

C.S.Executive

ACCOUNTS

Q.1. following is the Balance Sheet of Navin Traders as on 31.3.2009:

Liabilities	Rs.	Assets	Rs.
Creditors	1,52,160	Fixed Assets	3,60,000
Capital	6,56,000	Current Assets	4,88,160
Reserve	1,60,000	Investments in shares	1,20,000
	9,68,160		9,68,160

The following net profits were earned which included a fixed income on investment of Rs.8,000 per year.

Year ended 31 March: 2006 Rs.1,28,000; 2007: Rs.1,44,000; 2008: Rs.1,72,000; 2009: Rs.1,80,000

Standard rate of return on capital employed in this type of business is 8%.

Calculate the value of goodwill of the above business at three years purchase of the average super profits for the four years assuming (i) that each years profit is immediately withdrawn in full by the proprietor and (ii) the weight to be assigned to the profits for the purpose of averaging are:

Year:	2006	2007	2008	2009
Weight:	1	1.5	2	2.5

Ignore Income tax.

Q.2. The following particulars are available in respect of the business carried on by sucharan.

- (i) capital employed – Rs.50,000
- (ii) Trading profit (after tax):
1989 – Rs.12,200; 1990 – Rs.15,000; 1991 – Rs.2,000 (Loss); and 1992 – Rs.21,000
- (iii) Market rate of interest on investment – 8%.
- (iv) Rate of risk return on capital invested in business – 2%.
- (v) Remuneration from alternative employment of the proprietor (if not engaged in business) Rs.3,600 p.a.

You are required to compute the value of goodwill on the basis of 3 years purchase of super profits of the business calculated on the average profit of the last four years.
 year 2010-11