INDIAN SCHOOL DARSAIT
DEPARTMENT OF COMMERCE

Subject : Accountancy	Topic : Valuation of Goodwill	Date of Issue:__/__/ 2018 Worksheet No.2
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Name of the Student :___________________	Class & Division : XII___	Roll Number : __

I. Average Profits Method

1. 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.

2. 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.

3. Goodwill of the firm is valued at two years purchase of average profits of the last four years. The profits of the firm during the last four years are given below:

Year	Profit (₹)
2013-14	3,50,000
2014-15	4,75,000
2015-16	6,70,000
2016-17	7,45,000

   The following additional information is given:

   (i) To cover the management cost, an annual charge of ₹ 56,250 should be made for the purpose of valuation of goodwill
   (ii) The closing stock for the year ended 31-3-2017 was overvalued by ₹ 15,000. Calculate goodwill.

4. 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

5. 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

1. 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%.

2. 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.

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 2018 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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