

St. Mira's College for Girls, Pune
(Autonomous-Affiliated to Savitribai Phule Pune University)

(2019-20)

~~Q. & A~~ Paper : Capital Structure Dividend decision, ratios.

Calculation of Capital Structure

Unit: 1

Sem: Accountancy
FYBCom - IV - Sem VI

St. Mira's College for Girls
SET 'C'

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Q. A Company having Equity Share capital of ₹ 3,00,00,000 divided into share of ₹ 100 each. The Company is expecting EBIT of ₹ 5,00,00,000 p.a. and it is in need of ₹ 20,00,00,000 for its expansion activities. Company can raise this amount either by Equity Share Capital or 12% Preference Share Capital or 10% Debentures. The company is considering the following pattern.

- 1. ₹ 10,00,00,000 through Equity Shares, ₹ 5,00,00,000 through Preference share Capital and remaining ₹ 5,00,00,000 through Debentures.
- 2. ₹ 5,00,00,000 through debt, ₹ 5,00,00,000 through Equity Shares and remaining ₹ 10,00,00,000 through Preference shares.

Find out Earnings Per Share assuming Tax rate @ 30%

[10 Marks]

08/10

→ Computation of Earnings Per share

Particulars	Present capital structure	(1) eq	(2) eq
EBIT (Earnings before tax and interest)	500000	500000	500000
(-) Interest	-	(50000)	(50000)
EBT (Earnings before tax)	500000	450000	450000
(-) Tax (30%)	(150000)	(135000)	(135000)
EAT (Earnings after tax)	350000	315000	315000
(-) Preference Dividend	-	(60000)	(120000)



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