

Name: ~~EM~~ ~~PROF~~ R. O. Victory
 matric no: 17/SM/202/014

Acc 302 Assignment

Discipline II

1) Computation of earnings (adjustment of various charges)

	2013 13	2014 14	2015 15
Profit	680,000	720,000	835,000
Overvaluation of stock undercharged	120,000		
Director of remuneration	[300,000 - 375,000]	[350,000 - 375,000]	[600,000 - 375,000]
Undercharged depreciation	(150,000)	(150,000)	(150,000)
Adjusted profit	745,000	745,000	910,000
Average	$\frac{745,000 + 745,000 + 910,000}{3} = 810,000$		

P/E basis = P/E average \times Average earnings

P/E average = $\frac{5 \cdot 4 + 6 \cdot 6}{2} = 6$

$\therefore 6 \times 810,000 = 4,860,000$

2) Dividend yield basis =

$\frac{\text{Current Dividend}}{\text{Dividend Yield}}$

$\frac{400,000 + 400,000 + 400,000}{3} = 400,000$
 $\frac{400,000}{0.4} = 1,000,000$

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

3

Assets	₹
Freehold premises	1,800,000
Equipment	3,120,000
Stock Inventory	1,395,000
Debtors / Receivables	965,000
Bank	130,000
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	6,410,000
Less liabilities (payables)	(820,000)
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	<u>6,090,000</u>

4) Replacement cost basis

Assets	₹
Freehold premises	3,009,000
Equipment	1,729,000
Stock Inventory	870,000
Debtors Receivables	965,000
Bank	130,000
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	6,694,000
Less liabilities Payables	(820,000)
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	<u>5,875,000</u>

5) Liquidation value basis

Assets	₹
Free hold premises	3,000,000
Equipment	1,080,000
Inventory	1,600,000
Receivables	965,000
Bank	130,000
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	6,775,000
Less liabilities Payables	(820,000)
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	<u>5,955,000</u>