

11	Year	Profits	Weight	Weighted Profit	
	31-Mar-19	20000	1	20000	20000X1
	31-Mar-20	24000	2	48000	24000X2
	31-Mar-21	30000	3	90000	30000X3
	31-Mar-22	25000	4	100000	25000X4
	31-Mar-23	18000	5	90000	18000X5
	Total		15	348000	

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

$$= 348000 / 15$$

23200

Goodwill = Weighted Average Profits X No of Years Purchase

$$= 23200 \times 3$$

69600

12	Year	Profits	Less - Salary	Adj Profits	Weight	Weighted Profit
	31-Mar-21	140000	90000	50000	1	50000
	31-Mar-22	101000	90000	11000	2	22000
	31-Mar-23	130000	90000	40000	3	120000
	Total				6	192000

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

$$192000/6$$

32000

$$= 192000 / 6$$

32000

Goodwill = Weighted Average Profits X No of Years Purchase  
= 32000 X 4

128000

13	Year	Profits	Salary	Adjusted Profits
	Year 1	300000	120000	180000 (300000-120000)
	Year 2	360000	120000	240000 (360000-120000)
	Year 3	420000	120000	300000 (420000-120000)
			Total Profits	720000
			Actual Average Profits	240000 <b>(720000/3)</b>
	Capital Employed			1000000
	Normal rate of return			15%
	Normal Profits			150000 (1000000*15/100)
	Super Profits			90000 (240000-150000)
	No of Years Purchase			2
	Goodwill			180000 (90000*2)

14	Capital Employed			50000
	Normal rate of Return			15%

Normal Profits	7500 (50000*15/100)
Actual Average Profits	16000
Super Profits	8500 (16000-7500)
No of Years Purchase	4
Goodwill	34000 (8500*4)

15	Capital Employed	100000
	Normal rate of Return	15%
	Normal Profits	15000

**Calculation of last 3 years average profits**

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

16 Calculation of Capital employed

Total Assets	2200000
Less - Outside Liabilities	560000
Capital Employed	1640000 (2200000-560000)
Normal rate of return	10%
Normal Profits	164000 (1640000*10/100)
Actual Average Profits	800000
Super Profits	636000 (800000-164000)
No of Years Purchase	2.5
Goodwill	1590000 (636000*2.5)

17	Average Capital Employed	200000	
	Normal rate of return	10%	
	Normal Profits	<b>20000</b> (200000*10/100)	
	Average Expected net profits	36000	(Profit and Loss A/c)
	Less - Remuneration to partners	6000	
	Actual adjusted average profits	<b>30000</b>	
	Super Profits	<b>10000</b> (30000-20000)	
	No of Years Purchase	2	
	Value of Goodwill	20000 (10000*2)	

18	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

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

**Calculation of Capital Employed**

Total Assets	75000
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Less - Creditors	5000
<b>Capital Employed</b>	<b>70000</b>
Normal rate of return	20%
Normal Profits	14000 (70000*20/100)
Average Profits	x
Super Profits	(x - 14000)
No of years purchase	4
Goodwill	(x - 14000) X 4
Goodwill	24000

Solve Algebracally for x

$$(x - 14000) \times 4 = 24000$$

$$x = (24000 / 4) + 14000$$

$$x = 20000$$

$$\text{Average Profits} = 20000$$

20 Let the capital employed be x

Normal rate of return	10%
Normal profits	0.1x      x * 10/100
Average actual profits	200000

Super profits	$200000 - 0.1x$
No of years purchase	4
Value of Goodwill	$(200000 - 0.1x) \times 4$
Value of goodwill	250000

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

