

Super Profit Method

Question 1.

The net profit of a firm earned during the past four years is as follows:

Year	Profits
2019	31,600
2020	(29,500)
2021	26,200
2022	32,700

The capital employed by the firm is ₹45,000 and the normal rate of return is 8%. Calculate the value of goodwill based on the past three years' purchase of the average super profit for the last four years.

Question 2.

A firm earned the net profits during the last three years as follows:

Year	Profits
2020	18,400
2021	15,300
2022	21,700

The capital employed in the firm is ₹3,40,000, and a fair return on capital is 17%. Calculate the value of goodwill of the firm based on three years' purchase of average super profit.

Question 3.

M and N are partners sharing profit and losses in the ratio of 2:3. P is the new partner to be admitted in the firm of 2/3rd share. For this purpose, goodwill has to be valued at two years' purchase of super profit. The average maintainable profit of the firm is ₹53,000. The normal rate of return is to take 10% and the capital investment of the firm is valued at ₹1,94,600. Calculate the value of Goodwill.

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