

SOLUTION TO THE ASSIGNMENT

NAME: SALAU BLESSING

OMOLARA

MATRIC NO: 17/SMS 02/058.

DISCIPLINE FINISHED

DISCIPLINE LIMITED

SOLUTION

1. Using P/E Basis

| Workings | 2013 | 2014 | 2015 |
|-------------------------|----------------|----------------|----------------|
| | ₹ | ₹ | ₹ |
| Profit | 650,000 | 720,000 | 855,000 |
| Overvalued Inventory | 120,000 | - | - |
| Depreciation | (150,000) | (150,000) | (150,000) |
| Director's Remuneration | 125,000 | 205,000 | 225,000 |
| | <u>745,000</u> | <u>775,000</u> | <u>910,000</u> |

$$\text{Current Earning} = ₹745,000 + ₹775,000 + ₹910,000$$

$$= ₹2,430,000$$

3

∴ my Current Earning will be given as ₹810,000

To get my Earnings Yield,

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

∴ my P/E Ratio will be 6

Dividend Yield basis will be

$$\frac{0.09 + 0.11}{2} = \frac{0.2}{2} = 0.10$$

$$= \frac{₹450,000}{0.10} = ₹4,50,000$$

3. Book Value Basis :

₹

Non-current Asset

| | |
|-------------------|-----------|
| Freehold premises | 1,300,000 |
| Equipments | 3,120,000 |

Current Asset

| | |
|--------------|------------------|
| Inventory | 1,275 |
| Receivables | 965,000 |
| Bank | 130,000 |
| less payable | (820,000) |
| | <u>5,970,000</u> |

4. Replacement Cost Basis :

₹

| | |
|-------------------|--------------|
| Freehold premises | 3,000,000 |
| Equipment | 1,730,000 |
| Inventory | 870,000 |
| less Payables | (820,000) |
| | <u>4,780</u> |

5. Liquidation Basis

₹

| | |
|-------------------|------------------|
| Freehold Premises | 3,000,000 |
| Equipment | 1,080,000 |
| Inventory | 1,600,000 |
| less payables | (820,000) |
| | <u>4,860,000</u> |