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Goodwill = Super Profits X Number of Years purchased

Super Profit = Average Profits – Normal Profit

$$\text{Average Profits} = \frac{(30,000 + 36,000 + 42,000)}{3}$$

$$\text{Average Profits} = \frac{108,000}{3} = 36,000$$

Normal Profits = Average Capital employed X Normal rate of return

$$\text{Normal Profits} = 1,00,000 \times 15\% = 15,000$$

$$\text{Super Profits} = 36,000 - 15,000 = 21,000$$

$$\text{Goodwill} = 21,000 \times 2 = \text{Rs. } 42,000$$

