GOOD NEWS WELEFARE SOCIETY

HOME ASSIGNMENT

CASE STUDY

PROBLEM SOLVING TECHIQNES

ROLL NO :- 19

Student Sign.

Teacher Sign.

(Prof-S.R.Yenni)

1] 'XYZ' Company Ltd. has Equity Shares Capital of Rs-50,00,000 divided into shares of Rs-100 each.
it shres to raise further Capital of Rs-30,00,000 for expansion plans The Company plans following three alternatives
a) All Equite shres.
b) Rs-500,000 in E.shres 25,00,000 in Prefrence shres with 8% dividend.

The Company's existing earning before intrest and taxes are 16,00,000 the Corporate tax Rate is 50%. The EPS. in each plan and Comment on impliacation of Financial Leverge.

→

Particulars.	Present Capital. 50,000 E.Shres	(a) All E.shres 50,000+30,000	(b) E.shres 50,000+5,000	(c) E.shres. 50,000+5,000.
EBIT	16,00,000	16,00,000	16,00,000	16,00,000.
Less :- Intrest. (25,00,000 × 10%)	—	—	2,50,000.	—
P.B.T ⇒	16,00,000	16,00,000	13,50,000	16,00,000
Less :- 50% Tax	8,00,000	8,00,000	6,75,000	8,00,000.
	8,00,000	8,00,000	6,75,000	8,00,000
Less :- Dividand (25,00,000 × 8%)	—	—	—	2,00,000
	8,00,000	8,00,000	6,75,000	6,00,000.

EPS = EBIT / No. E. Shares	8,00,000 / 50,000	8,00,000 / 80,000	675,000 / 55,000	6,00,000 / 55,000
EPS :-	16	10	12.27	10.9

In This 3 plan's 'b' plan will give highest EPS that is Rs 12.27 per shres so recomended 'B' plan is the Best plan.

2) "x" Ltd has Equity Capital of Rs. 20,00,000 dividend into shre of ₹100 each for its Expantion the Company disires to raise Editional Capital of Rs. 20,00,000 financial Edviceses give the following alternatives.

a) Equity of Rs. 100 each.
b) 16,00,000 10% debenters and remind Equity shre's.
c) 12,00,000 16% Prefance shres and remind Equity shres

The company EBIT is Rs. 9,60,000 & Tax rate is 30% determine the EPS. in each and & comment and Suggest Sutable plan's.

Particular	Plantes of Capitteed 20,000 E.Sh	(a) E.Shres 20,000 + 20,000	(b) E.Shres 20,000 + 4,000	(c) E.Shres 20,000 + 8,000
EBIT	9,60,000	9,60,000	960,000	960,000
Less :- Interest (16,00,000 × 10%)	—	—	1,60,000	—
P.B.T ⇒	960,000	960,000	8,00,000	960,000
Less :- 30% Tax	288,000	288,000	240,000	288,000
	672,000	672,000	560,000	672,000
Less :- Prefance. dividend (12,00,000 × 16%)	—	—	—	192,000
EBIT	672,000	672,000	560,000	480,000
EPS = EBIT / No. E. Shres	672,000 / 20,000	672,000 / 40,000	560,000 / 24,000	480,000 / 28,000
EPS ⇒	33.6	16.8	23.33	17.14

In This 3 plan's 'B' plan will give highest EPS that is Rs 23.33 per shres so recomended 'B' plan is the Best plan.

3) Bhagya Company Ltd. has a shares Capital of Rs 10,00,000 devided into shree of Rs 100 each The mangerment is plans to raise of Editional Capital Rs 6,00,000 for Expendinal programs. The mangement has the followings alternatives.

1) issue of 6,000 Equitie shree of Rs 100 each

2) 2,00,000 Equite shres of Rs 100 each and Rs 4,00,000 in 10% debentures.

3) in 4,00,000 in 10% Preference shres and 2,00,000 10% debentures.

The Company's Extions EBIT of Rs 3,00,000 and Company's 40% tax (Price). deter main the EPS in each plan and suggestion the mangement is suteble propeses with reasions.

⇒ 31.

Particulars	Present capital 10,000 E.Shres	(1) 10,000+6,000 E.Shres	(2) 10,000+2,000 E.Shres	(3) E.Shres is 10,000.
EBIT	3,00,000	300,000	300,000	300,000
Less :- Intrest [4,00,000 × 10%] [2,00,000 × 10%]	—	—	40,000	20,000.
	300,000	300,000	260,000	280,000
Less :- Tax 40%	120,000	120,000	104,000	112,000
	1,80,000	180,000	1,56,000	168,000
Less :- dividend	—	—	—	40,000
EBIT	180,000	180,000	156,000	128,000.
EPS = EBIT / NO. E. Shres	180,000 / 10,000	180,000 / 16,000	156,000 / 12,000	128,000 / 10,000
EPS ⇒	18	11.25	13	12.8

In this 3 plans '2' plan will give ~~highest~~ highest EPS. That is.

₹ 13. per shres so we recommended '2' plans is best plan.

4] The Company has Equite shres. hav Consiting of 10,000 Equite shres of Rs-10 each the Company wants to raise Rs 25,000 do Finance its Expantion program it has 3 option's

A] Issue 2,500 Equite shres of Rs 10 each

B) Issue 2,500 Prefarance shres of Rs 10 each @ 8% dividend

C) Issue department debenture's of Rs 25,000 @ 8% intrest.

If EBIT after aditional investment are Rs 32,000 & Tax Rate is 50% calculate the Fact on the Earning per shree under 3 options.

→4]

Particular.	Prasent Capital 10,000	(a) E.shres 10,000+2500	(b) E.shres. 10,000	(c) E.shres 19,000.
EBIT	32,000	32,000	32,000	32,000.
Less :- Intrest (25000×8%)	—	—	—	2,000.
	32,000	32,000	32,000	30,000
Less :- 50% tax	16,000	16,000	16,000	15,000
	16,000	16,000	16,000	15,000
Less :- dividend (25,000×8%)	—	—	2,000	—
EBIT	16,000	16,000	14,000	15,000
EPS = EBIT / NO. E.shres	16,000 / 10,000	16,000 / 12,500	14,000 / 10,000	15,000 / 10,000
EPS ⇒	1.6.	1.28	1.4	1.5.

Home Assignment

Case -Study

Problem Solving Techniques

Roll No : 21.

R.S. koppad..
Student's sign

Teacher's Sign.
(Prof. S. R. Yemul)

1. Zen Ltd has equity share capital of ₹ 1000,000 dividend into shares of ₹ 100 each it desires to raise additional ₹ 1000000 For further expanetion of the business

The company plans the financial skiem as below

(A) All equity shares

(B) ₹ 800,000 10% debentures & remaining in equity shares

(C) ₹ 4,00,000 in equity shares & remaining ₹ 600,000 in 16% Prefrence share

The Company EBIT is ₹ 4,80,000 & The Tax Rate is 30%.

Determined EPS in each plan and Comment suggest sutable plan

Sol statment showing present & Projected EPS

Particulars	Present Capital Structure All equity -10,000	a) All equity share 10000+10000	b) All debentures 2,000+10,000	c) Equity share & Prefrence 10,000+4,000
EBIT	4,80,000	4,80,000	4,80,000	4,80,000
Less- Intrest (800,000 - 10%	-	-	80000	-
EBT / PBT -	4,80,000	4,80,000	4,00,000	4,80,000
Less- Tax (30%)	1,44,000	1,44,000	1,20,000	144,000
	3,36,000	336,000	2,80,000	3,36,000
Less - Prefrence share dividend (60,000x6%)	-	-	-	96,000
EAESH ⟶	3,36,000	3,36,000	2,80,000	2,40,000
EPS = EAESH / No of shares	3,36,000 / 10,000	3,36,000 / 20,000	2,80,000 / 12,000	2,40,000 / 14,000
EPS ⟶	33.6	16.8	23.3	17.14

EXAM GOLD

In this 3 plans B plan will g highest EPS that is ₹ 23.30 per shar so we recomend B plan is the best p

2. X Ltd has equity capital of ₹ 20,00,000 di into shares of ₹ 100 each for its expansit the company desires to raise Aditional Ca tal of ₹ 20,00,000 Financial Advisor gives the Following Alternatives (3)

(A) Equity share of ₹ 100 each
(B) 16,0,0000 10% debentures and Remaining is eq
(C) ₹ 12,00000 16% Prefrence shares and Remaini is equity shares

The company EBIT is ₹ 960,000 Tax Rate is 30% Determained EPS in eac plan and Comment suggest suitable plans!

Sol Statement showing Present & Projected E

Particulars	Present Capital Structure All equity 20,000	a) All equity 20,000+20,000	b) equity+ debe 20,000+4000	c) equity+ 20,000+
EBIT	9,60,000	9,60,000	9,60000	9,60
Less - Interest (10%)	-	-	160000	-
	9,60,000	9,60,000	8,00,000	9,60
Less - Tax (30%)	2,88,000	2,88,000	2,40,000	2,88
PBT →	6,72,000	6,72,000	5,60,000	6,72
Less - divedent	-	-	-	1920
EAESH →	6,72,000	6,72,000	5,60,000	4,80
= EAESH	6,72,000	6,72,000	5,60,000	4,80
No of shares	20,000	40,000	24,000	28,0
EPS ⇒	33.6	16.8	23.33	17.14

EXAM GOLD

SUBJECT
ROLL No. DATE

Comment:

In this 3 plans B plan will give highest EPS that is ₹ 23.33 per share so we recomend B plan is the best plan

(3) Bhagya Company Ltd has a share Capital of ₹ 10,00,000 divided into shares of ₹ 100 each The managment is planing to raise Aditional Capital of ₹ 600000 for expansion program. The managment has Following ultrinatives

(1) issue of 6000 equity shares of ₹100 each
(2) 2,00,000 in equity shares of ₹ 100 each and ₹ 4,00,000 in 10% debentures
(3) 4,00,000 in 10% prefrence shares and ₹ 2,00,00 in 10% debentures

The Company existing EBIT is ₹ 3,00,000 and company's under 10% Tax price determined the EPS in each plan and suggest the managment a suitable proposal with reasons

Sol statment showing present & projected EPS

Particulars	Current Capital struch All equity 10,000 share	all equity share 10,000+6,000	equity + Debenture 10,000+2,000	equity + Preference share 10,000
EBIT	3,00,000	3,00,000	3,00,000	3,00,000
Less - Intrest (4,00,000 - 10%)	-	-	40,000	20,000
	3,00,000	3,00,000	2,60,000	2,80,000
Less - Tax 40%	1,20,000	1,20,000	104,000	1,12,000
EBT / PBT =>	1,80,000	1,80,000	1,56,000	1,68,000
Less - deviden (10%)	-	-	-	40,000
EA ESH	1,80,000	1,80,000	1,56,000	128,000
EAESH / No of shares	1,80,000 / 10,000	1,80,000 / 16,000	1,56,000 / 12,000	1,28,000 / 10,000
	18	11.25	13	12.8

Comment :

In this 3 plans B plan will give highest EPS that is 13 Rs per share so we recomend B plan is the best plan

Home Assignment

Case - Study

Problem Solving Techniques

Rodd No - 20

Student's sign

Teacher's sign.

Prof. S. R. Yemn

CLASS	SUBJECT	TOTAL MARKS
ROLL No.	DATE	

1. "XYZ" Company Ltd. has equiti shares capital of Rs - 50,00,000 divident into shars of Rs - 100 each.

If shares to raise further capital of Rs - 30,00,000 for expansion plans The company plans following three alternatives
a) All Equite shares.
b) Rs - 5,00,000 in E. shares 25,00,000 in before. shares with 8% dividend.

The company's existing earning before. intrest and taxes are 16,00,000 the Carporate. tax rate is 50%. the Eps in each plan and connect on implication of Financial leverage.

⟹

Particulars	present capital Strucer 50,000 eq.	Proportional capital strucher. "A" all eq. shares 50,000+30,000	"B" eq. shares 50,000+5000	"C" eq. shars 50,000+5,000
EBIT	16,00,000	16,00,000	16,00,000	16,00,000
less:- Intrest (25,00,000 x 10%)	—	—	2,50,000	—
P.B.T ⟹	16,00,000	16,00,000	13,50,000	16,00,000
less:- 50% Tax	8,00,000	8,00,000	6,75,000	8,00,000
	8,00,000	8,00,000	6,75,000	8,00,000
less:- Dividend (25,00,000 x 8%)	—	—	—	2,00,000
	8,00,000	8,00,000	6,75,000	6,00,000
Eps = EBIT / No. E. shares	8,00,000 / 50,000	8,00,000 / 80,000	6,75,000 / 55,000	6,00,000 / 55,000
Eps: ⟹	16	10	12.27	10.9

In this 3 plans "b" plan will give chighest Eps that is ₹ 12.27 per shares So recomended "B" plan is the best plan.

2) "X" Ltd has Equity Capital of ₹ 20,00,000 divided into share of ₹ 10 each for its Expantion the company disires to raise Editional capital of Rs 20,00,000 financial Edvoieres give the following ulternatives.

a) Equity of ₹ 100 each.

b) 16,00,000 10% debenters and remind Equity shares

c) 12,00,000 16% Preferance Shares earned Teming equity shares

The company EBIT is ₹ 9,60,000 & Tax rate is 30%. determine the Eps in each and & Comment and Suggest satable plan's.

NAME | TOTAL MARKS
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⟹

Particulars	Present Capital Struber eq. share 20,000	Propotional Capital Struckers (a) eq. shar's 20,000+20,000	(b) eq. shar's 20,000+4,000	(c) eq. shar's 20,000+8,000
EBIT	9,60,000	9,60,000	9,60,000	9,60,000
less:- Intrest (16,00,000 X10%)	—	—	1,60,000	—
PBT ⇒	9,60,000	9,60,000	8,00,000	9,60,000
less:- 30% Tax	2,88,000	2,88,000	2,40,000	2,88,000
	6,72,000	6,72,000	5,60,000	6,72,000
less:- prefrance divident (12,00,000 X 16%)	—	—	—	1,92,000
EBIT ⇒	6,72,000	6,72,000	5,60,000	4,80,000
Eps = EBIT / No. eq. shar's	6,72,000 / 20,000	6,72,000 / 40,000	560,000 / 24,000	4,80,000 / 28,000
Eps ⇒	33.6	16.8	23.33	17.14

In this 3 plan's "B" plan will give chighest Eps that is ₹ 23.33 per shar's so recomended "B" plan is the best plan.

3) Bhagya Company. Ltd has a Shares Capital of ₹ 10,00,000 divided into Shree of ₹ 100 each the Mangmentet is plans to raise of Editional capital ₹ 6,00,000 for Expentinal programs the Mangment has the following atteractives.

a) issue of 6,000 equite share of ₹ 100 each.

b) 2,00,000 equite Shares of ₹ 100 each and ₹ 4,00,000 in 10% debentures.

c) In 4,00,000 in 10% prefarence Shares and 2,00,000 10% debentures.

The company's Exdions EBIT of ₹ 3,00,000 and Company's 40% tax (price) determain the EPS in each plan and Suggestion the mangment is sutable propeses with reasions.

$\Rightarrow$

Particulars	Present capital structure	Proportional capital structure.		
		"A" eq. shares is	"B" eq. shares is	"C" eq. shares is
	eq. shares 10,000	10,000+6,000	10,000+2,000	10,000
EBIT	3,00,000	3,00,000	3,00,000	3,00,000
less:- Intrest (4,00,000 X 10%.) (2,00,000 X 10%.)	—	—	40,000	20,000
	3,00,000	3,00,000	2,60,000	2,80,000
less:- 40% Tax	1,20,000	1,20,000	1,04,000	1,12,000
	1,80,000	1,80,000	1,56,000	1,68,000
less:- dividend	—	—	—	40,000
EBIT	1,80,000	1,80,000	1,56,000	1,28,000
Eps = EBIT / No. E. shares	1,80,000 / 10,000	1,80,000 / 16,000	1,56,000 / 12,000	1,28,000 / 10,000
Eps =>	18	11.25	13	12.8

In this 3 plans "B" plan will give highest Eps that is ₹ 13 per shares so recomnded "B" plan is the best plan.

Home Assignment

Case - Study

Problem Solving Techniques

Roll No- U02AZ21C0022

Student's Sign

Teacher's Sign
(Prof S. R. Jena)

X

X Com Ltd has equity Capit
- al of ₹ 20,00,000 divided into shares of 100 for its expantion the company disires to raisidiional capital of ₹ 20,00000 Financial Advaiser gives the fowaoi ng Alltxmative.

a) Equity shares of ₹ 100 (Alw)
b) 1600000 Ur. Debentures and Remaininy eq shares.
c) 1200,000 16% Prefrence shares and Remai ning in eq shares

The Company EBIT is ₹ 960,000 and Tax rate is 30%. Dechmind EPS In each plan and Comment and Suggest Suitable plan

⟹ Statement Showing Present and Projected EPS

Particullon	Present Capital Structure (All eq 20,000)	Proposed Capital Structure eq + ~~Deb~~ (20000+ 20,000)	eq + Debentu (20,000+ 4000)	eq + Pre--- (20,000+ 8000)
EBIT	960,000	960,000	960,000	960,000
Less: Intrest (1600000×10/100)	-	-	160,000	-
PBT / EBT →	960,000	960000	800,000	960,000
Less: Tax (30%)	288,000	288,000	240,000	288,000
PAT →	672000	672,000	560,000	672,000
Less: Dividend (16%)	-	-	-	192,000
EAES	672,000	672,000	560,000	480,000
EPS = EAES / (no of shares)	20,000	40,000	24,000	28,000
	33.6	16.8	23.3	17.14

Rajguru EXAM GOLD 7

NAME | TOTAL MARKS
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Particulars	Present capital structure (All eq 10,000)	Proposal capital structures (a) All equity (10,000+6,000)	(b) eq+deb (10,000+ 2,000)	(c) pref+deb (10,000)
EBIT	300,000	300,000	300,000	300,000
Less: Interest	–	–	40,000	20,000
	300,000	300,000	260,000	280,000
Less: Tax (40%)	120,000	120,000	104,000	112,000
EBT / PBT	180,000	180,000	156,000	168,000
Less: Dividend (10%)	–	–	–	40,000
EAFSH	180,000	180,000	156,000	128000
EPS = EAFSH / NO of shares	180,000 / 10,000	180,000 / 16,000	156,000 / 12,000	128,000 / 10,000
	18 ₹	11.25 ₹	13 ₹	12.8 ₹

Analysis / Comment:-

In this 3 plans B plan will give highest EPS that is ₹ 13 per share so we recommend B plan is the best plan

Analysis / Comment:-

In this three plans 'B' plan will give highest EPS — that is given 23.3 ₹ highest per share So we recommend 'B' plan is the best plan....

* Bhagya Company ltd has a share Capital of ₹ 10,00,000 dividend into shares of ₹ 100/- The management is planing to raise additional capital of 600,000 for expansion programe

The management has follo -wing alternatives

1) Issues of 6000 equity shares of 100 each
2) 200000 In equity shares of ₹ 100/- and ₹ 400,000 in 10% debentures
3) 400,000 in 10% Preprence shares and ₹ 200,000 in 10% Debentures

The Company existing EBIT is the ₹ 300,000 and the companies under 40% Tax rate determined the EPS In each plan and Suggest the management a suitable proposal with means

* Zen Ltd has eq share capital of ₹10,00,000 divided into shares of ₹100 each it desires to raise additional ₹10,00,000 For Further expansion of the business

The company plans the financial skhem as below

a) All equity Shares

b) ₹ 8,00,000 10% debentures & remaining in equity shares

c) ₹ 4,00,000 in equity shares & remaining ₹ 600,000 in 16% prefrence Share

The company EBIT is ₹480,000 & The Tax Rate is 30%.

Determined EPS in each plan and Commend Suggest Suitable plan

→

Particulars	Present capital structure (10,000)	Proposed capital structure All equity 10,000+10,000	eq+debenture 10,000+2,000	eq+pre.. 10,000+4,000
EBIT	480,000	480,000	480,000	480,000
Less Intrest (800,000 x 10%)	-	-	80,000	-
EBT / PBT	480,000	480,000	4,00,000	480,000
Less Tax (30%)	144,000	144,000	120,000	144,000
	336,000	336,000	280,000	336,000
Less prefrence share divident (600,000 X 16%)	-	-	-	96,000
EA ESH	336,000	336,000	280,000	240,000
EPS = EA ESH / no of shares	336000 / 10,000	336000 / 20,000	280,000 / 12,000	240,000 / 14,000
EPS	33.6₹	16.8₹	23.3₹	17.14₹

23.3 is the best

Rajguru EXAM GOLD 7

Home Assignment

Case-Study

Problem Solving Techniques

Roll No:- 04

Student's sign

Teacher's sign.
Prof. S. R. Jammi

1. Ten Ltd has equita share capital of Rs 1000000 divided into shares of RS 100 each. It desires to raise additional Rs 10.00.000 for further expansion of the business

4. All equity share
2. 8.00.000 10% debentures & remaing in equity share
3. Rs 400.000 equity share and reming RS 600.000 in 16% pre fence shares.

The company's EBIT Rs 480000 & the tax rate 30%.

data ormany EBS each Plan & comment suggest seteble plan.

⇒ Calculation of EPS in · alloctice Plans

Particulars	existing capital structure	Projected capital structure		
		all equita 10.000+10000	eq+ ded 20.000+2000	eq per 4000+10.000
	10.000	20.000	12000	14000
EBIT	480,000	480.000	480.000	480.000
less interest 10%	—	—	80.000	—
EBT / PBT	480.000	480.000	400.000	480.000
less tax 30%	144000	144000	120.000	144000
	336000	336000	280.000	336000
less Dividend D.pr	—	—	—	96000
EAEF	336000	336000	280.000	240.000
EPS = EAEH	336000	336000	280.000	240,000
No of eq shar	10.000	20.000	12000	14000
	33.60	16.80	23.30	17.14

In this 3 plans B plans will given hahights that Rs 23.30 Rs 50 we recomend B plan is the best plan//

2. X Y Z company Ltd has egzuity shares capital of Rs 50 lakhs dividend into shares of Rs 100 each it wishes to raise further capital of Rs 30 lakhs for expansion plans the company plans following three alternatives

a) All from egzuity shares
b) Rs 5 lakhs in egzuity and 25 lakhs in debt 40% pa
c) Rs 5 lakhs egzuity and Rs 25 lakhs in pereference shares with 8% dividend.

The company's existing earring before interest and taxes are are 46 lakhs the corporate tax is 50% The EPS in each plan and comment on implications of Finan -cial Leverage.

Particulars	exiting Capital	Projected capital structure		
	5 00.000	allegzit 80000	egzuity debt 05000	egzuit pero 55000
EBIT	1600.000	1600.000	1600.000	1600.000
less interest 10%	–	–	250000	–
EBT	1600.000	1600.000	1350000	1600.000
less tax 50%	800.000	800.000	675000	800.000
	800.000	800.000	675000	800.000
less dividend	–	–	–	200.000
	800.000	800.000	675000	600.000

EXAM GOLD

NAME
CLASS | SUBJECT | TOTAL MARKS
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EAFAs	800.000	800.000	800.000	600.000
No of shas	5000	30000	55000	55000
	Rs 16	Rs 10	Rs 12.27	Rs 10.90

In this 3 plans B plans will given hahights that Rs 12.27 Rs 50 we recomend B plan is the best plan//

3. X Ltd has egzuity capital of Rs 20 lakhs dividend into shares of Rs 100 each for its expansion the company disiares to raise addiitional capital of Rs 20.00.000 Finanaial advaisor gives the following alternatives.

1. egzuity shars 400 each
2. 1600.000 40% debentures & remenina egzuity shares
3. 1200.000 46% pereference share and remening egzuity share

The company EBIT is Rs 460.000 & Tax rate 30% determine EPS is each plan and comment szggest jutable plan

⇒ Calculation of EPS in each alternative plans

Particulars	existing capital	Projected capital structure		
		all equity shares 20,000+20000 = 40,000	equity 10% deb 20,000+4000 = 24000	equity pero. 80000+20,000 = 28000
EBIT	960,000	960,000	960000	960,000
less interest 10%	–	–	160,000	–
EBT	960,000	960,000	800,000	960,000
less tax 30%	288,000	288,000	240,000	288,000
	672000	672000	560,000	672000
less divided	–	–	–	192000
				4800,000
EAFAs	~~672000~~			
No of shares	~~5000~~			
	672000	672000	560,000	480000
	20,000	40,000	24000	28000
	33.6	16.8	23.33	17.14

In theis 3 plans B plans will given highlights that Rs 23.33 Rs so we recomend B plan is the best plan//

GOOD NEWS WELEFARE SOCIETY

HOME ASSIGNMENT

CASE STUDY

PROBLEM SOLVING TECHIQNES

ROLL NO :- 02

Student Sign

Teacher Sign.
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* Sums

1) XYZ company Ltd has equity shares capital of Rs 50,00,000 divided into shares of Rs 100 each. It wishes to raise further capital of Rs 30,00,000 for expansion plan. The company Plan following three Alternatives.

a) All equity share.

b) Rs 500000 in equity & 2,500000 in debenture at 10%

c) Rs 500000 equity and 2500000 in Preference shares with 8% dividend.

The company existing earning before interest & taxes are 16 lakhs, the corporate tax are 16,00,000 the corporate tax rate is 50%. The EPS in each Plan and comment on implications of Financial leverage.

NAME		TOTAL MARKS
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Sol:- Calculation of EPS in each alternative Plans.

Particulars	Existing capital 5000000 ÷ 100 = 50000	Proposal capital structure A All equity 50000 + 30000 = 80000	B Eq/+ Deb 50000 + 5000 = 55000 [35000/2000 = 10%]	C Eq/+ Pre 50000 + 5000 = 55000 [3500000/Rs 100 = 35000]
EBIT	1600000	1600000	1600000	1600000
less: Interest [10%]	–	–	250000	–
EBT/PBT	1600000	1600000	1350000	1600000
less: Tax 50%	800000	800000	675000	800000
PAT	800000	800000	675000	800000
less:- Dividend to Pre share	–	–	–	200000
Earning available to eq. Share holders	800000	800000	675000	600000
EBIT / No. of shares	800000 / 50000	800000 / 80000	675000 / 55000	600000 / 55000
EPS	Rs. 16	10	12.27	10.90

Suggestions:- In this 3 plans, Plan 'B' will give highest EPS that is Rs 12.27 paise per share.

2) X Ltd has equity capital of ₹ 20,00,000 divided into shares of Rs 100 each for its expansion the company desires to d raise additional capital of Rs 20,00,000 Financial advisee gives the following alternatives:

a) Equity Share of Rs 100 each

b) 16,00,000 10% Debenture and remaining in equity shares.

c) 12,00,000 16% Preference share and remaining in equity shares.

The company EBIT is 9,60,000 and tax rate is 30%. determine EPS. In each Plan and comment & suggest the Plan.

Sol^n Calculation of EPS in each alternative Plans.

Particulars	Existing capital	Proposal A All equity	capital structure B Eq + Debt	capital structure C Eq + Pref
	2,00,000 ÷ 100	20000+20000	20000+4000	20000+8000
	20000	40000	24000 [1600000 @ 10%]	28000 [1200000 @ 16%]
EBIT	9,60,000	9,60,000	9,60,000	9,60,000
Less Interest 10%	–	–	1,60,000	–
EBT / PBT	960000	960000	8,00,000	960000
Less Tax 30%	288000	288000	240000	288000
PAT	672000	672000	560000	672000
Less Dividend to Pref share	—	—	—	192000
Earning available to eq. share holder	672000	672000	560000	480000
EBIT / No. of share	672000 / 20000	672000 / 40000	560000 / 24000	480000 / 28000
EPS Rs	33.6	16.8	23.3	17.14

In this 3 Plans, Plan 'B' will give highest EPS that is Rs 23.3 paise per share.

3) Bhagya company ltd has a share capital of Rs 10,00,000 dividend into share of Rs 100 each, the Management is planning to raise Addition capital of Rs 600000 for expansion programs. The management has the following ~~at~~ alternative.

a) Issue of 6000 Equity shares of Rs 100 each.

b) Rs 200000 in Equity shares of Rs 100 and Rs 400000 in 10%. debenture.

c) 400000 in 10%. Preference share and Rs 200000 in 10%. debenture.

The companies existing EBIT is Rs 300000 And companies under 40% tax. determine the EPS in each Plan and suggests the Management ~~or~~ a shootable statement.

Sln

Calculation of EPS in each alternative Plan

Particulars	Existing capital	Proposal capital Structure. All equity	Eq + Debt	Eq + Pref
	1000000÷100	10000+6000	10000+2000	
	10,000	16000	12000	10000
EBIT	300000	300000	300000	300000
Less: Interest	–	–	40000	20000
EBT/PBT	300000	300000	260000	280000
Less Tax 40%	1,20,000	1,20,000	104000	112000
PAT	180000	180000	1,56,000	168000
Less Dividend to Pre Share	–	–	–	40000
Earning available to eq. shareholders	180000	180000	156000	128000
EBIT / No of share	180000 / 10,000	180000 / 16000	156000 / 12000	128000 / 10000
EPS Rs	18	11.25	13	12.8

In this 3 plan. Plan 'B' will give highest EPS that is Rs 13 paise per share.