

Name: OBIWUCHI OGBECHUKWU MARLY ANN
 DEPARTMENT: ACCOUNTING
 MATHS: 1715075021046

DISCIPLINE LTD

① COMPUTATION OF EARNINGS (ADJUSTMENTS OF VARIOUS CHARGES)

	2013 ₦	2014 ₦	2015 ₦
Profit	650,000	720,000	835,000
Overvaluation of stock/inventory	120,000		
Over charged	(500,000 - 375,000)	(580,000 - 375,000)	(600,000 - 375,000)
Directors remuneration	125,000	205,000	225,000
Undercharged	(150,000)		
Depreciation	(600,000 - 450,000)	(150,000)	(150,000)
Adjusted profit	745,000	775,000	910,000
Average =	$\frac{745,000 + 775,000 + 910,000}{3} = 810,000$		

P/E basis = P/E average × average earnings

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

$$\text{Therefore } 6 \times 810,000 = \text{₦ } 4,860,000$$

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

$$\frac{450,000 + 450,000 + 450,000}{3} = 450,000$$

$$\frac{0.09 + 0.01}{2} = 0.1$$

$$\therefore \frac{450,000}{1.0} = \text{₦ } 450,000$$

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