Solution-31

(i) Capitalisation of Super Profit Method

$$\text{Goodwill} = \text{Super Profit} \times \frac{100}{\text{Normal Rate of Return}}$$

Super Profit = Average Profit – Normal profit

Average profit = ₹5,00,000

Capital Employed = 55,00,000 -14,00,000 = ₹41,00,000

Normal Profit = Capital Employed x Normal Rate of Return = 41,00,000 x 10% = ₹ 4,10,000

Super Profit = Average Profit – Normal Profit = 5,00,000 – 4,10,000 = ₹90,000

$$\text{Goodwill} = \text{Super Profit} \times \frac{100}{\text{Normal Rate of Return}} = 90{,}000 \times \frac{100}{10} = ₹\ 9{,}00{,}000$$

(ii) Capitalisation of Average Profit Method

$$\text{Goodwill} = \frac{\text{Average Profit} \times 100}{\text{Normal Rate of Return}} - \text{Net Assets or Average Capital Employed}$$

$$\text{Goodwill} = \frac{5{,}00{,}000 \times 100}{10} - 41{,}00{,}000$$

Goodwill = 50,00,000 – 41,00,000 = ₹ 9,00,000