

Scanned Documents

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 MATRICULATION NUMBER: 1715ms021041
 DEPARTMENT: ACCOUNTING
 SUBJECT: ACC 302

Solutions

DISCIPLINE LTD

Computation of Valuation of Discipline Ltd:

ASSETS:	Book #	Replacement #	Liquidation #
Freehold Premises (cost)	1,800,000	3,000,000	3,000,000
Equipment (net book value)	3,120,000	1,980,000	1,000,000
Inventory	1,895,000	870,000	1,600,000
Receivables	96,000	96,000	96,000
Bank	120,000	130,000	120,000
	6,911,000	6,675,000	6,775,000
Less liabilities (payables)	(820,000)	(820,000)	(820,000)
	6,091,000	5,855,000	5,955,000

Computation of Earnings of Discipline Ltd:

	2013 #	2014 #	2015 #
Profit before dividend	650,000	720,000	835,000
Overvaluation of inventory	120,000	-	-
Overvaluation of directors' remuneration	125,000	205,000	225,000
Depreciation	(150,000)	(150,000)	(150,000)
Profit	745,000	775,000	910,000

∴ earnings = 745,000

Year 2014 775,000

Year 2015 910,000

2,430,000 ⇒ 2,430,000 ÷ 3 = #810,000

Value of Discipline Ltd using PE basis:

Value of Discipline Ltd = 5.4 + 6.6

= 12 ÷ 2

= 6

value = 6 × 2,430,000 = #14,580,000

Value of Discop

Value of base