

Name: OZIORO PREYE GIFT
 Matr: 17/SMSO'2/054

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
Inventory overvalued	505,000	775,000	910,000

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

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

Current Earnings = 730,000
 Earnings yield = Average of company 1 + company 2

$\frac{5.4 + 6.6}{2} = 6$
 $\frac{1.2}{2} = 6$

P/E basis = $\frac{730,000}{6}$

= 121.67

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

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

= $\frac{0.2}{2}$

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

= 4,500,000

3 Book value basis

Freehold premises 1300

Equipment 1320

current assets

Inventory (1395 - 120) 1275

Receivables 965

Banks 130

less payable (820)

5970

Replacement value Basis	
Free hold premises	3000
Equipment	1730
Inventory	<u>870</u>
	5,600
less payables	<u>(820)</u>
	<u>4780</u>

Liquidity basis	
Freehold premises	3000
Equipment	1080
Inventory	1600
	5680
less payables	<u>(820)</u>
	<u>4860</u>