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Session: 2018-19
Sample

Q-7



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Goodwill = Super Profits X Number of Years purchased

$$60,000 = \text{Super Profit} \times 4$$

$$\text{Super Profits} = \frac{60,000}{4} = 15,000$$

Normal Profits = Average Capital employed X Normal rate of return

$$\text{Normal Profit} = (1,20,000 - 10,000) \times \frac{8}{100} = 1,10,000 \times \frac{8}{100} = 8,800$$

Also, Super Profit = Average Profits – Normal Profit

$$15,000 = \text{Average Profits} - 8,800$$

$$\text{Average profits} = 15,000 + 8,800 = \text{Rs. } 23,800$$

