concept no.1

Meaning,Imprtance and features of Goodwill



Meaning : Goodwill is defined as goodwill is the value of the reputation of a firm which enables it to earn higher profits in comparison to the normal profits earned by other firms in the same trade.



FEATURES OR CHARACTERISTICS OF GOODWILL

1. **It is an Intangible Asset:** Goodwill belongs to the category of intangible assets such as patents, trade marks, copy rights etc.
2. **Its Value is Liable to Constant Fluctuations**: While goodwill does not depreciate, its value is liable to constant fluctuations. It is always present as a silent asset in a business where there are super profits (*i.e., more than the normal*) but declines in value with the decline in earnings.
3. **It is Difficult to Place an Exact Value on Goodwill**: A partnership is established for a business.



IMPORTANCE

1. When a business is purchased for more than its book value (*i.e., the value of its tangible assets*), the excess amount paid is attributed to goodwill.
2. Goodwill can positively impact a company's financial performance by providing a competitive advantage.
3. A strong brand and loyal customer base contribute to goodwill.
4. While tangible assets (like machinery or inventory) have finite useful lives, goodwill is considered indefinite. It implies that a company's value extends beyond its raw assets

COMMERCE RAMA

END OF CONCEPT-1

concept no.

2 Average Profit Method AND weighted Average