RKG INSTITUTE

B - 193, Sector - 52, Noida

CLASS 12 - ACCOUNTANCY

Goodwill Test

Time Allowed: 1 hour **Maximum Marks: 30**

1. A firm earned net profits during the last three years as: **[1]**

2008-09	Rs.36,000
2009-10	Rs.40,000
2010-11	Rs.44,000

The capital investment of the firm is Rs.1,20,000. A fair return on the capital having regard to the risk involved is 10%. Calculate the value of goodwill on the basis of three year's purchase of the super profit for the last three year.

a) Rs.92000
b) Rs. 70000
c) Rs.65000
d) Rs. 84000

2. Goodwill is an _______ asset. **[1]**

a) Both Intangible asset and Tangible asset
b) None of these
c) Intangible asset
d) Tangible asset

3. A Partnership firm has earned average profits of Rs. 1,20,000 during the last few years and the normal rate of return in a similar business is 15%. Ascertain the value of goodwill by the capitalization of the average profits method, given that the value of net assets of the business is Rs.7,20,000. **[1]**

4. Fill in the blanks: **[1]**

a) Goodwill is an _______ asset.

5. A firm with an average capital employed of Rs 160000 is expected to earn Rs 40000 per annum in future. Goodwill is calculated at three times the super profit taking the normal rate of return as 15%. **[2]**

With the help of above information match the following

Column A	Column B
(a) Average Profit.	(i) 48000.
(b) Normal Profit.	(ii) 40,000.
(c) Super Profit.	(iii) 24,000.
(d) Goodwill.	(iv)Nil.

6. Mahesh and Suresh are partners and they admit Naresh into partnership. They agreed to **[4]**

value goodwill at three years' purchase on Weighted Average Profit Method taking profits for the last five years. They assigned weights from 1 to 5 beginning from the earliest year and onwards. The profits for the last five years were as follows:

Year Ended	31st March, 2015	31st March, 2016	31st March, 2017	31st March, 2018	31st March, 2019
Profits (₹)	1,25,000	1,40,000	1,20,000	55,000	2,57,000

Scrutiny of books of account revealed the following:

i. A second-hand machine was purchased for ₹ 5,00,000 on 1st July, 2017 and ₹ 1,00,000 were spent to make it operational. ₹ 1,00,000 were wrongly debited to Repairs Account. Machinery is depreciated @ 20% p.a. on Written Down Value Method.
ii. Closing Stock as on 31st March, 2018 was undervalued by ₹ 50,000.
iii. Remuneration to partners was to be considered as charge against profit and remuneration of ₹ 20,000 p.a. for each partner was considered appropriate.

Calculate the value of goodwill.

7. Explain in detail what is goodwill? What factors are there which affect goodwill of firm? **[4]**

8. From the following information, calculate value of goodwill of the firm: **[4]**

i. At three years' purchase of Average Profit.
ii. At three years' purchase of Super Profit.
iii. On the basis of Capitalisation of Super Profit.
iv. On the basis of Capitalisation of Average profit.

Information:

a. Average Capital Employed is ₹ 6,00,000.
b. Net Profit/(Loss) of the firm for the last three years ended are:
31st March, 2018 - ₹ 2,00,000, 31st March, 2017 - ₹ 1,80,000, and 31st March, 2016 - ₹ 1,60,000.
c. Normal Rate of Return in similar business is 10%.
d. Remuneration of ₹ 1,00,000 to partners is to be taken as charge against profit.
e. Assets of the firm (excluding goodwill, fictitious assets and non-trade investments) is ₹ 7,00,000 whereas Partners' Capital is ₹ 6,00,000 and Outside Liabilities ₹ 1,00,000.

9. J and K are partners in a firm. Their capitals are : J : Rs 3,00,000 and K : Rs 2,00,000. During the year ended 31st March, 2010 the firm earned a profit of Rs 1,50,000. Assuming that the normal rate of return is 20%, calculate the value of goodwill of the firm : **[6]**

i. By Capitalisation Method; and
ii. By Super Profit Method if the goodwill is valued at 2 years’ purchase of super profit.

10. A, B and C are partners sharing profits and losses equally. They agree to admit D for equal share. For this purpose, the value of goodwill is to be calculated on the basis of four years’ purchase of average profit of last five years. These profits were : **[6]**

Year	**2010**	**2011**	**2012**	**2013**	**2014**
Profit/Loss	70,000 (Profit)	30,000 (Profit)	1,00,000 (Profit)	1,40,000 (Profit)	1,20,000 (Loss)

On 1st January 2014, a scooter costing Rs 20,000 was purchased and debited to travelling expenses account, on which depreciation is to be charged @ 25%. Calculate the value of goodwill after adjusting the above.