

Kolawole Olumide

17/sms02/031

Acc 302

Solutions

Discipline Ltd

Average of 3 years Profit

	2013 #	2014 #	2015 #
Profit	650 000	720 000	835 000
Depreciation	(150,000)	(150 000)	(150 000)
Directors remuneration	125 000	205 000	225 000
Inventary	(120,000)		
Over-valued	505 000	775,000	910,000
Adjusted Profit			

$$\text{Current Earnings} = \frac{505000 + 775000 + 910000}{3}$$

$$\frac{2,190,000}{3} = 730,000$$

$$\text{Earnings Yield} = \frac{\text{Average company 1} + \text{Average company 2}}{2}$$

$$= \frac{5.4 + 6.6}{2}$$

$$= \frac{12}{2}$$

$$= 6$$

$$\therefore \text{P/E Basis} = \frac{730000}{6}$$

$$= 121.67$$

2. Dividend Yield Basis

$$= \frac{\text{Curr expected dividend}}{\text{Dividend Yield}}$$

Dividend Yield

$$\text{curr Dividend} = 450000$$

$$\text{Dividend Yield} = \text{Average of company 1} + \text{Company 2}$$

$$\begin{aligned} \text{Dividend Yield} &= \frac{0.09 + 0.11}{2} \\ &= \frac{0.2}{2} \\ &= 0.1 \end{aligned}$$

$$\begin{aligned} &= \text{Dividend Yield Basis} \\ &= \frac{\$150,000}{0.1} \\ &= \$1,500,000 \end{aligned}$$

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Book Value Basis	\$
Freehold Premises	1300
Equipment	3120
Current Asset	
Inventory (1395 - 120)	1275
Receivables	965
Bank	130
Less: Payable	<u>(820)</u>
	5970

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Replacement Value Basis	\$
Freehold Premises	3000
Equipment	1730
Inventory	<u>870</u>
	5,600
Less: payable	<u>820</u>
	4,780

(5) Liquidation Basis

Freehold Premises	3000
Equipment	1080
Inventory	<u>1,600</u>
	5680
Less: Payables	<u>(820)</u>
	<u>4,860</u>