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Balance Sheet			
Liabilities	Amount	Assets	Amount
Partner Capital A/c	60000	Non Cash Assets	70000
Reserves	10000	Cash	5000
Creditors	5000		
Total	<u>75000</u>	Total	<u>75000</u>

#### Calculation of Capital Employed

Total Assets	75000
Less - Creditors	5000

**Capital Employed                      70000**

Normal rate of return                      20%

Normal Profits                      14000

Average Profits                      x

Super Profits                      (x - 14000)

No of years purchase                      4

Goodwill                      (x - 14000) X 4



Solve algebraically for x

$$(200000 - 0.1x) \times 4 = 250000$$

$$(200000 - 0.1x) = 250000 / 4$$

$$(200000 - 0.1x) = 62500$$

$$0.1x = (200000 - 62500)$$

$$0.1x = 137500$$

$$x = (137500 / 0.1)$$

$$1375000$$

Capital Employed = Rs 1375000

23	Capital Employed	630000
	Normal rate of return	5%
	Normal profits	31500
	Actual average profits	100000
	Add - undervaluation of stock	40000
	Actual adjusted average profits	140000
	Super profits	108500

No of years purchase 5

Goodwill 542500

Note: If nothing is mentioned then consider the stock as closing stock

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24	Capital Employed	4200000	
	Normal rate of return	15%	
	Normal profits	630000	$4200000 \times 15 / 100$
	Actual average profits	750000	
	Less - overvaluation of stock	30000	
	Actual adjusted average profits	720000	
	Super profits	90000	
	No of years purchase	3	
	Goodwill	270000	

Note: If nothing is mentioned then consider the stock as closing stock

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25 Year Ended 31-Mar-18 31-Mar-19 31-Mar-20 31-Mar-21 31-Mar-22

Net Profits	150000	180000	100000	260000	240000
Add - Abnormal Loss			100000		
Less - Abnormal Gain				40000	
Adjusted Profits	150000	180000	200000	220000	240000
Total Profits					990000
Average Profits					198000

#### Calculation of Capital Employed

Total Assets		2000000
Less - Outside Liabilities		500000
Capital Employed		1500000
Normal rate of return		10%
Normal Profits		150000
Super Profits		48000
No of years Purchase		3
Goodwill		144000

26	Profit for the year		200000
	Normal rate of return		10%
	Capitalized value of business		2000000
	Total Actual Capital of the firm		1600000
	Goodwill		400000

27	Average profits		300000
	Normal rate of return		15%
	Capitalized value of business		2000000

**Calculation of actual capital employed**

<b>Assets</b>	1700000	
<b>Less - Liabilities</b>	200000	1500000
Goodwill		500000

28	Capitalized value of average profits		750000
	<b>Actual Capital Employed</b>		
	A	300000	

B	200000	500000
Goodwill		250000

*Note : Normal rate of return is not required as the capitalized value of average profits is already given*

29	Average Profits		100000
	Normal rate of return		10%
	Capitalized value		1000000

**Calculation of actual capital employed**

Puneet Capital A/c	250000	
Tarun Capital A/c	250000	
Puneet Current A/c	30000	
Tarun Current A/c	20000	550000
Goodwill		450000

30	2017	59000
	2018	67000
	2019	39000
	2020	42000
	2021	54000

Total	261000
Average profits	52200
Capitalization rate	20%
Capitalized value of Business	261000
Actual Net Assets of the business	200000
Goodwill	61000

