

Average profit = Simple Average of pure profit of last few years = $1,00,000 + 40,000 = ₹ 1,40,000$

Normal Profit = Capital Employed x Normal Rate of Return = $6,30,000 \times 5\% = ₹ 31,500$

Super Profit = Average Profit – Normal profit

Super Profit = $1,40,000 - 31,500 = ₹ 1,08,500$

Goodwill = Super Profit X Number of years purchased

Goodwill = $1,08,500 \times 5 = ₹ 5,42,500$

