

Name: Ireruke Emmanuel Ogheneteyiri

Matric No: 17/3M302/028

Course Code: ACC302

Date: 29th May 2020

Discipline Ltd

D Computation of Earnings & Adjustment of various changes

	2013 ₦	2014 ₦	2015 ₦
Net profit before dividend	650,000	720,000	835,000
Inventory	120,000	—	—
Directors Remuneration	875,000	955,000	975,000
Depreciation	<u>(150,000)</u>	<u>(150,000)</u>	<u>(1,500,000)</u>
	745,000	775,000	910,000
Average =	$\frac{745,000 + 775,000 + 910,000}{3}$		

$$\text{PIE average} = \frac{5.4 + 6.6}{2} = 6 \quad = 810,000$$

PIE = Price earning ratio x Earning

$$6 \times 810,000 = \underline{\underline{4,860,000}}$$

2) Dividend Yield basis

Current Dividend

Dividend yield

$$\frac{0.09 + 0.11}{2} = 0.1$$

$$= \frac{450,000}{0.1}$$

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

### 3) Book value Basis

	₹
Freehold premises	1,300,000
Equipment	3,120,000
Inventory	1,395,000
Receivables	965,000
Bank	<u>130,000</u>
	6910000
Payables	<u>(820,000)</u>
	<u>6090000</u>

### 4) Replacement Cost Basis

	₹
Freehold Premises	3,000,000
Equipment	1,730,000
Inventory	870,000
Receivables	965,000
Bank	<u>130,000</u>
	6695000
Payables	<u>(820,000)</u>
	<u>5875000</u>

### 5) Liquidation Basis

	₹
Freehold premises	3,000,000
Equipment	1,080,000
Inventory	1,600,000
Receivables	965,000
Bank	<u>130,000</u>
	6775000
Payables	<u>(820,000)</u>
	<u>5955000</u>