**VALUATION OF GOODWILL**

# **Q1.** Ram and Shyam were partners from 1st April 2002. They disclosed the profit for the last

# three years :

# 2002-2003----Rs..2,800(Including an abnormal gain of Rs.800)

# 2003-2004----Rs. 2,100(Including an abnormal loss of Rs.100)

# 2004-2005----Rs. 3,000(Excluding Rs.600 as insurance premium of the firm.)

# Calculate the value of the firm’s goodwill on the basis of 3 years purchase of the average

# profits for the last 3 years.

# **Q2.** The profits of a firm for the year ended 31st March for the last five years were as follows:

# **Year Profit(Rs.) Year Profit(Rs.)** 2001 2,000 2002 2,400

# 2003 3,000 2004 2,500

# 2005 1,800

# Calculate the value of goodwill on the basis of three years purchase of weighted average

# profits after weights 1,2,3,4 and 5 respectively to the profits 2001,2002,2003,2004 and

# 2005

# **Q3.** The average net profits expected in the future by the firm are Rs.46,000 per year. The

# average capital employed in the business by the firm is Rs. 3,00,000. The rate of return

# expected from capital invested in this class of business is 10% . The remuneration of the

# partners is estimated to be Rs. 8,000 per annum . Find out the value of goodwill on the basis of two years purchase of Super Profits.

# **Q4.** A firm earned net profit during the last five years as follows :

# I—Rs. 7,000; II—Rs 6,500; III--Rs. 6,00; IV--Rs.7,500 and V—Rs. 8,000

# The capital investment of the firm is Rs.40,000. A fair return on capital in the market is 12%.

# Find out the value of goodwill of the business if it is based on three years purchase of average super profits of the past five years.

# **Q5.** A business has earned average profit Rs.10,000 during the last few years and the normal

# rate of return in a similar type of business is 10%. As certain the value of goodwill by

# capitalization method , given that the value of net assets of the business is Rs.82,000.

# **Q6.** The average net profit expected in future a co. are Rs.3,000 per year. The average capital employed in the business by firm is Rs.20,000. The normal rate of return on the capital

# employed in similar business is 10%. Calculate goodwill of the firm by Capitalization

# Method of Super Profits.

# **Q7.** A firm has earned an average profit of Rs.55,000 during the last years and the normal

# rate of return in similar type of business is 10 %. Find out the goodwill by capitalization

# method assuming that the firm owns total assets worth Rs.5,50,000 including there in a

# goodwill of Rs.50,000 and the firm has to pay Rs.1,00,000 to the outside liabilities.