Theoretical Questions

1. What is stock split?
2. How is stock split different from the issue of bonus issue?
3. Explain the impact if bonus issue on the financial statements of a company.
4. When are the shares said to be issued at a premium?
5. How is share premium be used?
6. What are the right shares?
7. What the bonus shares?
8. What is the difference between public issue and private issue of shares?
9. What is capital redemption reserve?
10. What is buy back of shares?
11. Examine the impact of buy-back of shares on the financial statements.
12. What is book-building?
13. How is dividend declared?
14. How is cash dividend different from stock dividend?
15. How are the preference shares redeemed?
16. Examine difference between preference shares and equity shares?
17. What is preferential allotment of shares?
18. Explain the impact of the issue of bonus shares on the book value per share.
19. Examine the difference between buy-back and payment of dividend.
20. What are convertible debentures?

Numerical Questions

1. The authorized capital of Altd. = 500,000 (Rs. 10). Company issued 60% of the authorized capital at a premium of 50%. Entire issue was subscribed and fully paid up. The company used the funds to buy plant and machinery. Life of the assets = 10 years. Company also availed loan with a debt equity ratio of 2:1. Show the financial statements at the beginning of the year(when the transactions took place) and at the end of the year. Make suitable assumptions.

2. Refer to the above question. During the first quarter of the second year, the company had the following transactions:
   - Purchases stock of raw material = 50,000 on credit
   - Hired a production engineer with a salary of 10,000 per month.
   - Converted the raw material into finished stock and sold the finished stock to a local company = Rs. 250,000
   - 50% of the sales was on credit.

   Show the financial statements at the end of the first quarter of the second year(when the transactions took place) and at the end of the year. Make suitable assumptions.

3. A ltd. issued 10, 000 share of Rs. 10 at Rs. 50 in consideration of plant costing Rs. 50,000. Show the accounting equation.

4. A ltd. issued 10, 000 share of Rs. 10 at a discount of 20% in consideration of a plant costing Rs. 50,000. Show the accounting equation.

5. A ltd. issued 10, 000 share of Rs. 10 at Rs. 50 in consideration of shares of XY ltd. Market value of the shares of XYltd. = 100,000. Show the accounting equation.

6. A ltd. acquires XY ltd. at a discount of 25%. The total number of outstanding shares of XY ltd = 10,000. Market price of 100,000. Altd issues its shares of Rs. 5 at a premium of Rs. 5. Show the accounting equation. Find the number of shares to be issued by Altd.

7. Impact on Networth: Examine the impact of the following transactions on the networth of a company:
    - Issue of bonus shares in the ratio of 2:1
    - Issue of shares of Rs. 10 at a premium of 50%
    - Declarartion of stock dividend
    - Declaration of cash dividend
    - Conversion of bonds into shares
    - Interest due but not paid
    - Buy back of shares at the face value
    - Acquisition of shares of other company by issuing shares at a premium

8. Buy-back: Following are the relevant financial items of A ltd.
    - Share capital (5) = 100,000
    - Reserves = 200,000
    - 10% Loans= 150,000
    - Plant and machinery = 100,000
    - Stock = 100,000
    - Shares of XY ltd. = 250,000
    - Balance, if any in the form of cash

    Altd. decides to buy 2000 shares from the existing shareholders. The price for buy-back was fixed at 50. Show the new balance sheet after the buy back. Make the necessary assumptions.

9. Refer to the above question. Can the company go for buy back in the following situations (treat each as independent question):
    - If loan = 300,000
    - If loan = 100,000 and Reserves = Nil
    - Shares not fully paid-up

10. Following were sources of AB Ltd. as on 1st April 2005.
    - 50,000 equity shares pf Rs. 10 issued at premium of 10
    - General reserves = 300,000
    - Sundry creditors = 200,000
    - 12% Loan = 300,000

    Sources were represented by plant, stock and cash in the ratio of 3:2:1

The company issued bonus shares in the ratio of 1:4. Show the accounting equation

11. Stock Split: Share capital of Altd = 10,000 share of Rs. 10 issued at 100. Market price of shares = 250. Company splits each share into 4 shares. Show the accounting equation and give your comments.

12. Market value to book value per share of Altd. is 10 times more than that of Bltd. Both companies belong to steel sector. Examine the reasons for such differences.

13. Following are the relevant financial items of Altd.
    - Share capital(10) = Rs.50,000
    - Reserves and Surplus = Rs. 200,000
    - 12% Convertible bonds = Rs.100,000
    - Plant = Rs.50,000
    - Stock = Rs.100,000
    - Shares of XY ltd. = Rs. 25,000
    - Balance in the form of cash

    Answer the following (Treat each as independent question)

    a) Find net-worth
    b) Company declares stock dividend in the ratio of 2:1. Find book value per share.
    c) Company declares cash dividend 50%. Find book value per share.
    d) Find debt equity ratio
    e) Company converts 50% of the debentures into shares. Find debt equity ratio.
    f) Company converts 50% of the debentures into shares issued at a premium of 50%. Find the number of shares to be issued and the networth of the company after the conversion

Real World Questions

14. Mind Tree issued shares of Rs 10 at a price of 425. The price earning ratio was 18.16 times. The investment advisors expect the PER to increase to 25. Find the profit on sale of the shares, if you were allotted 100 shares at the time of IPO.

15. Mr. X had 200 Infosys shares. The face value of the share is Rs. 5. The company has been doing very well in the market too and was profitable too. The management declared stock dividend in the ratio of 1:1 during 2006 when the stock was selling at Rs. 2800. Answer the following:
    - What would have happened to the share price after the stock dividend?
    - Mr. X sold 50% of the shares after the stock dividend at Rs. 1800 per share. Calculate the profit or loss on the transaction

16. Following table shows the shareholding pattern of I-Flex Solutions ltd.

Shareholding Pattern of I-Flex as on 31st December 2006 (%)	
Foreign Promoters	56.32
General Public	9.28
Other Indian Companies	29.38
Others	5.02

Total number of shares of I-Flex as on the above date were 79,179,144. Face value of the shares was Rs. 5.
Required:

- Find the market value of the investment of the above shareholders as on 31st December 2006 and 31st March 2007.
- Compare the market value per share with the book value per share as on the above dates.
- Explain why is the market value different from the book value.

17. Following table shows the Book value per share of Balaji Telefilms Ltd.

Year	**2006/03**	**2005/03**	**2004/03**	**2003/03**	**2002/03**
Book Value per share	38.4	32.7	28.0	20.7	12.8
No of equity shares (cr)	6.52	6.52	5.15	5.15	5.15

The face value of share is Rs 2.
Required:

- How and why book value per share increased during last five years.
- Find the reserves and surplus of the company during the last five years.

18. Refer to the shareholders fund of NALCO. Examine the impact of the following on the shareholders fund:
    a) Government of India divest 20% of its stake.
    b) NALCO purchases its shares from the open market.
    c) NALCO acquires shares in BALCO at the market price
    d) Infosys acquires NALCO's shares from the market
    e) NALCO declares cash dividend
    f) NALCO declares stock dividend in the ratio of 1:2
    g) Share price of NALCO increases by 30%

19. Visit the web site of Tata Steel and examine the impact of the acquisition of Corus steel on the shareholders's fund.

20. Following table shows the price earning ratio of some of the companies listed on the National Stock Exchange of India. Comment on the ratio.

21. Bharti Airtel Ltd. made a public Issue of 46,334,175 Equity Shares of Rs 10 each for Cash at a Premium of Rs35 per share. Answer the following:
    a) Show the accounting equation
    b) If you bought 100 shares. What will be the value of the shares of your shares as on 1st April 2006

22. Biocon Ltd. acquired the following assets during the year 2004:
    - PLANT & MACHINERY: 260 crore
    - Land: 18.40 crore
    - Buildings: 120 crore
    - Other Assets: 15.00 crore

    It finance the acquisition through internal accruals and the money raised through the public issue of 10,000,000 Equity Shares of Rs 5 each for cash at a Premium of Rs310 per share.

Show the accounting equation.

23. During 2002, I-Flex Solutions ltd. made public Issue of 3,961,700 Equity Shares of Rs 5 each for Cash at a Premium of Rs.525 per share. Mr. A purchased 1000 shares. The company declared dividend as follows:

Dividend	
Year	Dividend %
2006 / 03	100
2005 / 03	100
2004 / 03	70
2003 / 03	50
2002 / 03	25

During May 2003, the company also announced bonus share in the ratio of 1: 1

Required:

- Show the dividend earned by Mr. A during the last six years.
- Find the total dividend paid by the company during the year ending March 2006
- Find the return on capital as on 31st March 2006, if the price of the shares on that day was 1327.

24. In 1999, Whirlpool of India Ltd. made a public Issue of 63,435,915 Equity Shares of Rs 10 each for Cash at a Premium of Rs2 per share. Show the accounting equation on the date of issue.