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DEPARTMENT : Accountancy

COURSE : Intermediate Financial Accounting (ACC302)

MATRIC NO : 17/SM302/018

Solution To Assignment

(1)

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 Over-Valued	(120,000)		
Adjusted Profit	505,000	775,000	910,000

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

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

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

Earnings Yield = Average of Company 1 and Company 2

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

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

$$= 6$$

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

$$= \text{₦}121,666.67$$

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Solution To Assignment (cont'd)

$$(2) \text{ Dividend Yield Basis} = \frac{\text{Current of Expected Dividend}}{\text{Dividend Yield}}$$

$$\begin{aligned} \text{Current Dividend} &= 450,000 \\ \text{Dividend Yield} &= \text{Average of Company 1 and 2} \end{aligned}$$

$$\begin{aligned} \text{Dividend Yield} &= \frac{0.09 + 0.11}{2} \\ &= \frac{0.20}{2} \end{aligned}$$

$$\begin{aligned} \therefore \text{Dividend Yield Basis} &= \frac{400,000}{0.1} \\ &= \cancel{\text{\#1,000,000}} \text{\#4,000,000} \end{aligned}$$

(3) Book Value Basis

Freehold Premises	\# 1,300
Equipment	3,120
<u>Current Assets</u>	
Inventory (1,395 - 120)	1,275
Receivables	965
Bank	130
less: Payable	(820)
	<u>5,970</u>

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Accounting

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Solution To Assignment

(4) Replacement Value Basis

Freehold Premises

Equipment

Inventory

Less: Payables

#

3,000

1,730

870

5,600

(820)

4,780

(5) Liquidation Basis

Freehold Premises

Equipment

Inventory

Less: Payables

#

3,000

1,080

4,600

5,680

(820)

4,860