

# Assignment.

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 Matric 171cmco2015  
 Topic Business valuation  
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## ① P/E Method

Computation of Earnings (Adjustments)

	2013	2014	2015
Profit	650,000	720,000	835,000
Overvaluation of stock	120,000		
Overcharged Depreciation	125,000	205,000	225,000
Undercharged Depreciation	(150,000)	(150,000)	(180,000)
Adjusted Profit	<u>745,000</u>	<u>775,000</u>	<u>910,000</u>

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

$$\text{P/E Basis} = \frac{5.4 + 6.6}{2} = \frac{12}{2} = 6.$$

$$\therefore 6 \times 810,000 = \text{N} 4,860,000.$$

## ② Dividend Yield Basis.

Current Dividend

Dividend Yield.

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

$$= 450,000$$

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

$$= \frac{450,000}{0.1} = \underline{\underline{4,500,000}}$$

## ③ Book value Basis

Assets

Freehold Premises 1,300,000

Equipment 3,120,000

Stock / Inventory 1,395,000

Debtors / Receivables 965,000

Bank

180,000

6,910,000

(4) ~~Right~~

less Payables	(820,000)
value	<u>6,090,000</u>

(4) Replacement Cost basis

Assets

Freehold Premises	3,000,000
Equipment	1,730,000
Stock Inventory	870,000
Debtors / Receivables	965,000
Bank	130,000
Total	<u>6,695,000</u>
less Liabilities	(820,000)
value	<u>5,875,000</u>

(5) Liquidation Basis.

Assets

Freehold Premises	3,000,000
Equipment	1,080,000
Stock Inventory	1,600,000
Debtors / Receivables	965,000

$$\begin{array}{r} \text{Bank} \\ & 130,000 \\ - \text{less Liabilities} & \underline{6,715,000} \\ & \underline{(-820,000)} \\ & \underline{\underline{5,955,000}} \end{array}$$