

AKADA ELIJAH WARIPAMOWE I

17/Sms02/086

Accounting

c)

Average of 3 Years Profit

	2013 #	2014 #	2015 #
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)		
Over valued <small>adjusted profit</small>	<u>505,000</u>	<u>775,000</u>	<u>910,000</u>

$$\text{Current Earnings} = \frac{505,000 + 775,000 + 910,000}{3}$$

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

$$\text{Current Earnings} = 730,000$$

$$\text{Earnings Yield} = \text{Average of Company 1 and 2}$$

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

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

$$= 6\%$$

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

2) Dividend Yield basis

$$\frac{\text{Current or expected dividend}}{\text{Dividend Yield}}$$

$$\text{Current dividend} = 450,000$$

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

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

$$= \frac{0.2}{2}$$

$$= 0.1$$

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

$$= 4,500,000$$

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Accounting

3)

Book value basis

Freehold Premises	1300
Equipment	3120
Current Asset	
Inventory (1395-120)	1275
Receivables	965
Bank	130
less Payable	(820)
	<u>5970</u>

A)

Replacement value Basis

Freehold Premises	3000
Equipment	1750
Inventory	870
	<u>5600</u>
	(820)
less Payables	<u>4780</u>

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Accounting

5)

Liquidation basis

freehold Premises

Equipment

Inventory

less Payable

3000

1080

1600

5680

(820)

4860