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COURSE CODE: ACC 302

ASSIGNMENT SOLUTION

①

Average of 3 Years Profit	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 Overhead	(120,000)		
Adjusted Profit	505,000	775,000	910,000

Current Earnings = $505,000 + 775,000 + 910,000$
 $= 2,190,000 = \underline{\underline{730,000}}$

Current Earnings = $\$730,000$
Earnings Yield = Average of Company 1 & Company 2
 $= 5.4 + 6.6$
 $= \frac{12}{2} = 6\%$

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

② Dividend Yield Basis

$= \frac{\text{Current / Expected Dividend}}{\text{Dividend Yield}}$

Current Dividend = $\$450,000$

Dividend Yield = Average of Company 1 & Company 2

Dividend Yield = $\frac{0.09 + 0.11}{2}$
 $= \frac{0.2}{2} = \underline{\underline{0.1}}$

①

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

$= \underline{\underline{\$4,500,000}}$

③ Book Value Basis

Freehold Premises	1300
Equipment	3120
Current Assets	
Inventory (1390 - 120)	1275
Receivables	965
Bank	130
Less Payables	(820)
	<u>5,970</u>

④ Replacement Value Basis

Freehold Premises	3000
Equipment	1730
Inventory	870
	<u>5,600</u>
Less Payables	(820)
	<u>4,780</u>

⑤ Liquidation Basis

Freehold Premises	3000
Equipment	1080
Inventory	1600
	<u>5,680</u>
Less Payables	(820)
	<u>4,860</u>

②