

31

| Balance Sheet             |               |        |               |
|---------------------------|---------------|--------|---------------|
| Liabilities               | Amount        | Assets | Amount        |
| Current Liabilities       | 10000         | Assets | 100000        |
| Partners Capital A/c      | 110000        | Stock  | 20000         |
| <b>(Balancing Figure)</b> |               |        |               |
| Total                     | <u>120000</u> | Total  | <u>120000</u> |

|                          |  |
|--------------------------|--|
| Capital Employed         | 110000                                       |
| Normal rate of return    | 8%   |
| Normal Profits           | 8800 (110000*8/100)                          |
| Actual Profits           | x  |
| Super Profits            | (x - 8800) (Actual Profits - Normal Profits) |
| No of years purchase     | 4  |
| Goodwill                 | (x - 8800) X 4                               |
| Value of Goodwill(Given) | 60000  |

$$(x - 8800) \times 4 = 60000$$

**Now solve algebraically**

$$(x - 8800) = 60000 / 4$$

$$(x - 8800) = 15000$$

$$x = 15000 + 8800$$

$$x = 23800$$

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|    |                       |        |
|----|-----------------------|--------|
| 32 | Super Profits         | 50000  |
|    | Normal rate of return | 10%    |
|    | Value of Goodwill     | 500000 |

Note : Actual profits given in the question is not relevant

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|    |                        |        |
|----|------------------------|--------|
| 33 | Actual average profits | 30000  |
|    | Capital Employed       | 200000 |
|    | Normal rate of return  | 10%    |
|    | Normal profits         | 20000  |
|    | Super profits          | 10000  |
|    | Normal rate of return  | 10%    |
|    | Goodwill               | 100000 |

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|    |                        |        |
|----|------------------------|--------|
| 34 | Actual average profits | 150000 |
|    | Capital Employed       | 500000 |

|                       |        |
|-----------------------|--------|
| Normal rate of return | 20%    |
| Normal profits        | 100000 |
| Super profits         | 50000  |
| Normal rate of return | 20%    |
| Goodwill              | 250000 |

### 35 Super Profits method

|                          |        |
|--------------------------|--------|
| Average Profits          | 50000  |
| Average capital Employed | 300000 |
| Normal rate of return    | 10%    |
| Normal profits           | 30000  |
| Super profits            | 20000  |
| No of years purchase     | 3      |
| Goodwill                 | 60000  |

### Capitalization of Super Profits method

|                       |        |
|-----------------------|--------|
| Super Profits         | 20000  |
| Normal rate of return | 10%    |
| Goodwill              | 200000 |

36 Actual Average profits 800000

**Calculation of Capital Employed**

Assets 8000000  
Less - External Liabilities 1440000 6560000

Normal rate of return 10%

Normal Profits 656000

Super Profits 144000

**Capitalization of Super Profits**

Super Profits 144000

Normal rate of return 10%

Goodwill 1440000

**Super Profits Method**

Super Profits 144000

No of years purchase 3

Goodwill 432000

|        |           |        |        |        |
|--------|-----------|--------|--------|--------|
| 37 (i) | 31-Mar-21 | 160000 | 100000 | 60000  |
|        | 31-Mar-22 | 180000 | 100000 | 80000  |
|        | 31-Mar-23 | 200000 | 100000 | 100000 |

|          |                                 |                      |                             |
|----------|---------------------------------|----------------------|-----------------------------|
|          | Total Profits                   | 540000               | 240000                      |
|          | Average profits                 | 180000 $540000 / 3$  | 80000                       |
|          | Less - Remuneration             | 100000               |                             |
|          | Actual adjusted average profits | <b>80000</b>         |                             |
|          | No of years purchase            | 3                    |                             |
|          | Goodwill                        | 240000 $(80000 * 3)$ |                             |
| 37 (ii)  | Assets of the firm              | 700000               |                             |
|          | Less - Outside Liabilities      | 100000               | 600000                      |
|          | Normal rate of return           |                      | 10%                         |
|          | Normal profits                  |                      | 60000                       |
|          | Super Profits                   |                      | 20000                       |
|          | No of years Purchase            |                      | 3                           |
|          | Goodwill                        |                      | 60000                       |
| 37 (iii) | Super Profits                   |                      | 20000                       |
|          | Normal rate of return           |                      | 10%                         |
|          | Goodwill                        |                      | 200000 $(20000 * 100 / 10)$ |
| 37 (iv)  | Actual adjusted average profits |                      | 80000                       |
|          | Normal rate of return           |                      | 10%                         |
|          | Capitalized Value               |                      | 800000                      |
|          | Actual Capital Employed         |                      | 600000                      |

Goodwill

200000 (800000-600000)

