

Contine Paper.

Calculation of Capital Structure

Capital Structure, Dividend Decision, Ratio.

Sub.: Accountancy
TYBCom 'A' Sem: VI

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

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Roll No. 4251

Q1. A Company having Equity Share capital of ₹10,00,000 divided into share of ₹100 each. The company wants to raise additional fund of ₹15,00,000 for its diversification programme. The company has the following alternatives for raising the funds:
Plan I: ₹5,00,000 by issue of Equity Shares and ₹10,00,000 by issue 10% Preference Share of ₹100 each.

Plan II: ₹10,00,000 by issue of 12% Preference Shares and ₹5,00,000 by issue of 8% Debentures.

The expected current EBIT level of the company is to raise ₹2,00,000.
Calculate EPS in all the cases and assume tax rate of 50%.

[10 Marks]

Particulars	Existing	Plan I	Plan II
Earning before Int. & Tax (EBIT)	2,00,000	2,00,000	2,00,000
- Interest	nil	nil	(40,000)
Earning before Tax (EBT)	2,00,000	2,00,000	1,60,000
- Tax	(1,00,000) ^{50% of 2,00,000}	(1,00,000) ^{50% of 2,00,000}	(80,000) ^{50% of 1,60,000}
		1,00,000	80,000

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