

OKHUMODE BERNADETTE DMOSOMI

17/sms02/042 / ACCOUNTING / 300L

5-31-2020

Average of 3 years Profit.

	2013	2014	2015
	N	N	N
Profit	650,000	720,000	835,000
Depreciation	(150,000)	(150,000)	(150,000)
Director's Remuneration	125,000	205,000	225,000
Inventory	(120,000)	-	-
Revalued Adjusted Profit	505,000	775,000	910,000

$$\begin{aligned}\text{Current Earnings} &= \frac{505,000 + 775,000 + 910,000}{3} \\ &= \frac{2,190,000}{3} \\ &= \underline{\underline{730,000}}\end{aligned}$$

Earnings yield = Average of Company 1 and Company 2

$$\begin{aligned}&= \frac{5.4 + 6.6}{2} \\ &= \frac{12}{2} \\ &= 6\end{aligned}$$

$$\begin{aligned}\therefore \text{P/E basis} &= \frac{730,000}{6} \\ &= \underline{\underline{121.67}}\end{aligned}$$

2 Dividend yield basis =  $\frac{\text{Current or expected dividend}}{\text{Dividend yield}}$

Current dividend = 450,000

Dividend yield = Average of Company 1 and 2

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

$$\begin{aligned}&= \frac{0.2}{2} = 0.1 \\ &= \underline{\underline{1}}\end{aligned}$$

$$\therefore \text{Dividend yield basis} = \frac{450,000}{0.1}$$

$$= 4,500,000$$

3 Book Value basis

Freehold premises	1,300
Equipment	3,120
Current Assets:	
Inventory (1395 - 120)	1,275
Receivables	965
Bank	1130
Less Payable	(820)
	<u>5,970</u>

4 Replacement value Basis

Freehold premises	3,000
Equipment	1,730
Inventory	870
	<u>5,600</u>
less Payables	820
	<u>4,780</u>

5 Liquidation basis

Freehold premises	3,000
Equipment	1,080
Inventory	1,600
	<u>5,680</u>
Less payables	(820)
	<u>4,860</u>