

Adams Faysal

17/SMS02/002

ACC 302

ASSIGNMENT

Average Of 3 Years Profit

| | 2013 # | 2014 # | 2015 # |
|---------------------------|-----------|-----------|-----------|
| Profit | 650,000 | 720,000 | 835,000 |
| Depreciation | (150,000) | (150,000) | (150,000) |
| Directors Remuneration | 125,000 | 205,000 | 225,000 |
| Inventory Overvalued | (120,000) | | |
| Adjusted Profit | 505,000 | 775,000 | 910,000 |

$$\text{Current earnings} = \frac{505,000 + 775,000 + 910,000}{3}$$

$$= \frac{2,190,000}{3} = 730,000$$

$$\text{Earnings Yield} = \frac{\text{Average of company 1 and company 2}}{2}$$

$$= \frac{5.4 + 6.6}{2} = \frac{12}{2} = 6$$

$$\therefore \text{P/E basis} = \frac{730,000}{6} = \underline{\underline{121.67}}$$

2. Dividend Yield basis

$$= \frac{\text{Current or expected dividend}}{\text{Dividend Yield}}$$

$$\text{Current dividend} = 450,000$$

Dividend Yield = Average of company 1 and 2

$$\text{Dividend Yield} = \frac{0.09 + 0.11}{2}$$

$$= \frac{0.2}{2} = 0.1$$

$$\therefore \text{Dividend Yield Basis} = \frac{450,000}{0.1}$$

$$= 4,500,000$$

3

Book Value Basis

| | |
|----------------------|-------------|
| Freehold Premises | 1300 |
| Equipment | 3120 |
| Current Assets: | |
| Inventory (1395-120) | 1275 |
| Receivables | 965 |
| Bank | 130 |
| Less Payable | (820) |
| | <u>5970</u> |

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4 Replacement Value Basis

| | |
|-------------------|--------------|
| Freehold Premises | 3000 |
| Equipment | 1730 |
| Inventory | 870 |
| | <u>5600</u> |
| Less Payable | 820 |
| | <u>4,780</u> |

5 Liquidation Basis

| | |
|-------------------|-------------|
| Freehold Premises | 3000 |
| Equipment | 1080 |
| Inventory | 1,600 |
| | <u>5680</u> |