

Name: Adejumo Oluwalimilehin

Metric No: 17/SMS 02/003

Discipline Met

① P/E basis:

$$\frac{\text{Current earnings}}{\text{Earnings yield}}$$

	2013	2014	2015
Net Profit	650,000	720,000	835,000
Depreciation	(150,000)	(150,000)	(150,000)
Directors remuneration	125,000	205,000	225,000
Inventory overvalued	(120,000)	—	—
	<u>505,000</u>	<u>775,000</u>	<u>910,000</u>

$$\text{Current Earnings} = \frac{505,000 + 775,000 + 910,000}{3}$$
$$= 730,000$$

$$\text{Earnings Yield} = \frac{5.4 + 6.6}{2} = \frac{12}{2} = 6$$

$$\text{P/E basis} = \frac{730,000}{6}$$
$$= 121,667 //$$

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

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

$$\text{Dividend yield} = \frac{0.09 + 0.11}{2} = 0.1$$

$$\begin{aligned} \text{D/Y basis} &= \frac{450,000}{0.1} \\ &= \$4,500,000 \end{aligned}$$

③ Book Value basis

	H
Freehold premises	1,200,000
Equipment	3,120,000
Inventory (1,395,000 - 120,000)	1,275,000
Receivables	965,000
Bank	130,000
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	6,790,000
Payables	(820,000)
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	5,970,000
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④ Replacement cost

	H
Freehold premises	3,000,000
Equipment	1,730,000
Inventory	870,000
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	5,600,000
Payables	(820,000)
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	4,780,000
	<hr style="width: 100%;"/>

⑤ Liquidation basis

	H
Freehold Premises	3,000,000
Equipment	1,080,000
<u>Inventory</u>	<u>1,600,000</u>
	5,680,000
Payables	(820,000)
	<u><u>4,860,000</u></u>