

# Assignment

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Matric no.: 18/sm302/053

Course: ACC 302

## Discipline Ltd

### ① P/E Basis or $\bar{I}$

	2013 (A)	2014 (A)	2015 (A)
Profit	650,000	720,000	835,000
Overstated inventory	120,000	-	-
Overstated remuneration	125,000	205,000	225,000
Understated depreciation	(150,000)	(150,000)	(150,000)
Adjusted profit	715,000	775,000	910,000

$$\text{Avg} = \frac{715,000 + 775,000 + 910,000}{3} = \text{A}810,000$$

Value = P/E average  $\times$  average earnings

$$\text{P/E average} = \frac{5.4 + 6.6}{2} = 6$$

$$\therefore \text{Value} = 6 \times 810,000 = \text{A}4,860,000$$

### ② Dividend yield Basis

$$\text{Value} = \frac{\text{Current dividend}}{\text{Dividend yield}}$$

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

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

$$= \text{A}4,500,000$$

### ③ Book Value Basis

$$\text{Value} = \text{Total assets} - \text{liabilities}$$

$$\text{Assets} = 1,300,000 + 3,120,000 + 1,395,000 + 965,000 + 130,000$$

Assets = £6,910,000

Value = £6,910,000 - 820,000  
= £6,090,000

### ④ Replacement Cost Basis

Value = Replacement costs - liabilities

Replacement costs = 3,000,000 + 1,730,000 + 870,000 + 965,000 + 130,000  
= £6,695,000

Value = £6,695,000 - £820,000  
= £5,875,000

### ⑤ Liquidation Value Basis

	£
Assets: Freehold premises	3,000,000
Equipment	1,080,000
Inventory	1,600,000
Receivables	965,000
Bank	<u>130,000</u>
	6,775,000
Liabilities: Payables	(820,000)
	<u>5,955,000</u>