

NAME: OMETIE ORITSEGBUBEMI OLIVER
 MATRIC NO: 16/SMS02/049
 COURSE CODE: ACC302

ASSIGNMENT

Discipline Ltd

1. Computation of Earnings (Adjustment of various charges)

	2013 ₦	2014 ₦	2015 ₦
Profit	650,000	720,000	835,000
Overvaluation of Stock/Inventory	120,000		
Overcharged	(50,000 - 375,000)	(80,000 - 375,000)	(600,000 - 875,000)
Director's remuneration	125,000	205,000	225,000
Undercharged depreciation	(150,000)	(150,000)	(150,000)
Adjusted profit	745,000	775,000	910,000

$$\text{Average} = \frac{745,000 + 775,000 + 910,000}{3} = 810,000$$

$$\text{P/E basis} = \text{P/E average} \times \text{Average Earnings}$$

$$\text{P/E Average} = \frac{5.4 + 6.6}{2} = 6$$

$$6 \times 810,000 = \text{₦} 4,860,000$$

2. Dividend Yield Basis = $\frac{\text{Current dividend}}{\text{Dividend yield}}$

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

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

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

3.

Book value Basis

Assets	₹
Freehold premises	1,300,000
Equipment	3,120,000
Stock/Inventory	1,375,000
Debtors/Receivables	965,000
Bank	130,000
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	6,910,000
less liabilities (payables)	(820,000)
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	<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
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	6,695,000
less liabilities (payables)	(820,000)
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	<u>5,875,000</u>

5.

Liquidation value Basis

Assets	₹
Freehold premises	3,000,000
Equipment	1,080,000
Stock/Inventory	1,600,000
Debtors/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>