

Goodwill = Simple Average Profit X Number of years purchased

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

$$\text{Simple Average profit} = \frac{87,500 + 1,50,000 + 1,00,000}{3} = \frac{3,37,500}{3} = ₹ 1,12,500$$

$$\text{Goodwill} = 1,12,500 \times 2 = ₹ 2,25,000$$

Working Note:

Year	Reported Profit (₹)	Adjustment (₹)	Normal Business Profit (₹)
2022-23	1,00,000	(12,500)	87,500
2023-24	1,25,000	25,000	1,50,000
2024-25	1,12,500	(12,500)	1,00,000

