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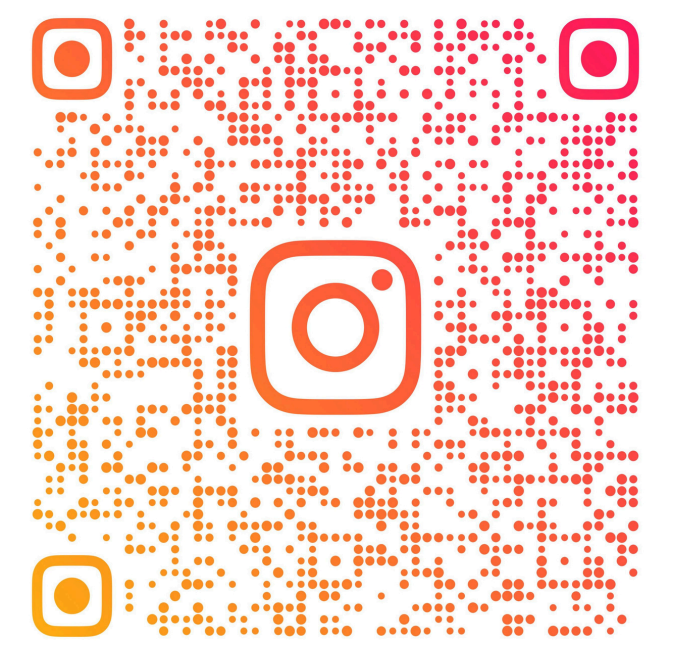


CA ADARSH JOSHI

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

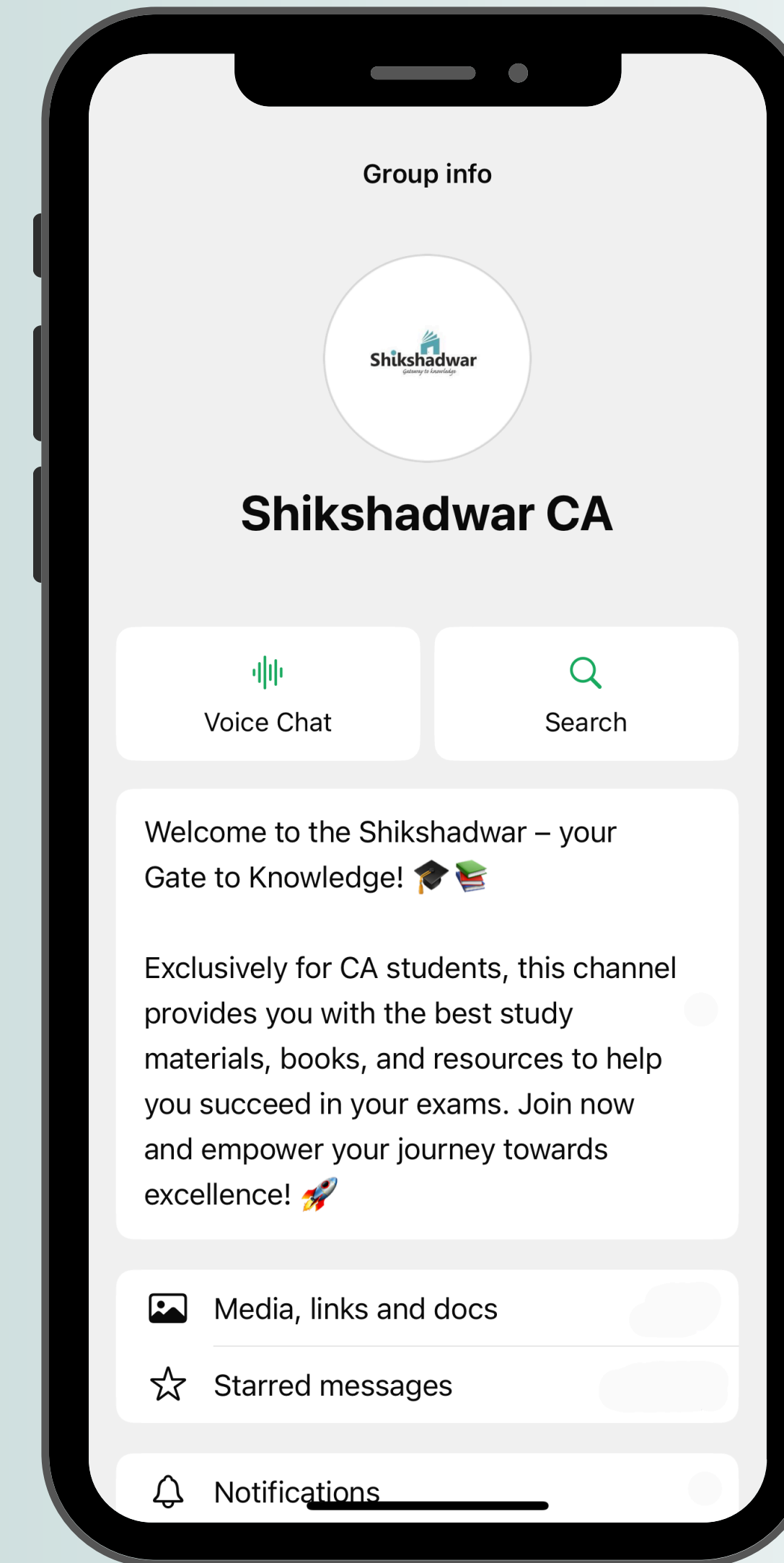
- A multi-faceted professional with a Chartered Accountancy qualification and a Bachelor's degree in Law.
- Brings 7+ years of teaching experience across CA and CS professional courses.
- Specializes in:
 - Taxation at CA Intermediate and CS Executive levels
 - Economics at CA Foundation level
- Known 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.



@CA_TUSHAR_TAPARIA

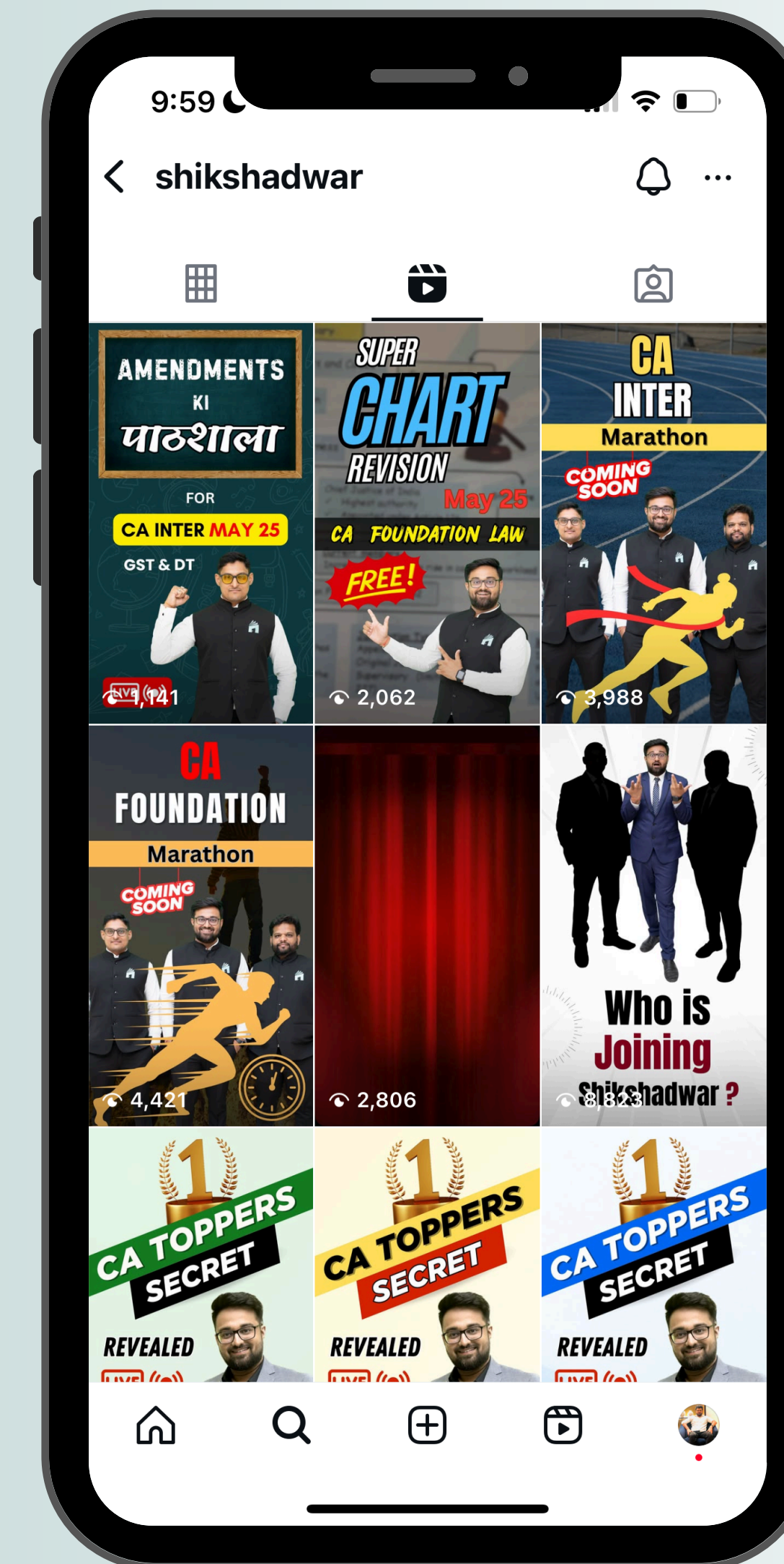
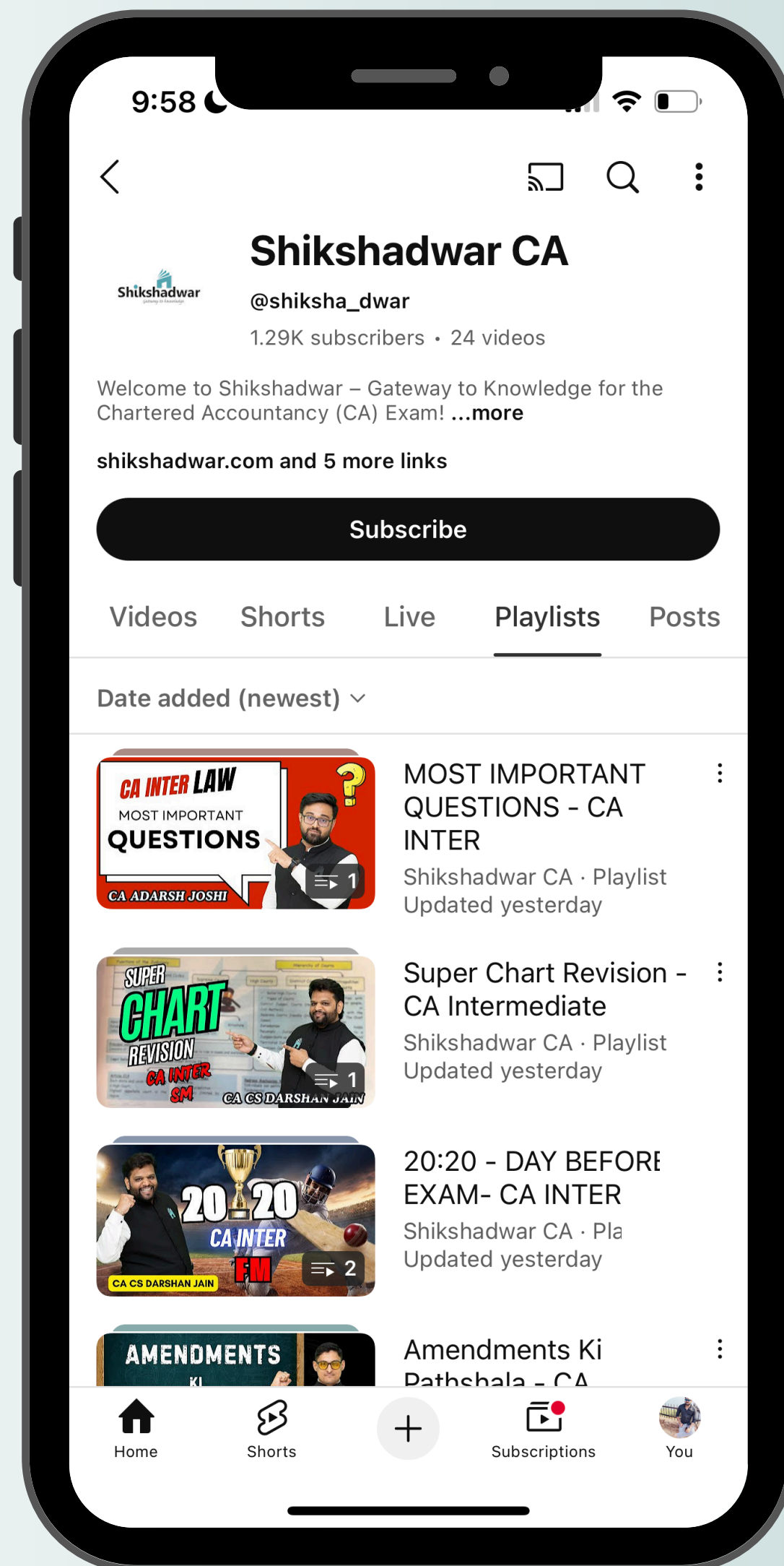


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Book Series

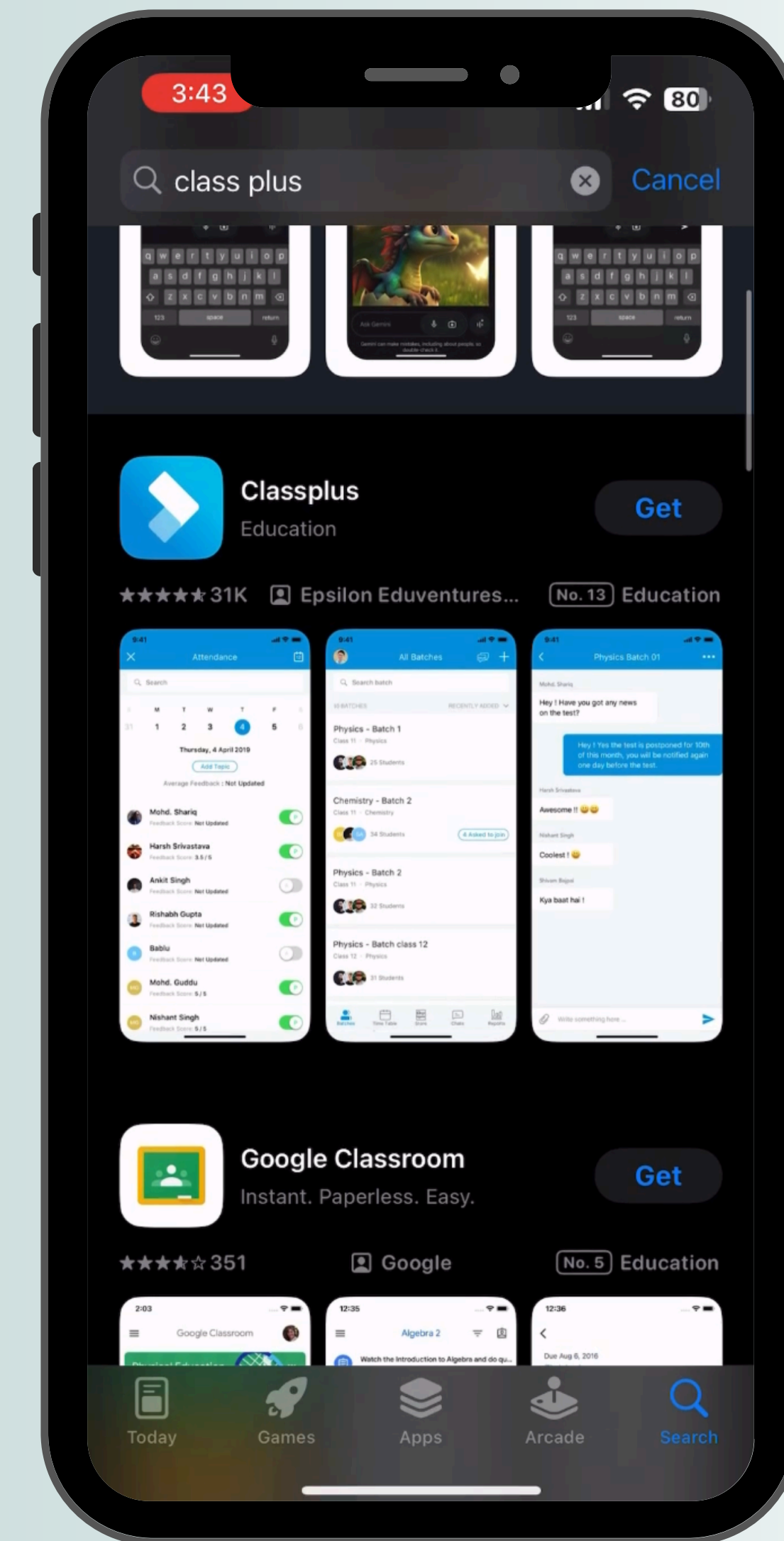
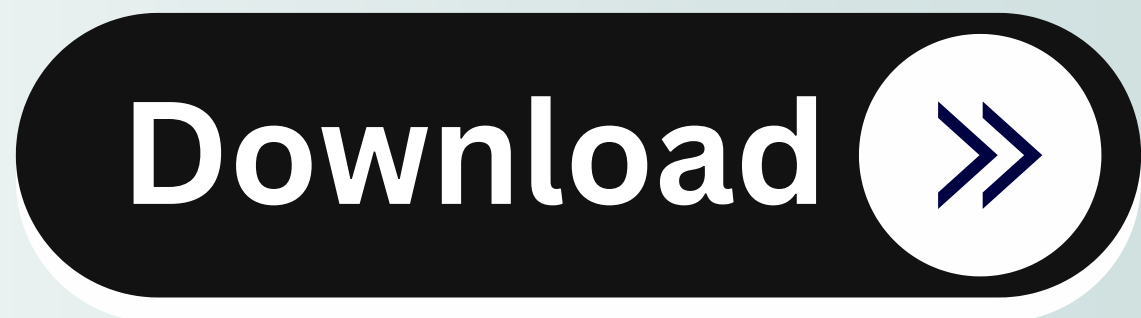
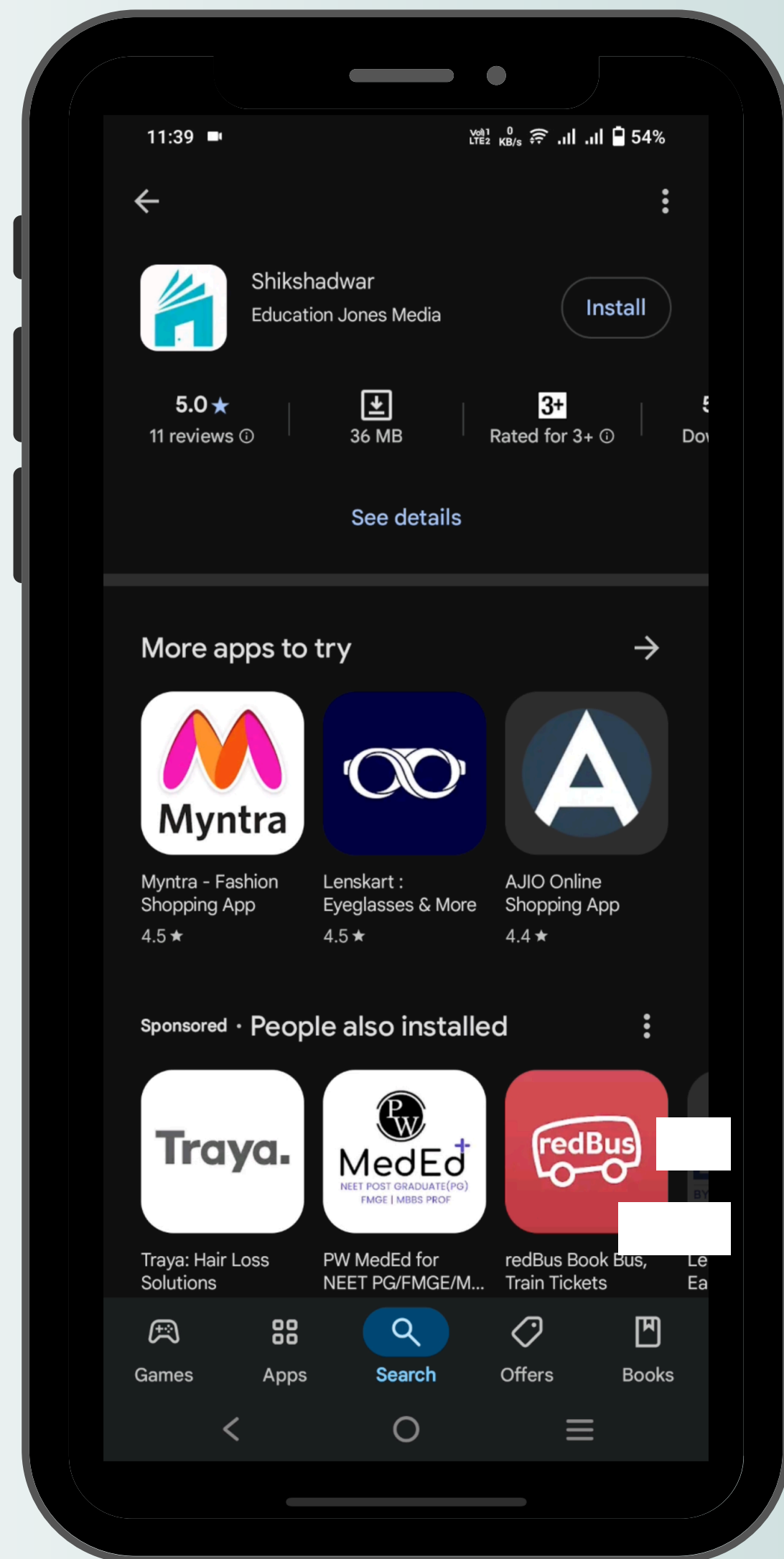
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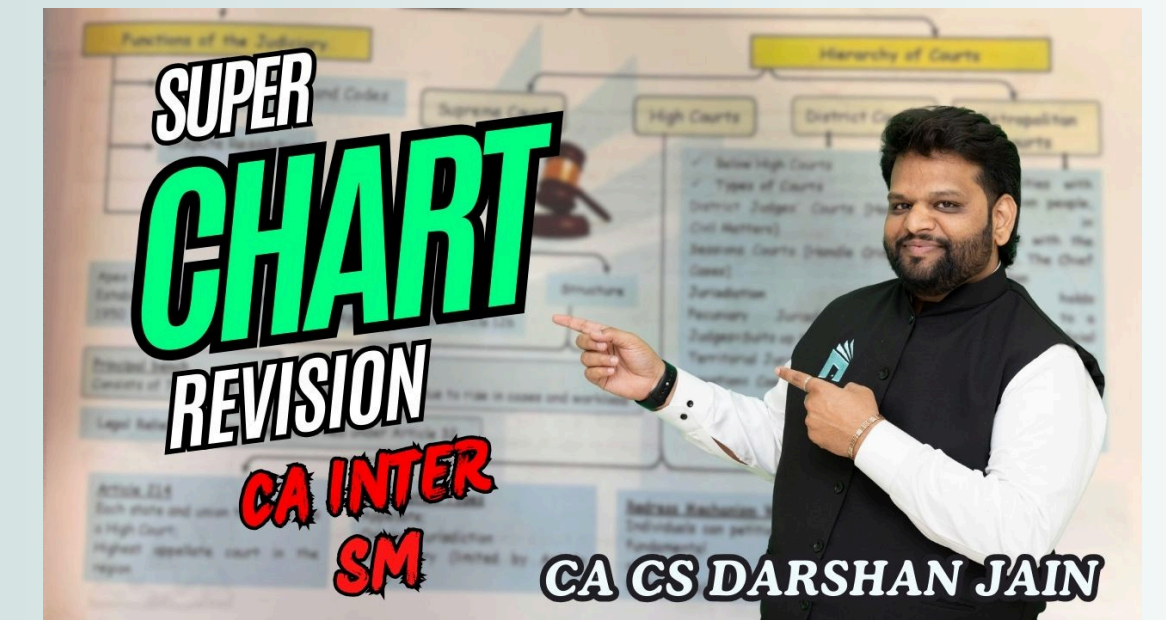
CA INTERMEDIATE MAY 25

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	

**TEST PAPER
ON
DIVIDEND DECISIONS**

Date of Test

16th Sep 2024

QUESTION 1 (5 Marks)

Following information are given for a company:

Earnings per share	₹ 10
P/E Ratio	12.5
Rate of return on investment	12%
Market price per share as per Walter's model	₹ 130

You are required to calculate:

- (i) Dividend payout ratio.
- (ii) Market price of share at optimum dividend payout ratio.
- (iii) P/E ratio, at which the dividend policy will have no effect on the price of share.
- (iv) Market price of share at this P/E ratio.
- (v) Market price of share using dividend growth model.

(1) Dividend Payout Ratio

$$P = \frac{DPS + \frac{g}{K_e} (EPS - DPS)}{K_e}$$

$$P/E \text{ ratio} = \frac{100}{K_e}$$

$$12.5 = \frac{100}{K_e}$$

$$\therefore K_e = 8\%$$

$$130 = x + \frac{0.12}{0.08} (10 - x)$$

$$0.08$$

$$10.40 = x + 1.5 (10 - x)$$

$$10.40 = x + 15 - 1.5x$$

$$4.6 = 0.5x$$

$$\therefore x = 9.2$$

$$\therefore \text{DP ratio} = \frac{\text{DPS}}{\text{EPS}} \times 100 = \frac{9.2}{10} \times 100 = 92\%$$

(ii) Market Price at Optimum Dividend Payout Ratio

As r (12%) $>$ K_e (8%) Optimum Dividend Payout ratio shall be zero

$$P = \text{DPS} + \frac{r}{K_e} (\text{EPS} - \text{DPS})$$

$$= 0 + \frac{0.12}{0.08} (10 - 0)$$

0.08

$$\frac{11}{0.08}$$

$$= 137.50$$

(iii) PE Ratio at which Dividend Policy will have no impact on Share Price.

If $r = k_e$, Dividend Policy won't have impact on Share Price, Consider $k_e = 12\%$,

$$\therefore \text{PE Ratio} = \frac{100}{12}$$

$$= 8.33 \text{ times}$$

12) market price at P/E ratio of 8.33 times

$$P_0 = \text{DPS} + \frac{\sigma}{k_c} (\hat{\text{EPS}} - \text{DPS})$$

$$\begin{array}{r} \text{11} \\ 9.2 + \frac{0.12 \overset{k_c}{}}{0.12} (10 - 9.2) \end{array}$$

$$\begin{array}{r} \text{11} \\ 83.33 \end{array}$$

✓ Price using Dividend growth model.

$$P = \frac{DPS}{k_e - g}$$

$$= \frac{9.20}{0.08 - (0.08 \times 0.12)}$$

$$= \frac{9.20}{0.08 - 0.0096} = \frac{9.20}{0.0704} = 130.68$$

QUESTION 2 (5 Marks)

The following figures have been extracted from the annual report of Xee Ltd.

Net profit	Rs 75 lakhs
Outstanding 12% preference shares	Rs 250 lakhs
No. of Equity shares	3 lakhs
Return on Investment	20%
Cost of capital i.e. (K_e)	16%

Compute the approximate dividend pay-out ratio so as to keep the share price at Rs 105 by using Walter's model?

$$P = \text{DPS} + \frac{r}{k_e} (\text{EPS} - \text{DPS})$$

$$105 = x + \frac{0.20}{0.16} (15 - x)$$

$$16.80 = x + 1.25 (15 - x)$$

$$16.80 = x + 18.75 - 1.25x$$

$$-1.95 = -0.25x$$

$x = 7.8$

$$\text{DP Ratio} = \frac{\text{DPS}}{\text{EPS}} \times 100$$

$$= \frac{7.8}{15} \times 100$$

$$= 52\%$$

W14 Computation of EPS

Sr-NO	Particulars	- Amt
A	Net Profit	750000
B	less Preference Dividend (250000 × 12%)	30000
C	EAE S	<u>450000</u>
D	NO. of Equity Shares	30000
E	EPS	15 per Share

QUESTION 3 (5 Marks)

The following information is taken from ABC Ltd.

<i>Net Profit for the year</i>	<i>₹ 30,00,000</i>
<i>12% Preference share capital</i>	<i>₹ 1,00,00,000</i>
<i>Equity share capital (Share of ₹ 10 each)</i>	<i>₹ 60,00,000</i>
<i>Internal rate of return on investment</i>	<i>22%</i>
<i>Cost of Equity Capital</i>	<i>18%</i>
<i>Retention Ratio</i>	<i>75%</i>

Calculate the market price of the share using:

- (1) Gordon's Model*
- (2) Walter's Model*

Gordon's model

$$\begin{aligned} P_0 &= \frac{DPS}{k_e - g} \\ &= \frac{3 \times 25\%}{0.18 - (0.22 \times 0.25)} \\ &= \frac{0.75}{0.18 - 0.165} \\ &= \frac{0.75}{0.015} = 50 \end{aligned}$$

Walter's model

$$P = \text{DPS} + \frac{r}{K_e} (\text{EPS} - \text{DPS})$$

$$= 0.75 + \frac{0.22}{0.18} (3 - 0.75)$$

$$= 19.44$$

1/1/17 Computation of EPS

Sl. No	Particulars	Am't
A	Net Profit	3000000
B	Less: Preference Dividend	1200000
C	EAT	1800000
D	No. of Equip Shares	600000
E	EPS	3 Per Share

QUESTION 4 (10 Marks)

ZX Ltd. has a paid-up share capital of Rs.1,00,00,000, face value of Rs.100 each. The current market price of the shares is Rs.100 each. The Board of Directors of the company has an agenda of meeting to pay a dividend of 50% to its shareholders. The company expects a net income of Rs.75,00,000 at the end of the current financial year. Company also plans for a capital expenditure for the next financial year for a cost of Rs.95,00,000, which can be financed through retained earnings and issue of new equity shares.

Company's desired rate of investment is 15%.

Required:

Following the Modigliani- Miller (MM) Hypothesis, DETERMINE value of the company when:

- (i) It does not pay dividend and
- (ii) It does pay dividend

When a Company does not pay Dividend

$$P_0 \geq \frac{P_1 + D_1}{1 + k_e}$$

$$100 = \frac{P_1 + 0}{1.15}$$

$$\therefore P_1 \geq 115$$

$$\text{Value of firm} = \frac{\left(\text{No. of shares outstanding} + \text{Additional shares issued} \right) \times P_1 - \text{Investment required} + \hat{C} \text{arnings}}{1 + K_2}$$

$$= \frac{\left(100000 + \frac{200000}{1.15} \right) \times 115 - 9500000 + 7500000}{1.15}$$

$$= \underline{\underline{10000000}}$$

When a Company Pays Dividend.

$$P_0 = \frac{P_1 + D_1}{1 + r_e}$$

$$100 = \frac{P_1 + 50}{1.15}$$

$$115 - 50 = P_1$$

$$\therefore P_1 = 65$$

$$\text{Value of firm} = \frac{\left(\text{No. of shares outstanding} + \text{Additional shares issued} \right) \times P_1 - \text{Investment required} + \text{Earnings}}{1 + k_c}$$

$$= \frac{\left(100000 + \frac{700000}{1.15} \right) \times 65 - 950000 + \frac{750000}{1.15}}{1.15}$$

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100 00 000

QUESTION 5 (5 Marks)

X Ltd. is a multinational company. Current market price per share is Rs. 2,185. During the F.Y. 20-21, the company paid Rs. 140 as Dividend per share. The company is expected to grow @12% p.a. for next four years, then 5% p.a. for an indefinite period. Expected rate of return of shareholders is 18% p.a..

- 1) Find out intrinsic value per share.
- 2) State whether shares are overpriced or underpriced.

Year	1	2	3	4	5
Discounting Factor @18%	0.847	0.718	0.608	0.515	0.436

STATEMENT SHOWING COMPUTATION OF INTRINSIC VALUE OF SHARES

YEAR	PARTICULARS	CASH FLOW	PVF AT 10% 18%	PV OF CASH FLOW
1	Dividend	156.80	0.847	132.81
2	Dividend	175.62	0.718	126.10
3	Dividend	196.69	0.608	119.59
4	Dividend	220.29	0.515	113.45
4	Price at end of 4th year	1779.27 231.30 <u>0.18-0.05</u>	0.515	916.32
				<hr/> 1408.27

Conclusion:- The intrinsic value of share is 1408 & current market price is 2185, Thus it can be said that share is overpriced by 777
(2185 - 1408)



**ALL THE
BEST!**





thank you!