget
3. Credit Rating
4. Going Concern
5. Dual Aspect Concept

(B) Choose the correct option for the questions given below and write the answer. 05

1. Capital budgeting is concerned with:

(A) Short-term financing	(B) Long-term investment decisions
(C) Day-to-day expenses	(D) Preparation of trial balance
2. Fund Flow Statement shows:

(A) Cash inflows only	(B) Changes in working capital
(C) Profit earned	(D) Sales revenue
3. Purchase of fixed assets is classified under:

(A) Operating activities	(B) Financing activities
(C) Investing activities	(D) Trading activities
4. Mutual funds collect money from:

(A) Government only	(B) Investors	(C) Employees only	(D) Exporters
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5. Hire purchase agreement involves:

(A) Immediate transfer of ownership	(B) Payment in installments
(C) Free use of asset	(D) Donation of asset
