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### Calculation of Normal Profit

Year	Reported profit (Rs.)	Adjustments (Rs.)	Normal profit (Rs.)
2014-15	20,000	(5,000)	15,000
2015-16	40,000	10,000	50,000
2016-17	40,000		40,000
<b>Total Normal profit</b>			<b>1,05,000</b>

$$\text{Average Profits} = \frac{1,05,000}{3} = \text{Rs. } 35,000$$

**Goodwill = Average Profit X Number of years' purchase**

$$\text{Goodwill} = 35,000 \times 2 = \text{Rs. } 70,000$$

