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Matriculation Number; 17/SMS02/023

Course Code: ACC 302

Discipline Ltd			
Computation of Earnings (Adjustment of Various Changes)			
	2013	2014	2015
	₦	₦	₦
Profit	650,000	720,000	835,000
Overvaluation of Inventory	120,000	—	—
Overcharged Directors Remuneration	(500,000 - 375,000)	(580,000 - 375,000)	(600,000 - 375,000)
	125,000	205,000	225,000
Undercharged Depreciation	(600,000 - 450,000)		
	150,000	150,000	150,000
Adjusted Profit	<u>745,000</u>	<u>775,000</u>	<u>910,000</u>

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

a Price per Earning Basis

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

$$= \left( \frac{5.4 + 6.6}{2} \right) \times 810,000$$

$$= 6 \times 810,000$$

$$= \text{₦}4,860,000$$

b Dividend Yield Basis

$$= \frac{\text{Current Dividend}}{\text{Dividend Yield}}$$

$$\begin{aligned} \text{Current Dividend} &= 450,000 + 450,000 + 450,000 \\ &= 450,000 \times 3 \\ &= 1,350,000 \end{aligned}$$

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

$$\begin{aligned} \therefore D &= \frac{1,350,000}{0.1} \\ &= \text{₦} 13,500,000 \end{aligned}$$

c Book Value Basis

	₦
Assets;	
Freehold Premises	1,300,000
Equipment	3,120,000
Stock/Inventory	1,395,000
Debtors/Receivables	965,000
Bank	130,000
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	6,910,000
Liabilities;	
Payables	<u>(820,000)</u>
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	<u>6,090,000</u>

d 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>

e Liquidation Value Basis.

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Assets	
Freehold Premises	3,000,000
Equipment	1,080,000
Inventory	1,600,000
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>