

NAME: JOHN-OGUN PEACE  
 MATRIC NO: 17/SIMS 02/030  
 COURSE CODE: ACC 302

DISCIPLINE LTD

1. Computation of Earnings

	2013 R	2014 R	2015 R
Profit	650,000	720,000	835,000
Over valuation of stock/ inventory	129,000		
Overcharged directors remuneration	(500,000 - 375,000) = 125,000	(580,000 - 375,000) = 205,000	(600,000 - 375,000) = 225,000
Undercharged depreciation (600,000 - 450,000)	(150,000)	(150,000)	(150,000)
	<u>745,000</u>	<u>775,000</u>	<u>910,000</u>

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

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

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

$$\text{P.E basis} = 6 \times 810,000 = \text{R}4,860,000 //$$

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

$$\text{Current dividend} = \frac{450,000 + 450,000 + 450,000}{3} = 450,000$$

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

$$\text{Dividend yield basis} = \frac{450,000}{0.1} = \text{R}4,500,000$$

3. Book value basis  
 Assets:  
 Freehold premises  
 Equipment  
 Stock/Inventory  
 Bank  
 Receivables

₹  
 1,300,000  
 3,120,000  
 1,395,000  
 130,000  
 965,000  
6,910,000  
 (820,000)  
6,090,000

Less liabilities:  
 Payables

4. Replacement Cost Basis  
 Assets:  
 Freehold premises  
 Equipment  
 Stock/Inventory  
 Debtors/Receivables  
 Bank

₹  
 3,000,000  
 4,780,000  
 870,000  
 965,000  
 130,000  
6,695,000  
 (820,000)  
5,875,000

Less liabilities:  
 Payables

5. Liquidation Value Basis  
 Assets:  
 Freehold Premises  
 Equipment  
 Inventory  
 Receivables  
 Bank

₹  
 3,000,000  
 1,050,000  
 1,600,000  
 965,000  
 130,000  
6,775,000  
 (820,000)  
5,955,000

Less liabilities:  
 Payables