



Q13 . Compute the value of goodwill on the basis of four years' purchase of the average profits based on the last five years? The profits for the last five years were as follows:

Rs.	
2009	40,000
2010	50,000
2011	60,000
2012	50,000
2013	60,000

Solution:

$$\text{Average Profit} = \frac{\text{sum of given year's profit}}{\text{number of given years}}$$

Year	Profit
2009	40,000
2010	50,000
2011	60,000
2012	50,000
2013	60,000
Sum of 5 years profit	2,60,000

$$\text{Average Profit} = \frac{2,60,000}{5} = 52,000$$

Goodwill

= Average Profit x Number of Year's Purchases

= 52,000 x 4

= ₹2,08,000

Q14. Capital employed in a business is Rs.2,00,000. The normal rate of return on capital employed is 15%. During the year 2015 the firm earned a profit of Rs.48,000. Calculate goodwill on the basis of 3 years purchase of super profit?

Solution:

Capital Employed = Rs.2,00,000

Actual Profit = 48,000

Normal Rate of Return = 15%

Normal Profit

= Capital Employed x Normal Rate of Return/100

= 2,00,000 x 15/100

= Rs.30,000

Super profit = Actual Profit - Normal Profit

=48,000 - 30,000

= Rs.18,000

Goodwill = Super Profit x Number of Years Purchase

=18,000 x 3

= Rs.54,000

***** END *****