

11 Calculation of average profits

	31-Mar-20	31-Mar-21	31-Mar-22
Actual Profits	50000	-20000	70000
Less - Profit on sale of assets	5000		
Add - Loss by Fire		30000	
Less - Insurance Claim			18000
Less - Interest on Investments and Dividends			8000
Adjusted Profits	45000	10000	44000
Total Profits			99000
Average profits for last 3 years			33000
No of years purchase			2
Value of Goodwill			66000
Share of Kanika			1/4
Value of Goodwill brought by Kanika			16500

Note :

Profit on sale of assets is a non recurring income and hence deducted

Loss by fire is an abnormal and non recurring loss and hence added

Insurance claim received is a non recurring income and hence deducted

Interest on investment and dividend is not an income from business and hence deducted

12 Calculation of average profits

	31-Mar-19	31-Mar-20	31-Mar-21	31-Mar-22
Actual Profits	80000	145000	160000	200000
Add - Abnormal Loss	20000			
Less - Gain on sale of Fixed Assets		25000		
Less - Insurance Premium			15000	
Adjusted Profits	100000	120000	145000	200000
Total Profits				565000
Average profits				141250
No of years purchase				2
Value of Goodwill				282500

Note :

Abnormal loss is non recurring and hence added

Profit on sale of assets is a non recurring income and hence deducted

Insurance premium omitted is actually an expense for business and should be deducted to find real profits

13	Year	Profits	Weight	Weighted Profit		Profits
	31-Mar-18	20000	1	20000	20000X1	20000
	31-Mar-19	24000	2	48000	24000X2	24000
	31-Mar-20	30000	3	90000	30000X3	30000
	31-Mar-21	25000	4	100000	25000X4	25000
	31-Mar-22	18000	5	90000	18000X5	18000
						117000
	Total		15	348000		
						117000/5

Weighted Average Profit = Total of Weighted Profit / Total of Weights

$$= 348000 / 15$$

23200

$$\text{Goodwill} = \text{Weighted Average Profits} \times \text{No of Years Purchase}$$

$$= 23200 \times 3$$

69600

23400

3

Goodwill 70200

14	Year	Profits	Less - Salary	Adj Profits	Weight	Weighted Profit
	31-Mar-20	140000	90000	50000	1	50000
	31-Mar-21	101000	90000	11000	2	22000
	31-Mar-22	130000	90000	40000	3	120000
	Total				6	192000

$$\text{Weighted Average Profit} = \text{Total of Weighted Profit} / \text{Total of Weights}$$

$$= 192000 / 6$$

32000

$$\text{Goodwill} = \text{Weighted Average Profits} \times \text{No of Years Purchase}$$

$$= 32000 \times 4$$

128000

15	Year	Profits	Salary	Adjusted Profits
	Year 1	300000	120000	180000
	Year 2	360000	120000	240000
	Year 3	420000	120000	300000

	Total Profits	720000
	Actual Average Profits	240000
Capital Employed		1000000
Normal rate of return		15%
Normal Profits		150000
Super Profits		90000
No of Years Purchase		2
Goodwill		180000

16	Capital Employed	50000
	Normal rate of Return	15%
	Normal Profits	7500
	Actual Average Profits	16000
	Super Profits	8500
	No of Years Purchase	4
	Goodwill	34000

17	Capital Employed	100000
	Normal rate of Return	15%

Normal Profits	15000
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Calculation of last 3 years average profits

Year 1	30000
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Year 2	36000
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Year 3	42000
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Total	108000
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Actual Average Profits	36000
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Super Profits	21000
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No of Years Purchase	2
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Goodwill	42000
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18 Calculation of Capital employed

Total Assets	2200000
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Less - Outside Liabilities	560000
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Capital Employed	1640000
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Normal rate of return	10%
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Normal Profits	164000
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Actual Average Profits	800000
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Super Profits	636000 (800000-164000)
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No of Years Purchase	2.5
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Goodwill 1590000

19 Average Capital Employed 200000

Normal rate of return 10%

Normal Profits **20000**

Average Expected net profits 36000 (Profit and Loss A/c)

Less - Remuneration to partners 6000

Actual adjusted average profits **30000**

Super Profits **10000**

No of Years Purchase 2

Value of Goodwill 20000

20 Capital Employed 80000

Normal rate of return 15%

Normal Profits 12000

Calculation of average actual profits

2019 17000

2020 20000

2021 23000

Total 60000

Average profits	20000
Super Profits	8000
No of years Purchase	2
Value of Goodwill	16000

