

Goodwill = Simple Average Profit X Number of years purchased

Simple Average profit = Simple Average of pure profit of last few years

Simple Average profit of previous four years

$$\text{Simple Average profit} = \frac{15,500+10,000+16,000+15,000}{4} = \frac{56,500}{4} = ₹14,125$$

Simple Average profit of previous five years

$$\text{Simple Average profit} = \frac{14,000+15,500+10,000+16,000+15,000}{5} = \frac{70,500}{5} = ₹14,100$$

Higher of the two = ₹14,125

$$\text{Goodwill} = 14,125 \times 4 = ₹ 56,500$$

