

Name: Subair Adedamola Samuel
 Course: Acc 302
 Department: Accounting
 Matric No: 17/cuiso21061

Solution

1. Average of 3 years profit

	2013	2014	2015
Profit	650,000	720,000	835,000
Depreciation	150,000	150,000	150,000
Director's remuneration	125,000	205,000	225,000

Inventory (20,000)

Overvalued
 Adjusted Profit 505,000 775,000 610,000

$$\text{Current Earnings} = \frac{505,000 + 775,000 + 610,000}{3} = \frac{2,190,000}{3} = 730,000$$

$$\text{Current Earnings} = 730,000$$

Earnings Yield = Average of Company 1 and company 2

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

$$= \frac{12}{2} = 6$$

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

2. Dividend Yield Basis

= Current or Unexpected dividend

Dividend Yield

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

Dividend Yield = Average of Company 1 and 2

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

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

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

$$= 4,500,000$$

3. BOOK VALUE BASIS

Freehold Premises	1300
Equipments	3120
Current Assets	
Inventory (1395 - 120)	1275
Receivables	965
Bank	130
Less Payables	820
	<u>5,970</u>

4. Replacement Value Basis

Freehold Premises	3,000
Equipment	1730
Inventory	870
	<u>5600</u>
less Payables	820
	<u>4780</u>

5. Liquidation Basis

Freehold Premises	3000
Equipment	1000
Inventory	1600
	<u>5600</u>
less payables	820
	<u>4780</u>