

## HW - Chapter 3 - Ratios - Q6

**(a) Dividend yield on the equity shares**

$$= \text{Dividend per share} \div \text{Market price per share} = 2 \div 40 \times 100 = 5\%$$

**(b) Dividend coverage ratio**

(i) Preference = Profit after taxes  $\div$  Dividend payable to preference shareholders =  
 $270,000 \div 27,000 = 10$  times

(ii) Equity = Profit after taxes - Preference share dividend  $\div$  Dividend payable to equity shareholders at current rate of Rs. 2 per share =  $(\text{Rs. } 2,70,000 - \text{Rs. } 27,000) \div \text{Rs. } 1,60,000$  (i.e.  $80,000$  shares  $\times$  Rs. 2) = 1.52 times

**(c) Earnings per equity share**

$$= \text{Earnings available to equity shareholders} \div \text{Number of equity shares outstanding} = \text{Rs. } 2,43,000 \div 80,000 = \text{Rs. } 3.04 \text{ per share}$$

**(d) Price-earning (P/E) ratio**

$$= \text{Market price per share} = \text{Rs. } 40 \div 3.04 = 13.2 \text{ times}$$