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Matric no: 17/5ms02/037

Case: Acc 302

1.)

	Average of 3 yrs profit		
	2013	2014	2015
	₦	₦	₦
P.I.T	650,000	720,000	885,000
depreciation	(150,000)	(150,000)	(150,000)
Director's remuneration	125,000	205,000	225,000
Inventory	(120,000)		
Or revalued adjusted profit	505,000	775,000	910,000
Current earnings =	$\frac{505,000 + 775,000 + 910,000}{3}$		

$$= 730,000$$

Earnings yield = $\frac{\text{Avg of Company 1 \& 2}}{2}$

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

2

$$= 6\%$$

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

6

2) Dividend yield basis = $\frac{\text{Current or expected dividend}}{\text{Dividend yield}}$

Current dividend = 450,000

Dividend yield = $\frac{\text{Avg of Company 1 \& 2}}{2}$

$$= \frac{0.09 + 0.11}{2}$$

2

$$= 0.1$$

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

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	<u>(820)</u>
	<u>5970</u>

4.) Replacement value basis

	#
Freehold premises	3000
Equipment	1730
Inventory	<u>870</u>
	5600
Less payables	<u>820</u>
	<u>4780</u>

5.) Liquidation basis

	#
Freehold premises	3000
Equipment	1080
Inventory	<u>1600</u>
	5680
Less payables	<u>(820)</u>
	<u>4860</u>