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MATRIC NO: 171smso2/024

Course Code: ACC 302 (Intermediate Financial Accounting)

Assignment:

Discipline Ltd

1 Computation of Earnings (Adjustment of various charges)

	2013 ₦	2014 ₦	2015 ₦
Profit	650,000	720,000	835,000
Overvaluation of Stock Inventory	120,000	-	-
Overcharged directors remuneration	(500,000 - 375,000) 125,000	(580,000 - 375,000) 205,000	(600,000 - 375,000) 225,000
Undercharged depreciation	(150,000) (600,000 - 450,000)	(150,000)	(150,000)
Adjusted Profit	745,000	775,000	910,000

$$\text{Average} = \frac{745,000 + 775,000 + 910,000}{3} = 810,000$$

$$\text{P/E basis} = \text{P/E average} \times \text{Average Earnings}$$

$$\text{P/E Average} = \frac{5.4 + 6.6}{2} = 6.$$

$$\therefore 6 \times 810,000 = \text{₦ } 4,860,000$$

2 Dividend Yield basis =  $\frac{\text{Current dividend}}{\text{Dividend Yield}}$

$$\frac{450,000 + 450,000 + 450,000}{3} = 450,000 \quad \frac{0.09 + 0.11}{2} = 0.1$$

$$= \frac{450,000}{0.1} = \text{₦ } 4,500,000$$

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## Book Value basis

Assets	£
Freehold Premises	1,300,000
Equipment	3,120,000
Stock / inventory	1,395,000
Debtors / Receivables	965,000
Bank	130,000
	<u>6,910,000</u>
less liabilities (Payables)	(820,000)
	<u>6,090,000</u>

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## Replacement cost basis

Assets	£
Freehold premises	3,000,000
Equipment	1,730,000
Stock / inventory	870,000
Debtors / Receivables	965,000
Bank	130,000
	<u>6,695,000</u>
less liabilities (Payables)	(820,000)
	<u>5,875,000</u>

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## Liquidation value basis

Assets	£
Freehold Premises	3,000,000
Equipment	1,980,000
inventory	1,600,000
Receivables	965,000
Bank	130,000
	<u>6,775,000</u>
less liabilities Payables	(820,000)
	<u>5,955,000</u>