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MATRIC NO: 1715MS02/001

COURSE CODE: ACC 302 (Intermediate Financial Accounting).

Assignment:

Discipline Ltd

1) Computation of Earnings (Adjustment of various charges).

	2013 R	2014 R	2015 R
Profit	659,000	720,000	835,000
Overvaluation of Stock/Inventory	120,000	-	-
Overcharged	(500,000 - 375,000)	(580,000 - 375,000)	(600,000 - 375,000)
Director's remuneration	125,000	205,000	225,000
Undercharged	(150,000)		
Depreciation	<u>(600,000 - 450,000)</u>	<u>(450,000)</u>	<u>(450,000)</u>
Adjusted profit	745,000	775,000	910,000

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

PIE basis = PIE average x Average Earnings

$$\text{PIE Average} = \frac{5.4 + 6.6}{2} = 6.$$

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

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

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

$$= 450,000$$

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

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

### 3. Book Value Basis

#### Assets

Freehold Premises  
Equipment  
Inventory  
Receivables  
Bank

₹  
1,300,000  
3,120,000  
1,395,000  
965,000  
130,000  

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6,910,000

Less Liabilities:  
Payables

(820,000)  

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6,090,000

### 4) Replacement Cost Basis

#### Assets

Freehold Premises  
Equipment  
Inventory  
Receivables  
Bank

₹  
3,000,000  
1,739,000  
870,000  
965,000  
130,000  

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6,695,000

Less: Liabilities  
Payables

(820,000)  

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5,875,000

### 5. Liquidation Value Basis

#### Assets

Freehold Premises  
Equipment  
Inventory  
Receivables  
Bank

₹  
3,000,000  
1,080,000  
1,600,000  
965,000  
130,000  

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6,775,000

Less: Liabilities (Payables)

(820,000)  

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5,955,000