

## Solution-06

Goodwill = Simple Average Profit X Number of years purchased

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

$$\text{Simple Average profit} = \frac{1,50,000+3,50,000+5,00,000+7,00,000-5,05,000}{5} = \frac{11,75,000}{5} = ₹ 2,35,000$$

$$\text{Goodwill} = 2,35,000 \times 4 = ₹ 9,40,000$$

Year	Reported Profit (₹)	Adjustment (₹)	Normal Business Profit (₹)
2020-21	1,50,000		1,50,000
2021-22	3,50,000		3,50,000
2022-23	5,00,000		5,00,000
2023-24	7,10,000	(10,000)	7,00,000
2024-25	(5,90,000)	1,00,000 (25,000) (10,000)	(5,05,000)