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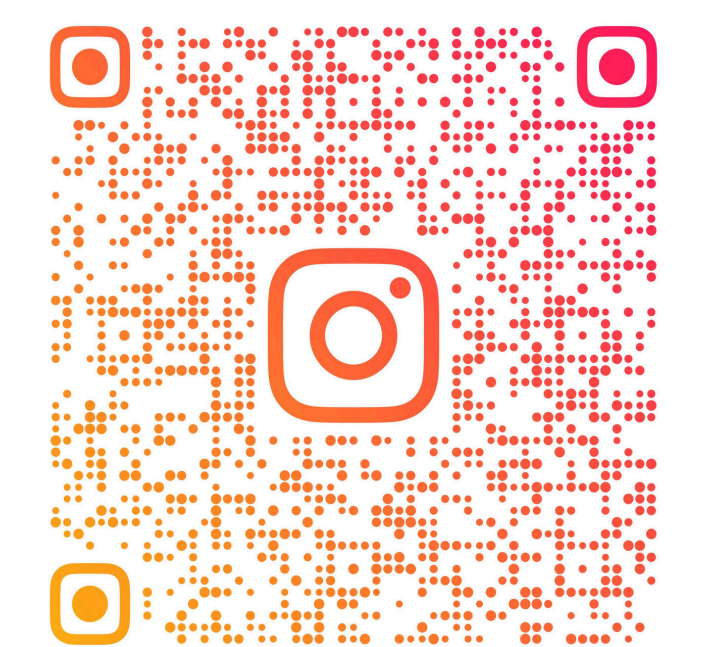


# CA ADARSH JOSHI

CA , B.COM

**FOUNDER**

- 8+ years of teaching experience in CA education
- Subject Expert in:  
CA Foundation – Paper 2: Business Laws  
CA Intermediate – Paper 2: Corporate and Other Laws
- Has uploaded over 3000+ educational videos for CA Foundation and CA Inter students
- Known for his dynamic, conceptual and “fun-and-learn” teaching style
- Guided thousands of students across India to success in CA exams
- Strong academic background with B.Com (BMCC, Pune) and ACA qualification
- Widely appreciated for his clarity, energy, and practical approach to law subjects
- Through Shikshadwar, offers comprehensive classes, books, tests, and mentorship to CA students



CAADARSHJOSHI



# CA DARSHAN JAIN

CA , CS , LLB , DISA , DIRM , B.COM

CO FOUNDER

- Chartered Accountant by profession & educator by passion
- Teaching Financial Accounting , Financial Management & Strategic Management to CA Students For 12 Years.
- Practicing Chartered Accountant For Past 13 years in The Field of Audit , Direct & Indirect Taxes & Management Consultancy
- Elected as Convenor of The Jalna CA CPE Chapter of WIRC of ICAI For 2 consecutive years 20-21 & 21-22.
- He Has Successfully Completed & Qualified Following Certificate Course Conducted By ICAI
  1. Forensic Accounting & Fraud Detection
  2. Concurrent Audit of Banks
  3. Goods & Service Tax (GST)
  4. Public Finance & Accounting
  5. Drafting & Pleading Before Authorities
  6. Wealth management & Financial Planning
  7. Artificial Intelligence



@CA\_DARSHAN\_JAIN

# CA TUSHAR TAPARIA

CA , LLB

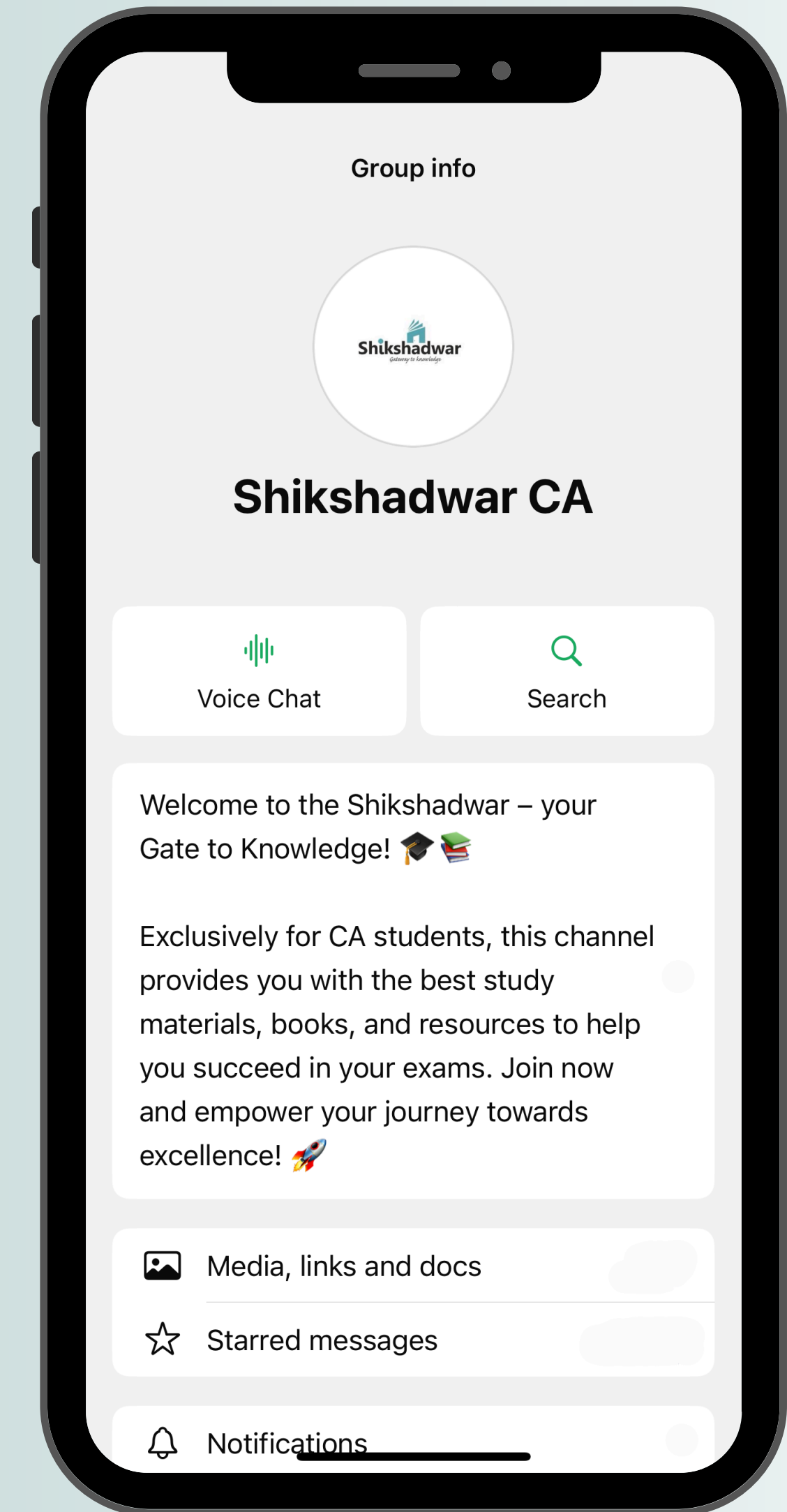
- A multi-faceted professional with a Chartered Accountancy qualification and a Bachelor's degree in Law.
- Brings 7+ years of teaching experience across CA and CS professional courses.
- Specializes in:
  - Taxation at CA Intermediate and CS Executive levels
  - Economics at CA Foundation level
- Known for simplifying complex concepts with crystal-clear explanations and practical insights.
- Expert in delivering Fasttrack batches with proven accelerated learning techniques.
- Frequently invited as a visiting faculty for Taxation at reputed coaching institutes.
- Loved by students for his interactive teaching style, real-life examples, and exam-oriented approach.



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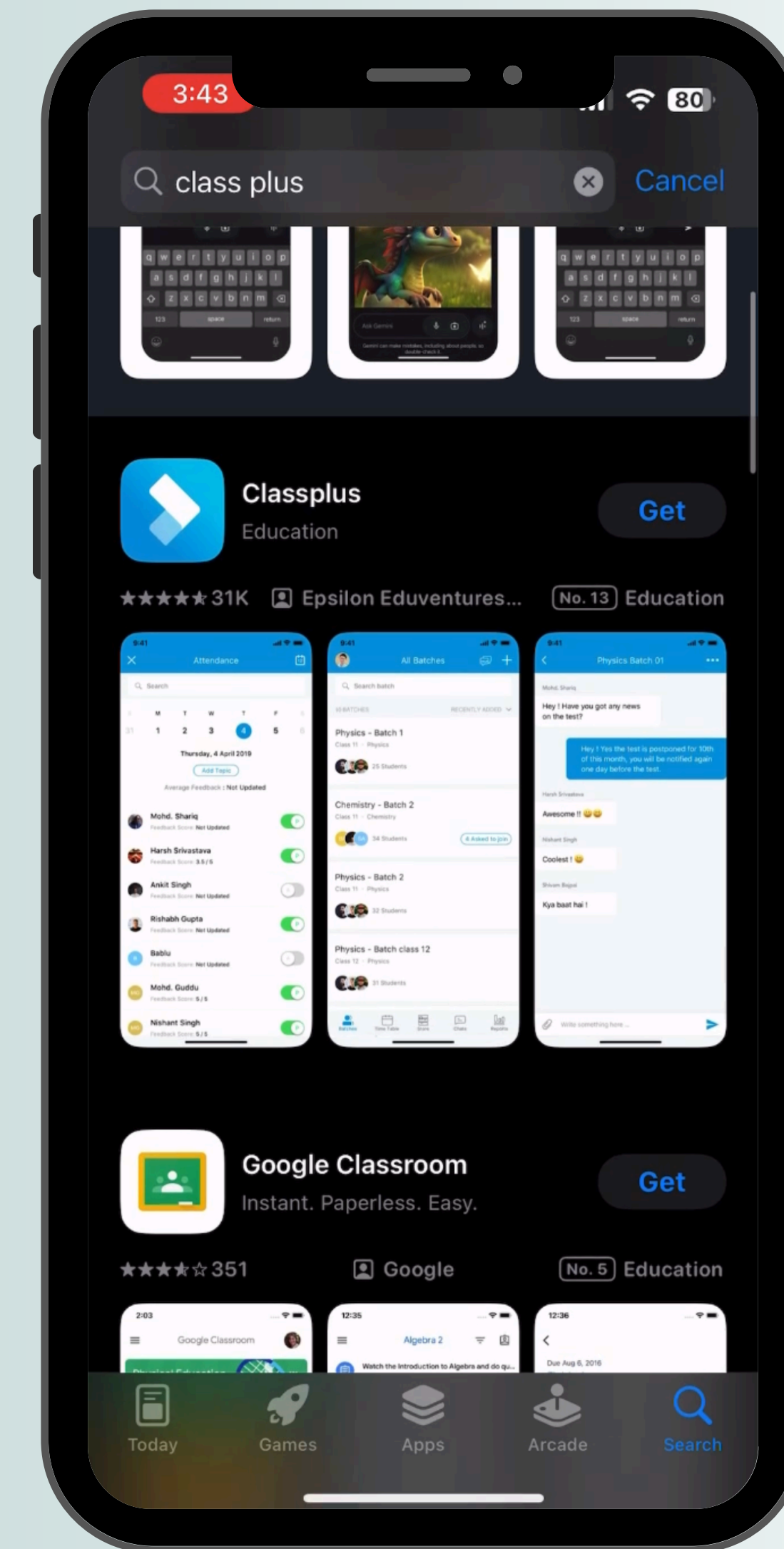
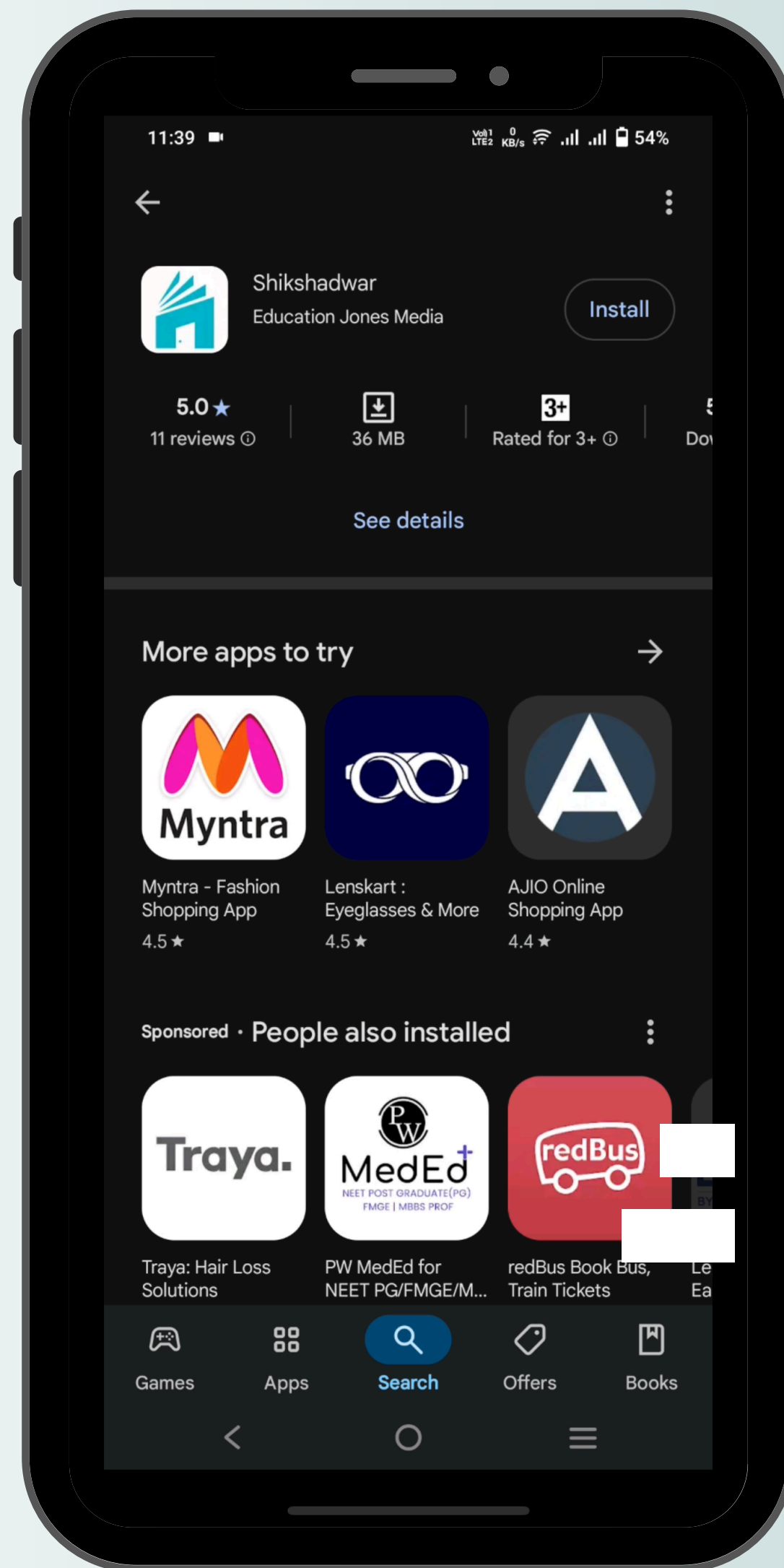
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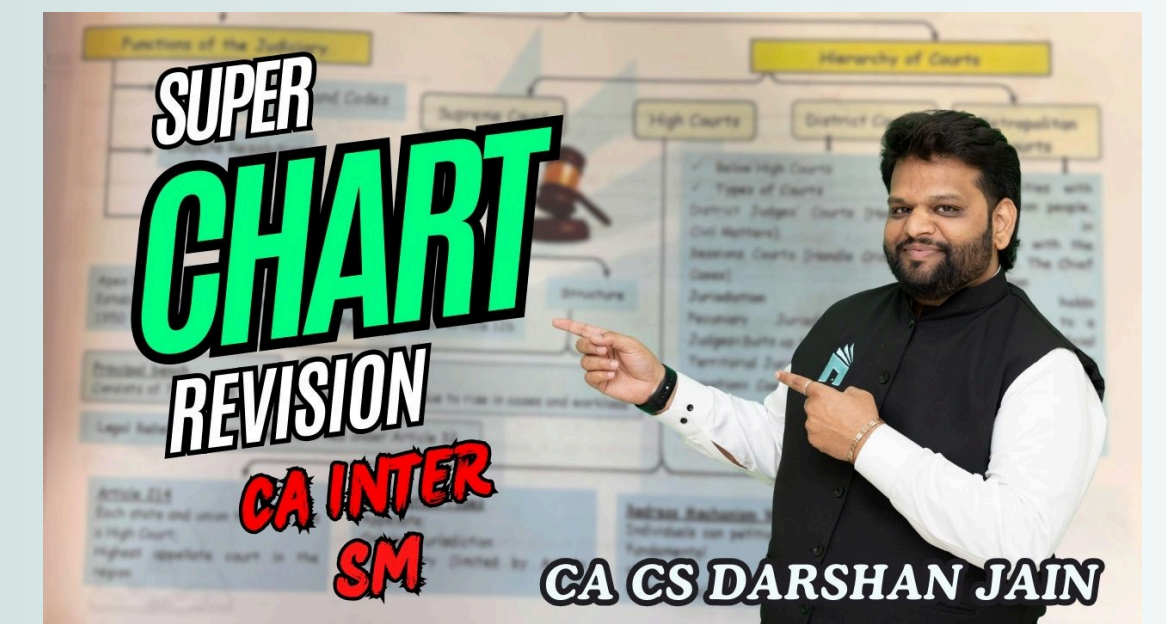
# CA INTERMEDIATE MAY 25

## Marathons Live Streams



RRR - Result Oriented Rapid Revision

Most Imp Questions



One Shot MCQ's Marathon

Super Chart Revision









Amendments Ki Pathshala

20 -20 Series

# CA INTERMEDIATE MAY 25

## Marathons Schedule With Links

DATE	TIME	EDUCATOR	SUBJECT	TOPICS	YOUTUBE LINK
17/4/2025	8.00 AM	CA ADARSH JOSHI	LAW	RRR	
18/4/2025	12.00 NOON	CA TUSHAR TAPARIA	GST	RRR	
19/4/2025	8.00 AM	CA CS DARSHAN JAIN	FM	RRR	
20/4/2025	8.00 AM	CA ADARSH JOSHI	LAW	ONE SHOT MCQ MARATHON	
21/4/2025	2.00 PM	CA TUSHAR TAPARIA	GST	GST AMENDMENTS & ITS IMPORTANT QUESTIONS	
23/4/2025	8.00 AM	CA CS DARSHAN JAIN	FM	ONE SHOT MCQ MARATHON	

DATE	TIME	EDUCATOR	SUBJECT	TOPICS	YOUTUBE LINK
24/4/2025	2.00 PM	CA TUSHAR TAPARIA	DT	DT AMENDMENTS & ITS IMPORTANT QUESTIONS	
27/4/2025	8.00 AM	CA CS DARSHAN JAIN	SM	ONE SHOT MCQ MARATHON	
4/5/2025	8.00 AM	CA ADARSH JOSHI	LAW	MOST IMPORTANT QUESTIONS	
6/5/2025	3.00 PM	CA TUSHAR TAPARIA	TAXATION	20-20	
12/5/2025	8.00 AM	CA CS DARSHAN JAIN	FM	20-20	
13/5/2025	8.00 AM	CA CS DARSHAN JAIN	SM	SUPER CHART REVISION	

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**TEST PAPER  
ON  
CAPITAL STRUCTURE**

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# DETAILS OF CURRENT TEST

Date – 14<sup>th</sup> July 24 (Sunday)

Marks – 30 Marks

Duration – 75 Mins

Time – 4.00 PM Till Midnight as Per Convenience

# QUESTION 1 (5 Marks)

The following current data are available concerning Alpha Limited:

Share issued	10,000
Market price per share	₹ 20
Interest rate	12%
Tax Rate	46%
Expected EBIT	₹ 15,000

The company requires an additional ₹ 50,000 for the coming year.

You are required to determine:

- (i) Which financing option (debt or equity issue) will give higher EPS for the expected EBIT?
- (ii) What is indifference level of EBIT for the two alternatives?
- (iii) What is EPS for that EBIT?

- (i) Computation of Earnings Per Share (EPS) for the expected Earnings Before Interest and Taxes (EBIT) for the expected EBIT.

	<i>Debt</i>	<i>Equity</i>
	<i>Rs.</i>	<i>Rs.</i>
Expected earnings before interest & tax	15,000	15,000
<i>Less: Interest (12% of Rs. 50,000)</i>	<u>6,000</u>	<u>-</u>
Earnings before tax (EBT)	9,000	15,000
<i>Less: Tax (@ 46%) of EBT (Rs. 9000 X 46%)</i>	<u>4,140</u>	<u>6,900</u>
Earnings available to equity shareholder: (A)	4,860	8,100
Number of shares issued : (B)	10,000	12,500
<i>(Refer to working note)</i>		
Earnings per shares: (A) / (B)	0.486	0.648

**Recommendation:** Earnings per share is higher when the company raises additional funds by issue of equity shares.

## Working note

Number of new shares to be issued:

Amount required:	(i)	Rs. 50,000
Market price per share	(ii)	Rs. 20
No. of new shares to be issued:	(i) / (ii)	2,500

**(ii) Computation of indifference level of EBIT for the two alternatives**

$$\frac{(\text{EBIT} - ₹ 6,000)(1 - 0.46)}{10,000 \text{ Nos}} = \frac{\text{EBIT} (1 - 0.46)}{12,500 \text{ Nos}}$$

or, EBIT = Rs. 30,000

Therefore, Indifference level of EBIT for two alternatives is Rs. 30,000.

**(iii) The EPS for the EBIT at the indifference level.**

$$\text{EPS} = \frac{₹ 30,000 \times (1 - 0.46)}{12,500 \text{ Nos}}$$

= Rs. 1.296 per share

## QUESTION 2 (5 MARKS)

The following are the costs and values for the firms A and B according to the traditional approach.

	Firm A	Firm B
Total value of firm, $V$ (in ₹)	50,000	60,000
Market value of debt, $D$ (in ₹)	0	30,000
Market value of equity, $E$ (in ₹)	50,000	30,000
Expected net operating income (in ₹)	5,000	5,000
Cost of debt (in ₹)	0	1,800
Net Income (in ₹)	5,000	3,200
Cost of equity, $K_e = NI/V$	10.00%	10.70%

- (i) Compute the Equilibrium value for Firm A and B in accordance with the M-M approach. Assume that (a) taxes do not exist and (b) the equilibrium value of  $K_e$  is 9.09%.
- (ii) Compute Value of Equity and Cost of Equity for both the firms.

## Statement Showing Value of Firm , Value of Equity & Cost of Equity

SR.NO	PARTICULARS	A	B
A	NET OPERATING INCOME	5000	5000
B	WACC (Ko)	9.09	9.09
C	VALUE OF FIRM	55005.50	55005.50
D	LESS - VALUE OF DEBT	-	30000
E	VALUE OF EQUITY	55005.50	25005.50
F	EAES	5000	3200
			(5000-1800)
G	Ke (F/E*100)	9.09%	12.80%

## QUESTION 3 (5 Marks)

A&R Ltd. is an all equity financed company with a market value of Rs.25,000 lakh and cost of equity ( $K_e$ ) 18%. The company wants to buyback equity shares worth Rs.5,000 lakh by issuing and raising 10% debentures redeemable at 10% premium after 5 years. Rate of tax may be taken as 35%. Applying Modigliani-Miller (MM) (with taxes), you are required to CALCULATE after restructuring:

- (i) Market value of A&R Ltd.
- (ii) Cost of Equity ( $K_e$ )
- (iii) Weighted average cost of capital (using market weights).

## A. MARKET VALUE OF FIRM

**Before Repurchase The Status of a Company is Unlevered Company However After Repurchase There is Introduction of Debt in capital Structure making It Levered Co.**

$$\begin{aligned}\text{Value of Firm} &= \text{Value of Unlevered Firm} + \text{Tax Benefits} \\ &= 25000 + (5000 * 35\%) \\ &= 25000 + 1750 \\ &= 26750 \text{ Lakhs}\end{aligned}$$

## B. ASCERTAINMENT OF COST OF EQUITY

**Value of Equity = EAES/Ke**

**Value of Firm – Value of Debt = EAES (WN 1)/Ke**

**26750 – 5000 = 4175/Ke**

**Ke = 19.20%**

## Alternatively , (ii) ASCERTAINMENT OF COST OF EQUITY

$$\begin{aligned}\text{Cost of Equity (Levered Firm)} &= K_o \text{ (Unlevered Firm)} + \frac{\text{Debt (1-t)}}{\text{Equity}} (K_o \text{ of unlevered Firm} - K_d) \\ &= 0.18 + 5000(1-0.35)/21750 \times (0.18 - 0.10) \\ &= 0.18 + 3250/21750 \times 0.08 \\ &= 19.20\%\end{aligned}$$

### 3. Statement Showing Overall Cost of Capital (WACC)

Sr. No.	Source	Value	Cost in Rs	Cost in Rs
A	EQUITY	21750	19.20%	4176
B	DEBT	5000	6.50%	325
		26750		4501

$$\text{WACC} - 4501/26750*100 = 16.83\%$$

# Alternatively , Computation of Overall Cost of Capital (WACC)

$$\begin{aligned}\text{WACC of levered Firm (Ko)} &= \text{Ke (Unlevered Firm)} \times \left[1 - \left(t^* \frac{\text{Debt}}{\text{Debt} + \text{Equity}}\right)\right] \\ &= 0.18 \times [1 - (.35 * 5000 / 26750)] \\ &= 0.18 \times (1 - 0.0654) \\ &= 0.18 \times .9346 \\ &= 16.82\%\end{aligned}$$

# Alternatively , Computation of Overall Cost of Capital (WACC)

$$\begin{aligned}\text{WACC of levered Firm (Ko)} &= \text{EBIT (1-t)/Value of Firm*100} \\ &= 6923.08 (1-0.35)/26750*100 \\ &= 4500/26750*100 \\ &= 16.82\%\end{aligned}$$

## WN 1 - Computation of EBIT & EAES After Restructuring

It Has Been Stated in The Question that EBIT of the Company Shall Remain Constant

$$\begin{aligned}\text{EBIT Before Restructuring} &= \text{EAES} / (1-t) \\ &= 25000 * 18\% / 1-0.35 \\ &= 6923.08 \text{ Lakhs}\end{aligned}$$

The Same Shall be EBIT After Restructuring

Sr. No.	Particulars	Amount (In lakhs)
A	EBIT	6923.08
B	Less - Interest	500
C	EBT (A-B)	6423.08
D	Less – Tax @ 35%	2248.08
E	EAES (C-D)	4175

# QUESTION 4 (10 Marks)

The following figures are made available to you

PARTICULARS	Rs.
Net profit for the year	18,00,000
Less: Interest on secured debentures @ 15% (Debentures were issued 3 months after commencement of the year)	1,12,500
Profit before tax	16,87,500
Less: Income tax @ 35%	5,90,625
Profit after tax	10,96,875
No. of equity shares (Rs. 10 each)	1,00,000
Market Quotation of equity share	109.7

Company has accumulated revenue reserves of Rs.12 lakhs. The company is examining a project, calling for an investment obligation of Rs.10 lakhs. This investment is expected to earn the same rate of return as funds already employed.

You are informed that a debt-equity ratio (debt divided by debt plus equity) higher than 60% will cause the price earnings ratio to come down by 25% and the interest rate on additional borrowing will cost company 300 basis points more than on their current borrowing on secured debentures. (100 Basis Points Refers to 1%)

You are required to advise the company on the probable price of the equity share, if

- a) The additional investments were to be raised by way of loans; or
- b) The additional investments were to be raised by way of equity.

# Computation of NEW EBIT

**EBIT After Proposed Financing is Not Provided in Question. Assuming That The Firm Gets The Same ROI as Before.**

**Existing EBIT = 1800000**

**Existing Capital Employed = Debt + Equity + Retained Earnings**  
**= (112500/9\*12)/15% + (100000 \* 10) + 1200000**  
**= 1000000 + 1000000 + 1200000**  
**= 3200000**

**ROI Will Be = (Existing EBIT/Existing Capital Employed) X 100**  
**= (1800000/3200000) X 100**  
**= 56.25%**

**New EBIT = Capital Employed \* ROI**  
**= 4200000\*56.25%**  
**= 2362500**

# Financing Options Available With The Company

**Option 1 – Avail 10 lakhs by Way of Loan**

**Option 2 – Avail 10 Lakhs By Way of Equity**

# Statement Showing EPS & MPS Under Financing Plans

Sr. No.	Particulars	Option 1	Option 2
A	Debt	2000000	1000000
B	Equity	2200000	3200000
C	Debt + Equity (A+B)	4200000	4200000
D	Debt/Debt + Equity (A/C)	47.61%	23.81%
E	EBIT	2362500	2362500
F	Less – Interest		
	Existing	150000	150000
	New	150000	-
	Total	300000	150000
G	EBT (E-F)	2062500	2212500
H	Less – Tax @ 35%	721875	774375

Sr. No.	Particulars	Option 1	Option 2
I	EAT (G-H)	1340625	1438125
J	No. Of Equity Shares		
	- Existing	100000	100000
	- New	-	9116
	Total	100000	109116
K	EPS (I/J)	13.41	13.18
L	PE Ratio (As Existing) (109.70/10.97)	10 Times	10 Times
M	MPS (K*L)	134.10	131.80

## QUESTION 5 (5 Marks)

In respect of two companies having same business risk, following information is given:

Capital employed = ₹ 4,00,000; EBIT = ₹ 60,000;  $K_e = 12\%$

Sources	Levered Company (₹)	Unlevered Company (₹)
Debt (@10%)	1,50,000	Nil
Equity	1,50,000	3,00,000

Investor is holding 20% shares in levered company. CALCULATE increase in annual earnings of investor if he switches his holding from Levered to Unlevered company.

## Statement Showing value of Firm

Sr.No	Particulars	Levered	Unlevered
`	EBIT	60000	60000
B	Less -Interest	15000	-
	Levered - (150000*10%)		
C	EAES (A-B)	45000	60000
D	Ke	12.00%	12.00%
E	Value of Equity (C/D)	375000	500000
F	Value of Debt	150000	-
G	Value of Firm	525000	500000

## Statement Showing Increase in Earnings of Firm

Sr.No	Particulars	Amount
A	Amount Received on Sale of 20% Shares of Levered Company (525000*20%)	105000
B	Amount Required to Buy 20% Shares of Unlevered Company (500000*20%)	100000
C	Amount Saved (A-B)	5000
D	Ke	12%
E	Increase in Earning (C*D)	600



**ALL THE  
BEST!**





thank you!