



INDIAN SCHOOL DARSAIT DEPARTMENT OF COMMERCE



Subject : Accountancy	Topic : Valuation of Goodwill	Date of Issue: __/__/2017 Worksheet No.2
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Name of the Student : _____	Class & Division : XII ____	Roll Number : ____

I. Average Profits Method

- The profit for the last five years of a firm were as follows – year 2010 ₹ 4,00,000; 2011 ₹ 3,98,000; year 2012 ₹ 4,50,000; year 2013 ₹ 4,45,000 and Year 2014 ₹ 5,00,000. Calculate goodwill of the firm on the basis of 4 years Purchase of 5 years average profits.
- The Profits of a firm for the last five years were as follows:
2008–09 ₹ 20,000 (including an abnormal loss of ₹10,000)
2009–10 ₹ 24,000 (Including profit on sale of land ₹4,000)
2010–11 ₹ (30,000) Loss (Excluding Insurance premium of ₹5,000)
2011–12 ₹ 25,000
2012–13 ₹ 20,000
Calculate the value of goodwill on the basis of three years' purchase of average profits of last five years
- The goodwill of a firm is to be worked out at three years' purchase of the average profits of the last five years which are as follows:

Years	Profits (Loss) (₹)
2008	10,000
2009	15,000
2010	4,000
2011	(5,000)
2012	6,000
- Calculate goodwill of a firm on the basis of three year' purchase of the weighted profits of the last four years. The profit of the last four years were: 2013 ₹ 20,200; 2014 ₹ 24,800; 2015 ₹ 20,000 and 2016 ₹ 30,000. The weights assigned to each year are: 2013 – 1; 2014 – 2; 2015 – 3 and 2016 – 4.

II Super Profits Method

- The capital employed on December 31, 2011, ₹ 5,00,000 and the profits for the last five years were: 2007–₹ 40,000; 2008–₹ 50,000; 2009–₹ 55,000; 2010–₹70,000 and 2011–₹ 85,000. You are required to find out the value of goodwill based on 3 years purchase of the super profits of the business, given that the Normal rate of return is 10%.
- The capital of the firm of Anu and Benu is ₹ 1,00,000 and the market rate of interest is 15%. Annual salary to partners is ₹ 6,000 each. The profits for the last 3 years were ₹ 30,000; ₹ 36,000 and ₹ 42,000. Goodwill is to be valued at 2 years purchase of the last 3 years' average super profits.



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3. The capital employed of the firm is ₹ 1,00,000 and normal rate of return is 8%, the average profits for last 5 years are ₹ 12,000 and goodwill is to be worked out at 3 years' purchase of super profits.
4. On 1st April '12 an existing Firm had assets of ₹75,000 including cash of ₹5,000. Its Creditors amounted to ₹10,000 on that date. The firm had a Reserve fund of ₹5,000 while partners Capital account showed a balance of ₹60,000. If the normal rate of return is 20%, and the goodwill of the firm is valued at ₹48,000 at four years purchase of super profit, calculate average profit.

III Capitalization Methods

1. A business has earned average profits of ₹ 1,00,000 during the last few years and the normal rate of return in a similar business is 10%. Ascertain the value of goodwill by capitalization average profits method, given that the value of net assets of the business is ₹ 8,20,000.
2. Rama Brothers earn an average profit of ₹ 30,000 with a capital of ₹ 2,00,000. The normal rate of return in the business is 10%. Using capitalization of super profits method work out the value the goodwill of the firm.

IV. Hidden Goodwill

1. A and B are Partners with capitals of ₹40,000 and ₹30,000 respectively. C was admitted for 1/4th share. C brought ₹40,000 as Capital. Calculate the goodwill of the firm.
2. X and Y are partners in a firm, sharing profits in the ratio of 3:2.They admit Z as a partner for 1/4th share. Z brings ₹2,00,000 as his share of capital. The value of the total assets of the firm was ₹4,00,000 and outside liabilities were valued at ₹50,000 on that date. Calculate the goodwill.
3. X and Y are partners in a firm, sharing profits in the ratio of 3:2.They admit Z as a partner for 1/5th share. Z brings ₹80,000 as his share of capital. The value of the total assets of the firm was ₹2,00,000 and outside liabilities were valued at ₹40,000 on that date. Value the goodwill.

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