

Solution

Present Value of Assets -

	Rs.
Goodwill	2,40,000
Leasehold Property	4,00,000
Fixtures	50,000
Investments	50,000
Current Assets	75,000
Loans & Advances	15,000
	8,30,000

Less :	Unsecured Loans	1,00,000	
	Current Liabilities	30,000	
	Pref. Share Capital	1,00,000	2,30,000

Amount available for Eq. shares Rs. 6,00,000

Hence, Intrinsic Value per equity Share

6,00,000

30,000 Shares

= Rs. 20 per share

Problem No.1

Illustration 1 : From the Balance Sheet of Aba & Baba Ltd. and the additional information given below, ascertain intrinsic value of each share.

Balance Sheet as on 31-03-2016

Liabilities	Rs.	Assets	Rs.
Equity share Capital (Share of Rs. 10 each)	3,00,000	Goodwill	1,20,000
12% preference shares of Rs. 10 each	1,00,000	Leasehold properties	3,50,000
General Reserve	80,000	Fixture	60,000
P & L A/c	70,000	Investment	50,000
Unsecured loan	1,00,000	Current Asset	75,000
Current Liabilities	30,000	Loans and Advances	15,000
	6,80,000	Miscellaneous Exp.	10,000
	6,80,000		6,80,000

Additional Information :

(a) Goodwill should be valued at three years' purchase of average profits of last five years. The profits for the last five years are - Rs. 70,000, Rs. 90,000, Rs. 75,000, Rs. 85,000 and Rs. 80,000.

(b) Leasehold Property and Fixtures are valued at Rs. 4,00,000 and Rs. 50,000 respectively.

(S.U., April, 2017)

Valuation of Goodwill

$$\text{Av. profit} = \frac{70,000 + 90,000 + 75,000 + 85,000 + 80,000}{5}$$

Valuation of

$$= \frac{400,000}{5} = 80,000$$

∴ Goodwill = Av. profit × No. of purchase yrs.

$$= 80,000 \times 3$$

$$= 240,000$$

First Given - formula

$$\text{Intr. value per Eq. share} = \frac{\text{Amt Available to Eq. sh holder}}{\text{No of Eq. shares}}$$

Thank u