

Solution-07

Goodwill = Simple Average Profit X Number of years purchased

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

$$\text{Simple Average profit} = \frac{1,00,000 + 1,20,000 + 1,45,000 + 2,00,000}{4} = \frac{5,65,000}{4} = ₹ 1,41,250$$

$$\text{Goodwill} = 1,41,250 \times 2 = ₹ 2,82,500$$

Year	Reported Profit (₹)	Adjustment (₹)	Normal Business Profit (₹)
2021-22	80,000	20,000	1,00,000
2022-23	1,45,000	(25,000)	1,20,000
2023-24	1,60,000	(15,000)	1,45,000
2024-25	2,00,000		2,00,000