



Q1. Goodwill on Admission

A and B are partners sharing profit in a ratio of 3:2. From 1st April 2022, they decided to share the profit equally. For this purpose, the goodwill of the firm has been valued at ₹60,000. Who pays the compensation (goodwill) to whom and to how much?

Q. 2 Simple Average Profit Method

Calculate the value of the firm’s goodwill on the basis of 2 years of the purchase of the average profit for the last three years.

2019- ₹80,000 (Including an Abnormal gain of ₹ 10,000)

2020- ₹1,00,000 (After charging Abnormal loss of ₹20,000)

2021- ₹90,000

Q. 3 Weighted Average Profit Method:

Calculate the value of Goodwill based on two years’ purchase of the weighted average profit after assigning weights 1,2,3,4,5 and to the profits for 2018, 2019, 2020, 2021, and 2022, respectively from the following information:

Year (ended on 31st March)	Profit (₹)
2018	21,500
2019	25,000
2020	26,000
2021	32,500
2022	42,500

Q 4. Super Profit Method Number of years of purchase

Calculate the value of Goodwill on the basis of 2.5 years of purchases of average super-profits earned during the mentioned seven years. The Capital invested in the firm is ₹6,00,000, and the Normal rate of return in the same industry is 10%. The net profit for the last seven years are:

Year (ended on 31st March)	Profit (₹)
2016	10,000
2017	(35,000)
2018	(20,000)
2019	1,25,000
2020	1,35,000
2021	1,50,000
2022	1,60,000

Q. 5 Super Profit Method – Annuity method

M/s Joe and John is a partnership firm with Joe and John as its partners. They now decide to admit James in the firm and hence need to value goodwill. Capital employed is 5,00,000 at the end of the 4th year. The normal rate of return is 15%. Assume the interest rate is equal to the Normal Rate of Return. Calculate Goodwill using Annuity Method. Their profits for the last 4 years are:

Yea	Profits
1	100000
2	120000
3	150000
4	200000

Q. 6 Capitalisation of Average Profit Method:

From the following data, calculate goodwill according to the Capitalisation of Average Profit Method:

Average Profit: ₹36,000

Capital Employed (as on the date of Valuation of Goodwill): ₹2,85,000

Normal Rate of Return: 10%

Q. 7 Capitalisation of Super Profit Method:

Find out the value of Goodwill on the basis of the Capitalisation of Super Profit Method, when:

1. Capital Employed is ₹2,50,000.
2. Normal Rate of Return is 20%.
3. Average Profit is ₹80,000.
4. Profits for the last five years are:

Year (ended on 31st March)	Profit (₹)
2018	40,000
2019	50,000
2020	1,00,000
2021	75,000
2022	1,35,000

Q. 8 M/s Mehta and sons earn an average profit of rupees 60,000 with a capital of rupees 4,00,000. The normal rate of return is 10%. Using capitalization of super profits method calculate the value the goodwill of the firm.

Q. 9 Shweta purchased a business on 1st April, 2019. It was agreed to value goodwill at three years' purchase of average normal profits of last 4 years. The Profits are as follows. Year Ended (Rs.) 31st March 2016 90,000 31st March 2017 1,60,000 31st March 2018 1,80,000 31st March 2019 Following facts are noticed– 2,20,000 1. During the year. ended 31st March, 2016, an asset was sold at a profit of Rs. 10,000. 2. During the year ended 31st March, 2017, firm had incurred an abnormal loss of Rs. 20,000. 3. Repairs to car amounting to Rs. 50,000 was wrongly debited to vehicles on 1st May, 2017. Depreciation charged on vehicles @ 10 % on Straight Line Method. 4. Firm had abnormal gain of Rs. 10,000 during the year ended 31st March, 2019. 5. During the year ended 31st March, 2019, a machine got destroyed in accident & Rs. 40,000 was written off as loss in Profit & Loss Account. Calculate the value of firm's goodwill.

Q. 10 Sunil & Anil are partners sharing profit in the ratio 3:2. They admit Deepak into partnership. It was agreed to value goodwill at three years purchase on the basis of average profit of the past five years. The Profits for these 5 years were - Year Ended Profit (Rs.) 31st March 2015 1,80,000 31st March 2016 1,60,000 31st March 2017 2,50,000 31st March 2018 3,00,000 31st March 2019 3,50,000. Following additional Information is given:

- (i) An abnormal gain of Rs. 20,000 was earned in the year ended 31st March, 2016.
- (ii) Expenses of Rs. 50,000 incurred to overhaul a machine on 1st April, 2017 was debited to P&L A/c instead of being debited to Machinery Account. Depreciation is charged on machinery @ 20 % on Written Down Value Method.
- (iii) The closing stock for the year ended 31st March, 2018 was undervalued by Rs. 20,000. Calculate the value of goodwill.

Q. 11. The average net profits expected of a firm in future are Rs. 68,000 per year and capital invested in the business by the firm is Rs. 3,50,000. The rate of interest expected from capital invested in this class of business is 12%. The remuneration of partners is estimated to be Rs. 8000 for year. Calculate the value of goodwill based on two years' purchase of super profits.

Q. 12. Average profit earned by a firm is Rs. 75,000 which includes undervaluation of stock of Rs. 5000 on average basis. The capital invested in the business is Rs. 8,00,000 & the normal rate of return is 8 %. Calculate goodwill of firm based on 5 times the Super Profit.

Q. 13 Bharat and Bhusan are partners in a retail business. Balances in their Capital & Current Accounts as on 31st March, 2019 were as follows: Capital Account (Rs.) Current Account (Rs.) Bharat 4,00,000 4,80,000 Bhusan 1,00,000 20,000 (Dr) The firm earned an average profit of Rs. 97,000. If the normal rate of return is 8 %, find the value of goodwill.

Q. 14 Average Profit of the firm is Rs. 1,50,000. Total tangible assets in the firm are Rs. 12,00,000 & outside liabilities are Rs. 7,00,000. In the same type of business, the normal rate of return is 20 %. Calculate the value of goodwill of the firm by Capitalisation of Super Profit method if the goodwill is valued at 2 year's purchase of Super Profit.