

## GOODWILL: NATURE & VALUATION

### (3 MARKS QUESTIONS)

1. A business has earned average profit of Rs. 4,00,000 during the last few years and the normal rate of return in similar business is 10%. Find out the value of goodwill by

- (i) Capitalisation of Super Profit
- (ii) Super profit method if the goodwill is valued at 3years' purchase of super profits.

The assets of the business were Rs. 40,00,000 and its external liabilities Rs. 7,20,000.

**(Ans. 2,16,000)**

2. Capital of the firm Sharma and Verma is Rs. 4,00,000 and the market rate of interest is 15%. Annual salary to partners is Rs. 2,400 each. The profit for the last three years were Rs. 1,20,000, Rs. 1,44,000 and Rs. 1,68,000. Goodwill is tovalued at 2 years' purchase of last 3 years average super profit. Calculate the Goowill of the firm.

**(Hint Rs. 72,000)**

3. On 1st Jan 2014 an existing firm has Asset of Rs. 1,50,000 including cash of Rs. 10,000. Its creditors amounted to Rs. 10,000 on that date. The firm had a Reserve of Rs. 20,000 while Partner's Capital Accounts showed a balance of Rs. 1,20,000. If Normal Rate of Return is 20% and goodwill of the firm is valued at Rs. 4,8000 at four years' purchase of super profit, find the average profit per year of the existing firm.

**(Ans Average profit – Rs. 40,000)**

4. Calculate value of goodwill on the basis of three year purchase of average profit of the preceding five years which were as follows:

Years ended	31.3.2014	4,00,000
Years ended	31.3.2013	7,50,000
Years ended	31.3.2012	9,00,000
Years ended	31.3.2011	2,00,000 (loss)
Years ended	31.3.2010	6,50,000

**Hint:** (Goodwill = 1,5,00,000)