Solution-16

Average profit = Simple Average of pure profit of last few years = ₹ 30,000

Normal Profit = Capital Employed x Normal Rate of Return

Capital Employed = Fixed Assets + Furniture + Stock + Debtors + Cash – Creditors – Bills Payable

Capital Employed = 75,000 + 15,000 + 30,000 + 20,000 + 50,000 – 5,000 – 25,000 = 1,60,000

Normal Profit = Capital Employed x Normal Rate of Return = 1,60,000 x 12% = ₹ 19,200

Super Profit = Average Profit – Normal profit

Super Profit = 30,000 – 19,200 = ₹ 10,800

Goodwill = Super Profit X Number of years purchased

Goodwill = 10,800 x 4 = ₹ 43,200

Saurabh's share of Goodwill = 43,200 x 1/3 = ₹14,400