

1. A man buys Rs. 20 shares paying 9% dividend. The man wants to have an interest of 12% on his money. What is the market value of each share?

A. Rs.12

B. Rs.18

C. Rs.15

D. Rs.21

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Answer : Option C

Explanation :

Face value of each share = Rs.20

$$\text{Dividend per share} = 9\% \text{ of } 20 = \frac{9 \times 20}{100} = \frac{9}{5}$$

He needs to have an interest of 12% on his money

$$\text{ie, Money Paid for a share} \times \frac{12}{100} = \frac{9}{5}$$

$$\text{Money Paid for a share} = \frac{9}{5} \times \frac{100}{12} = 15$$

ie, Market Value of the share = Rs.15

2. A man invested Rs.1552 in a stock at 97 to obtain an income of Rs.128. What is the dividend from the stock?

A. None of these

B. 9.7%

C. 7.5%

D. 8%

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Answer : Option D

Explanation :

By investing Rs.1552, income = Rs.128

$$\text{By investing Rs.97, income} = \frac{128 \times 97}{1552} = 8$$

ie, dividend = 8%

3. The cost price of a Rs. 100 stock at 4 discount, when brokerage is $\frac{1}{5}$ % is

A. Rs. 96.25

B. Rs. 96.2

C. Rs. 97.25

D. Rs. 97.5

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Answer : Option B

Explanation :

$$\text{Cost Price} = 100 - 4 + \frac{1}{5} = 96.2$$

4. In order to obtain an income of Rs. 650 from 10% stock at Rs. 96, one must make an investment of

A. Rs. 3100

B. Rs. 6500

C. Rs. 6240

D. Rs. 9600

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Answer : Option C

Explanation :

Market Value = Rs. 96.

Required Income = Rs. 650.

Here face value is not given. Take face value as Rs.100 if it is not given in the question

To obtain Rs.10 (ie,10% of the face value 100), investment = Rs.96

$$\text{To obtain Rs.650, investment} = \frac{96}{10} \times 650 = 6240$$

5. By investing in $16\frac{2}{3}\%$ stock at 64, one earns Rs. 1500. The investment made is

A. Rs. 9600

B. Rs. 7500

C. Rs. 5640

D. Rs. 5760

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Answer : Option D

Explanation :

Market Value = Rs.64

Face Value is not given and hence take it as Rs.100

$$16 \frac{2}{3} \% \text{ of the face value} = \frac{50}{3}$$

ie, to earn $\frac{50}{3}$, investment = Rs.64

$$\text{Hence, to earn Rs.1500, investment needed} = \frac{64 \times 3 \times 1500}{50} = 5760$$

6. A man invested Rs. 4940 in Rs. 10 shares quoted at Rs. 9.50. If the rate of dividend be 14%, his annual income is

A. Rs.728

B. Rs.648

C. Rs.720

D. Rs.622

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Answer : Option A

Explanation :

Market Value of a share = Rs.9.50

Investment = Rs.4940

Number of shares = $4940/9.50 = 520$

Face Value of a share = Rs.10

dividend = 14%

dividend per share = $\frac{(10 \times 14)}{100} = \text{Rs. } 1.4$

His annual income = $520 \times 1.4 = \text{Rs.728}$

7. A man invests some money partly in 12% stock at 105 and partly in 8% stock at 88. To obtain equal dividends from both, he must invest the money in the ratio:

A. 31 : 44

B. 31 : 27

C. 16 : 15

D. 35 : 44

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Here is the answer and explanation

Answer : Option D

Explanation :

Solution 1

In case of stock1, if he invest Rs.105, he will get a dividend of Rs.12 (assume face value = 100)

In case of stock2, if he invest Rs.88, he will get a dividend of Rs.8 (assume face value = 100)

ie, if he invest Rs.(88*12)/8, he will get a dividend of Rs.12

Required ratio = $105 : (88 \times 12)/8 = 105 : (11 \times 12) = 35 : (11 \times 4) = 35 : 44$

Solution 2

Let the amount of money he invest in 12% stock = P

Then, Number of shares = $P/105$ (where 105 is the market value per share)

Total dividend = $(P/105) \times 12$ (Assume face value = Rs.100 and hence dividend per share = Rs.12)

Let the amount of money he invest in 8% stock = Q

Then, Number of shares = $Q/88$ (where 88 is the market value per share)

Total dividend = $(Q/88) \times 8$ (Assume face value = Rs.100 and hence dividend per share = Rs.8)

If both needs to give equal dividends,

$$\frac{P}{105} \times 12 = \frac{Q}{88} \times 8$$

$$\frac{P}{Q} = \frac{8 \times 105}{88 \times 12} = \frac{105}{11 \times 12} = \frac{35}{11 \times 4} = \frac{35}{44}$$

$$P:Q = 35:44$$

8. A man bought 40 shares of Rs. 60 at 5 discount, the rate of dividend being $12\frac{1}{2}\%$ The rate of interest obtained is

A. 13.64%

B. 15.5%

C. 14%

D. 14.25%

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Answer : Option A

Explanation :

Face Value of a share = Rs.60

He bought each share at Rs.60 - Rs.5 = Rs.55

Number of shares = 40

$$\text{Dividend} = 12 \frac{1}{2} \% = \frac{25}{2} \%$$

$$\text{Dividend per share} = \frac{60 \times 25}{2 \times 100} = \text{Rs. } 7.5$$

Total dividend = (40 × 7.5)

ie, He got a dividend of (40 × 7.5) for an investment of Rs.(40 × 55)

$$\text{Interest obtained} = \frac{40 \times 7.5 \times 100}{40 \times 55} = 13.64\%$$

9. By investing Rs. 1800 in 9% stock, Syam earns Rs. 120. The stock is then quoted at

A. Rs.135

B. Rs. 96

C. Rs. 85

D. Rs. 122

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Answer : Option A

Explanation :

Assume that face value = Rs.100.

Dividend per share = Rs.9 (as it is a 9% stock)

By investing Rs. 1800, he earns Rs.120

$$\text{Investment needed to earn Rs.9} = \frac{1800 \times 9}{120} = \text{Rs.135}$$

ie, stock is then quoted (then market value) = Rs.135

10. The market value of a 10.5% stock, in which an income of Rs. 756 is derived by investing Rs. 9000, brokerage being $\frac{1}{4}$ %, is:

A. Rs. 124.75

B. Rs. 108.25

C. Rs. 125.25

D. Rs. 112.20

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Answer : Option A

Explanation :

Assume that face value = Rs.100

Dividend per share = Rs.10.5 (as it is 10.5% stock)

By investing Rs.9000, earnings = Rs.756

To get an earning of Rs.10.5, investment required = $\frac{9000 \times 10.5}{756} = \text{Rs.125}$

ie, market value of Rs. 100 stock = Rs.(125- 1/4) = Rs.124.75

11. A 14% stock yielding 8% is quoted at:

- A. Rs. 125 B. Rs. 83.33
C. Rs. 120 D. Rs. 175

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Answer : Option D

Explanation :

Assume that face value = Rs.100 as it is not given

To earn Rs.8, money invested = Rs.100

To earn Rs.14, money invested = $\frac{100 \times 14}{8} = \text{Rs.175}$

ie, market value of the stock = Rs.175

12. Which is better investment: 11% stock at 143 or $9\frac{3}{4}$ % stock at 120?

- A. $9\frac{3}{4}$ % stock at 120 B. Cannot be compared, as the total amount of investment is not given.
C. 11% stock at 143 D. Both are equally good

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Answer : Option A

Explanation :

Assume that face value of both stocks are Rs.100 as it is not given.

Hence, dividend per share in 1st case is Rs.11

and dividend per share in 2nd case is Rs.39/4

Assume that investment in each case is (Rs.143 × Rs.120)

Number of shares once can purchase in 1st case = $\frac{143 \times 120}{143} = 120$

Income in 1st case = Rs.(120 × 11) = Rs.1320

Number of shares once can purchase in 2nd case = $\frac{143 \times 120}{120} = 143$

Income in 2nd case = 143 × 39/4 = Rs.1394.25

Hence, $9\frac{3}{4}$ % stock at 120 is better

13. Sakshi invests a part of Rs. 12,000 in 12% stock at Rs. 120 and the remainder in 15% stock at Rs. 125. If his total dividend per annum is Rs. 1360, how much does he invest in 12% stock at Rs. 120?

A. Rs. 6000

B. Rs. 4500

C. Rs. 5500

D. Rs. 4000

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Answer : Option D

Explanation :

Let Sakshi invests Rs.x in 12% stock

and he invests (12000-x) in 15% stock

Assume that face value of both stocks are Rs.100 as it is not given.

Hence, dividend per share in 1st case is Rs.12

and dividend per share in 2nd case is Rs.15

Number of 12% shares he can purchase with Rs.x = $x/120$

Total dividend from 12% shares = $\frac{x \times 12}{120}$

Number of 15% shares he can purchase with Rs.(12000-x) = $(12000-x)/125$

$$\text{Total dividend from 15\% shares} = \frac{(12000 - x) \times 15}{125}$$

Total dividend = Rs.1360

$$\frac{x \times 12}{120} + \frac{(12000 - x) \times 15}{125} = 1360$$

$$\frac{x}{10} + \frac{(12000 - x) \times 3}{25} = 1360$$

$$5x + 6(12000 - x) = 1360 \times 50$$

$$5x + 72000 - 6x = 68000$$

$$x = 4000$$

14. Rs. 9800 are invested partly in 9% stock at 75 and 10% stock at 80 to have equal amount of incomes. The investment in 9% stock is:

A. Rs. 4800

B. Rs. 5400

C. Rs. 5000

D. Rs. 5600

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Answer : Option C

Explanation :

Assume that face value of both stocks are Rs.100 as it is not given.

Hence, dividend per share in 1st case is Rs.9

and dividend per share in 2nd case is Rs.10

Let investment in 9% stock = Rs.x

and investment in 10% stock = Rs.(9800-x)

Market value of a 9% stock= Rs.75

Number of 9% stocks he can purchase with Rs.x = $x/75$

$$\text{Total dividend from 9\% stocks} = \frac{x \times 9}{75}$$

Market value of a 10% stock = Rs.80

Number of 10% stocks he can purchase with Rs.(9800-x) = $(9800-x)/80$

$$\text{Total dividend from 10\% stocks} = \frac{(9800 - x) \times 10}{80}$$

incomes from both of the investments is same

$$\frac{x \times 9}{75} = \frac{(9800 - x) \times 10}{80}$$

$$\frac{x \times 3}{25} = \frac{(9800 - x)}{8}$$

$$24x = 25 \times 9800 - 25x$$

$$49x = 25 \times 9800$$

$$x = \frac{25 \times 9800}{49} = 25 \times 200 = 5000$$

ie, investment in 9% stock = Rs.5000

15. A 6% stock yields 8%. The market value of the stock is:

A. Rs. 133.33

B. Rs. 96

C. Rs. 75

D. Rs. 48

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Answer : Option C

Explanation :

Assume that face value = Rs.100 as it is not given

To earn Rs.8, money invested = Rs.100

$$\text{To earn Rs.6, money invested} = \frac{100 \times 6}{8} = \frac{100 \times 3}{4} = 25 \times 3 = 75$$

ie, market value of the stock = Rs.75

16. 12500 shares, of par value Rs. 20 each, are purchased from Ram by Mohan at a price of Rs. 25 each. Find the amount required to purchase the shares.

A. 312500

B. 311500

C. 313500

D. 314500

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Answer : Option A

Explanation :

Face value of each share = Rs.20

Market value of each share = Rs.25

Number of shares = 12500

Amount required to purchase the shares = $12500 \times 25 = 312500$

17. 12500 shares, of par value Rs. 20 each, are purchased from Ram by Mohan at a price of Rs. 25 each. If Mohan further sells the shares at a premium of Rs. 11 each, find his gain in the transaction.

A. Rs. 75000

B. Rs. 70000

C. Rs. 85000

D. Rs. 65000

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Answer : Option A

Explanation :

Face value of each share = Rs.20

Market value of each share = Rs.25

Number of shares = 12500

Amount required to purchase the shares = $12500 \times 25 = 312500$

Mohan further sells the shares at a premium of Rs. 11 each

ie, Mohan further sells the shares at Rs.(20+11) = Rs.31 per share

total amount he gets by selling all the shares = $12500 \times 31 = 387500$

His gain = $387500 - 312500 = \text{Rs.}75000$

18. Find the annual dividend received by Nishita from 1200 preferred shares and 3000 common shares both of par value Rs. 50 each if the dividend paid on preferred shares is 10% and semi-annual dividend of $3\frac{1}{2}\%$ is declared on common shares.

A. Rs. 18500

B. Rs. 16500

C. Rs. 14500

D. Rs. 19500

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Answer : Option B

Explanation :

Total number of preferred shares = 1200

Face value = Rs.50

dividend paid on preferred shares is 10%

$$\text{Dividend per share} = \frac{50 \times 10}{100} = \text{Rs.}5$$

$$\text{Total Dividend} = 1200 \times 5 = 6000$$

Total number of common shares = 3000

Face value = Rs.50

Semi-annual dividend of $3\frac{1}{2}$ % is declared on common shares.

$$\text{semi-annual dividend per share} = \frac{50 \times 7}{2 \times 100} = \text{Rs.} \frac{7}{4}$$

$$\text{Total semi-annual dividend} = \frac{7}{4} \times 3000 = \text{Rs.}5250$$

$$\text{annual dividend} = \text{Rs.}5250 \times 2 = \text{Rs.}10500$$

$$\text{Total dividend on all all shares(preferred and common)} = 6000 + 10500 = \text{Rs.}16500$$

19. A man invested Rs. 26000 in 5% stock at 104. He sold the stock when the price rose to Rs. 120 and invested the sale proceeds in 6% stock. By doing this his income increased by Rs. 2500. At what price did he purchase the second stock?

A. Rs. 125

B. Rs. 48

C. Rs. 24

D. None of these

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Answer : Option B

Explanation :

Assuming that face value of the first stock = Rs.100 as it is not given in the question

Since it is a 5% stock, we can take the dividend per stock = Rs.5

Market Value of the first stock = Rs.104

Investment on the first stock = Rs.26000

Number of stocks purchases = $26000/104 = 250$

His total income from all these stocks = $Rs.250 \times 5 = Rs.1250$

He sells each of this stock at Rs.120

ie, amount he earns = $Rs.120 \times 250 = Rs.30000$

He invest this Rs.30000 in 6% stock (here also face value is not given and hence take it as Rs.100)

His new income = $Rs.(1250 + 2500) = Rs.3750$

ie, By Rs.30000 of investment , he earns an income of Rs.3750

To get an income of Rs.6, investment needed = $\frac{30000 \times 6}{3750} = Rs.48$

This is the market value of the second stock

20. Anu invested Rs. 32400 in 8% stock at 90. She sold out Rs. 18000 stock when the price rose to Rs 95 and the remaining stock at Rs.98. She invested the total sale proceeds in 10% stock at 96½. Find the change in income of Anu.

A. Rs.2220

B. Rs.120

C. Rs.2720

D. Rs.720

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Answer : Option D

Explanation :

Since the face value of the stock is not given, we can take it as Rs.100

it is an 8% stock. ie, dividend per stock = Rs.8

Total investment = Rs.32400

Market Value = Rs.90

Amount of stock she purchased = $\frac{32400 \times 100}{90} = Rs.36000$

Number of shares she purchased = $32400/90 = 360$

Total income = $360 \times 8 = Rs.2880$

She sold out Rs. 18000 stock when the price was Rs.95

Amount received by selling Rs.18000 stock at Rs.95 = $\frac{18000 \times 95}{100} = \text{Rs.}17100$

Amount received by selling remaining Rs.18000 stock at Rs.98 = $\frac{18000 \times 98}{100} = \text{Rs.}17640$

Total amount received = Rs. (17100 + 17640) = Rs. 34740

This Rs.34740 is invested in 10% stock at 96½

Number of shares = $\frac{34740}{\left(\frac{193}{2}\right)} = 360$

Total income from these stocks = 360 × 10 = Rs.3600

Change in income = Rs.3600 - Rs.2880 = Rs.720

21. A man bought 20 shares of Rs. 50 at 5 discount, the rate of dividend being $13\frac{1}{2}\%$ The rate of interest obtained is

A. 12.5%

B. 15%

C. 15.5%

D. 17%

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Answer : Option B

Explanation :

Face Value of a share = Rs.50

He bought each share at Rs.50 - Rs.5 = Rs.45

Number of shares = 20

Dividend = $13\frac{1}{2}\% = \frac{27}{2}\%$

Dividend per share = $\frac{50 \times 27}{2 \times 100} = \text{Rs.}6.75$

Total dividend = (20 × 6.75)

ie, He got a dividend of (20 × 6.75) for an investment of Rs.(20 × 45)

Interest obtained = $\frac{20 \times 6.75 \times 100}{20 \times 45} = 15\%$

22. Find the income on $7\frac{1}{2}$ % stock of Rs. 2000 purchased at Rs. 80.

- A. Rs.6
B. Rs.160
C. Rs.148
D. Rs.150

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Here is the answer and explanation

Answer : Option D

Explanation :

Face Value of the stock = Rs.2000

Dividend is $7\frac{1}{2}\% = \frac{15}{2}\%$ of the face value

$$\text{Dividend} = \frac{2000 \times 15}{2 \times 100} = \text{Rs.150}$$

23. John buys 100 shares of par value Rs. 5 each, of a company, which pays an annual dividend of 12% at such a price that he gets 10% on his investment. Find the market value of a share.

- A. Rs.6
B. Rs.12
C. Rs.4
D. Rs.8

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Answer : Option A

Explanation :

Face value of each share = Rs.5

$$\text{Total dividend received by John} = 100 \times 5 \times \frac{12}{100} = \text{Rs.60}$$

Let market value of 100 shares = Rs.x

$$x \times \frac{10}{100} = 60$$

$$x = 600$$

ie, Market value of 100 shares = Rs.600

Hence, Market value of each share = Rs.6

24. A man invested Rs. 5050 in 5% stock at 99 and sold it when the price rose to Rs. 101.

He invested the sale proceeds in 8% stock at 88. Find the change in man's income if the Brokerage is Rs. 2.

A. 0

B. Rs.160

C. Rs.180

D. Rs.190

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Answer : Option D

Explanation :

Purchase price of the first stock = Rs.99 + Rs.2 = Rs.101

Number of stocks purchased in this case = $5050/101 = 50$

Since the face value is not given, it can be taken as Rs.100. So, dividend per share = Rs.5

Income = $50 \times 5 = \text{Rs.}250$

Sale Price of the stock = $101 - 2 = 99$

Amount received by selling the stock = $50 \times 99 = 4950$

Then he invests this Rs.4950 in 8% stock at 88

Purchase price of this stock = $88 + 2 = 90$

Number of stocks purchased in this case = $4950/90 = 55$

Since the face value is not given, it can be taken as Rs.100. So, dividend per share = Rs.8

Income = $55 \times 8 = \text{Rs.}440$

Change in income = $440 - 250 = \text{Rs.}190$

25. To produce an annual income of Rs. 800 from a 8% stock at 90, the amount of stock needed is:

A. Rs.10000

B. Rs.14400

C. Rs.10800

D. Rs.16000

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Answer : Option A

Explanation :

Since face value is not given, take it as Rs.100.

Number of shares = 20000

Face value of each share = Rs.10

divided per share = $10 \times \frac{R}{100}$ where R is the rate of interest

Total divided = $20000 \times 10 \times \frac{R}{100}$

$$20000 \times 10 \times \frac{R}{100} = 24000$$

$$\Rightarrow R = \frac{24000}{2000} = 12$$

ie, divided = 12%

28. A company declared a semi-annual dividend of 12%. Find the annual dividend of Sam owing 2000 shares of the company having a par value of Rs. 10 each.

A. Rs.4800

B. Rs.2400

C. Rs.3600

D. None of these

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Answer : Option A

Explanation :

$$\text{semi-annual dividend} = \frac{10 \times 12}{100} = \text{Rs.1.2}$$

$$\text{Total semi-annual dividend} = 2000 \times 1.2 = \text{Rs.2400}$$

$$\text{Total annual dividend} = 2 \times \text{Rs.2400} = \text{Rs.4800}$$

29. A company has issued 500 preferred shares and 400 common shares both of par value Rs. 100 each. The dividend on a preferred share and a common share is 8% and 12%, respectively. The company had a total profit of 150000 rupees out of which some amount was kept in reverse fund and the remaining disturbed as dividend. Find the amount kept in reserve fund.

A. Rs.141200

B. Rs.160000

C. Rs.7200

D. Rs.182200

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Answer : Option A

Explanation :

Face value of each preferred share = 100

$$\text{Dividend per preferred share} = \frac{100 \times 8}{100}$$

$$\text{Total dividend in all preferred shares} = \frac{500 \times 100 \times 8}{100} = \text{Rs.4000}$$

Face value of each common share = 100

$$\text{Dividend per common share} = \frac{100 \times 12}{100}$$

$$\text{Total dividend in all common shares} = \frac{400 \times 100 \times 12}{100} = \text{Rs.4800}$$

Total dividend = Rs.4000 + Rs.4800 = Rs.8800

amount kept in reserve fund = Rs.150000 - Rs.8800 = Rs.141200

30. Arun invested Rs. 333000 in 5½ % stocks at 110 .If brokerage is Rs.1, what is his annual income from his investment.

A. Rs.16500

B. Rs.12500

C. Rs.16000

D. Rs.18000

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Answer : Option A

Explanation :

Investment = Rs.333000

Since face value is not given, we can take it as Rs.100

and dividend per share = Rs.11/2

Market Value = 110 + 1 = 111

Number of shares purchased = 333000/111 = 3000

$$\text{Total income} = 3000 \times \frac{11}{2} = \text{Rs.16500}$$

31. Find the income on 8% stock of Rs.1200 purchased at Rs.120?

A. Rs.96

B. Rs.66

C. Rs.90

D. Rs.88

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Here is the answer and explanation

Answer : Option A

Explanation :

Face Value = Rs.1200

Market Value = Rs.120

$$\text{Dividend (income)} = \frac{1200 \times 8}{100} = \text{Rs.96}$$