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Average of 3 years Profit

	2013	2014	2015
	\$	\$	\$
Profit	650,000	720,000	930,000
depreciation	(180,000)	(150,000)	(150,000)
Dividends	125,000	205,000	225,000
Inventory	(120,000)		
Overvalued	505,000	775,000	910,000

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

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

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

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

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

$$= \frac{12}{2} = 6$$

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

$$= 121.67$$

2 Dividend yield Ratio

Current or expected dividend  
Dividend yield

Current dividend = 450,000

Dividend yield = Average of Company Last 2

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

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

$$= 0.1$$

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

$$= 4,500,000$$

3 Book Value Ratio

Fixed Asset	1,300
Equipment	3,120
Current Assets	
Inventory (1395 - 120)	1275
Receivables	965
Bank	130
Less payable	(920)
	<u>5,990</u>

4 Replacement Value Ratio

Fixed Asset	3,000
Equipment	1,730
Inventory	960
	5,690
Less payable	(920)
	<u>4,770</u>

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Liquidation basis

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