



# INDIAN SCHOOL MUSCAT

Senior Section

Department of Commerce and Humanities

Class : XII

Worksheet-No 3 : Ch-3: MCQs VALUATION OF GOODWILL

Reference:

T.S.Grewal

Date of issue :

Date of

December

ACCOUNTANCY (055)

submission

2020

-----2020

=====

Time :25 Minutes

A. Multiple Choice Questions

1. Goodwill is \_\_\_\_\_

- (a) Tangible asset
- (b) Intangible asset
- (c) Fictitious asset
- (d) Both (b) & (c)

2. Goodwill of the firm on the basis of 2 years' purchase of average profit of the last 3 years is ₹ 25,000. Find average profit.

- (a) ₹ 50,000
- (b) ₹ 25,000
- (c) ₹ 10,000
- (d) ₹ 2500

3. Calculate the value of goodwill at 3 years' purchase when: Capital employed ₹ 2,50,000; Average profit ₹ 30,000 and normal rate of return is 10%.

- (a) ₹ 3000      (b) ₹ 25,000      (c) ₹ 30,000      (d) ₹ 5,000

4. What are super profits ?

- a) Actual profit – Normal Profit
- b) Normal Profit - Actual profit
- c) Actual profit + Normal Profit
- d) None of the above

5. The net assets of the firm including fictitious assets of ₹ 5,000 are ₹ 85,000. The net liabilities of the firm are ₹ 30,000. The normal rate of return is 10% and the average profits of the firm are ₹ 8,000. Calculate the goodwill as per capitalization of super profits.

- (a) ₹ 20,000      (b) ₹ 30,000      (c) ₹ 25,000      (d) None of the above

**6. Which of the following items are added to previous year's profits for finding normal profits for valuation of goodwill.?**

- a) Loss on sale of fixed assets
- b) Loss due to fire, earthquake etc
- c) Undervaluation of closing stock
- d) All of the above

**7. Under which method of valuation of goodwill, normal rate of return is not considered?**

- a) Loss on sale of fixed assets
- b) Loss due to fire, earthquake etc
- c) Undervaluation of closing stock
- d) All of the above

**8. Following are the methods of calculating goodwill except:**

- a) Super profit method
- b) Average profit method
- c) Weighted Average profit method
- d) Capital profit method

**9. The excess amount which the firm can get on selling its assets over and above the saleable value of its assets is called :**

- a) Surplus
- b) Super profits
- c) Reserve
- d) Goodwill

**10. When Goodwill is not purchased goodwill account can :**

- (a) Never be raised in the books
- (b) Be raised in the books
- (c) Be partially raised in the books
- (d) Be raised as per the agreement of the partners

**11. The goodwill of the firm is not affected by:**

- (a) Location of the firm
- (b) reputation of the firm
- (c) Better customer services
- (d) None of the above

**12. Weighted average profit method of calculating goodwill is used when:**

- (a) Profits are not equal
- (b) Profits show a trend
- (c) Profits are fluctuating
- (d) None of the above

**13. Capital invested in a firm is 5,00,000. Normal rate of return is 10%. Average profit of the firm are 64,000 (after an abnormal loss of 4,000). Value of goodwill at four times the super profits will be:**

(a) ₹ 72,000      (b) ₹ 40,000      (c) ₹ 2,40,000      (d) 1,80,000

14. Under ----- method ,goodwill is the excess of capitalized value of business over actual capital employed.

15. The value of goodwill is based on ----- judgment of the valuer .

16. When the value of goodwill of the firm is not given but has to be inferred on the basis of the net worth of the firm ,it is called.....

17. Goodwill is not valued during .....

18. If Super profit of a firm is 10,000, its value of goodwill will be .....if rate of return is 8%

**State true or false**

19. Location of business does not affect the goodwill of business.

20. "Average profit method" takes into consideration the future maintainable profits.

21. Goodwill can be sold in part.

22. Purchased goodwill may arise on acquisition of an existing business concern.

23. Self-Generated goodwill is recorded in the books of accounts as some consideration is paid for it

24. Goodwill is a fictitious asset

25. Goodwill is valued during dissolution of a firm

\*\*\*\*\*

**PLEASE PRACTICE AND THEN CHECK ANSWER**

ANSWERS :- Marks    Scored :-----/ 25

Q No	Answer	Q No	Answer	Q No	Answer
1	B	10	A	19	False
2	D	11	B	20	True
3	D	12	B	21	False
4	A	13	A	22	True
5	B	14	Capitalisation of average profit	23	False
6	D	15	Subjective	24	False
7	C	16	Hidden goodwill	25	False
8	D	17	Dissolution of the firm		
9	D	18	1,25,000		