1. What is dividend? Distinguish between interim dividend and final dividend.
2. What do you mean by Capitalization? Distinguish between under and over capitalization.
3. From the following balance sheets as on 31st March 2012 and 31st March 2013 of Dayanand Ltd. You are required to prepare funds flow statement. Balance Sheet

	Amount (Rs.)			Amount (Rs.)	
Liabilities	**31/03/2012**	**31/03/2013**	**Assets**	**31/03/2012**	**31/03/2013**
Equity Capital	3,00,000	4,00,000	Goodwill	1,15,000	90,000
8% Redeemable Pref. Shares	1,50,000	1,00,000	Land & Building	2,00,000	1,70,000
General Reserve	40,000	70,000	Plant	80,000	2,00,000
Profit & Loss A/c	30,000	48,000	Debtors	1,60,000	2,00,000
Proposed Dividend	42,000	50,000	Stock	77,000	1,09,000
Creditors	55,000	83,000	Bills Receivable	20,000	30,000
Bills payable	20,000	16,000	Cash in Hand	15,000	10,000
Taxation Provision	40,000	50,000	Cash at Bank	10,000	8,000
Total	**6,77,000**	**8,17,000**	**Total**	**6,77,000**	**8,17,000**

Following additional information is provided:-

i) Interim Dividend of Rs. 20,000 has been paid in 2012-13.

ii) Income Tax paid during the year 2012-13 is Rs. 35,000

4. A Ltd. Has a share capital of Rs .1,00,000 divided into share of Rs. 10 each. It has a major expansion program requiring an investment of another Rs. 50,000.

The Management is considering the following alternatives for raising this amount:

- Issue of 5,000 equity shares of Rs. 10 each
- Issue of 5000, 12% preference shares of Rs. 10 each
- Issue of 10% debentures of Rs. 50,000

The company's present Earnings before Interest and Tax (EBIT) are Rs. 40,000 per annum subject to tax @ 50%. You are required to calculate the effect of the above financial plan on the earnings per share presming:

(a) EBIT continues to be the same even after expansion

(b) EBIT increases by Rs. 10,000

5. A company has an equity capitalization rate of 10%. Its currently outstanding shares are Rs. 20,000 selling at Rs. 100 each. The firm is planning to declare dividend of Rs. 5 per share at the end of the current financial year. The company expects to have a net income of Rs. 2, 00,000 and proposes to make new investments of Rs. 4, 00,000. What will be the value of the firm's share at the end of the year if

(i) A dividend is not declared, and

(ii) Assuming that the firm pays a dividend how many shares must be issued?

Use M.M. Model to answer these questions.