

மருதம் அகாடமி Youtube channel

தொகுப்பு: ந. சண்முகசுந்தரம் (மருதம் ஆசிரியர்), அ.எண்: 96598 38789

Subscribe: https://www.youtube.com/@Marutham_academy

HIGHER SECONDARY SECOND YEAR

Unit 4 / GOOD WILL IN PARTNERSHIP

ACCOUNTS

ACCOUNTANCY

Choose the correct answer

- Which of the following statements is true?
 - Goodwill is an intangible asset
 - Goodwill is a current asset
 - Goodwill is a fictitious asset
 - Goodwill cannot be acquired
- Super profit is the difference between
 - Capital employed and average profit
 - Assets and liabilities
 - Average profit and normal profit
 - Current year's profit and average profit
- The average rate of return of similar concerns is considered as
 - Average profit
 - Normal rate of return
 - Expected rate of return
 - None of these
- Which of the following is true?
 - Super profit = Total profit / number of years
 - Super profit = Weighted profit / number of years
 - Super profit = Average profit – Normal profit
 - Super profit = Average profit × Years of purchase
- Identify the incorrect pair
 - Goodwill under Average profit method - Average profit × Number of years of purchase
 - Goodwill under Super profit method - Super profit × Number of years of purchase
 - Goodwill under Annuity method - Average profit × Present value annuity factor
 - Goodwill under Weighted average profit method - Weighted average profit × Number of years of purchase
- When the average profit is Rs 25,000 and the normal profit is Rs. 15,000, super profit is
 - Rs 25,000
 - Rs 5,000
 - Rs 10,000
 - Rs 15,000
- Book profit of 2017 is Rs 35,000; non-recurring income included in the profit is Rs 1,000 and Abnormal loss charged in the year 2017 was Rs 2,000, then the adjusted profit is
 - Rs 36,000
 - Rs 35,000
 - Rs 38,000
 - Rs 34,000
- The total capitalised value of a business is Rs 1,00,000; assets are Rs 1,50,000 and liabilities are Rs 80,000. The value of goodwill as per the capitalisation method will be
 - Rs 40,000
 - Rs 70,000
 - Rs 1,00,000
 - Rs 30,000

Very short answer questions

- What is goodwill?
- What is super profit?
- State any two circumstances under which goodwill of a partnership firm is valued.

Short answer questions

- State any six factors determining goodwill.
- How is the value of goodwill calculated under the capitalisation method?

4.5 Classification of goodwill

Goodwill may be classified into acquired goodwill and self-generated goodwill.



Annuity refers to series of uniform cash flows at regular intervals. The table value gives the present value of annuity of rupee one received at the end of every year for a specified number of years.

The following formula is used to compute annuity factor:

$$\text{Annuity factor} = \frac{(1+i)^n - 1}{i(1+i)^n}$$

where, i = interest rate

n = estimated number of years

$$\text{Capitalised value of the business} = \frac{\text{Average profit}}{\text{Normal rate of return}} \times 100$$

Actual capital employed = Fixed assets (excluding goodwill) + Current assets - Current liabilities

Illustration 2

The profits and losses of a firm for the last four years were as follows:

2015: ₹ 15,000; 2016: ₹ 17,000; 2017: ₹ 6,000 (Loss); 2018: ₹ 14,000

You are required to calculate the amount of goodwill on the basis of 5 years purchase of average profits of the last 4 years.

Illustration 5

The following particulars are available in respect of a business carried on by a partnership firm:

(a) Profits earned: 2016: ₹ 30,000; 2017: ₹ 29,000 and 2018: ₹ 32,000.

(b) Profit of 2016 includes a non-recurring income of ₹ 3,000.

(c) Profit of 2017 is reduced by ₹ 2,000 due to stock destroyed by fire.

(d) The stock is not insured. But, it is decided to insure the stock in future. The insurance premium is estimated at ₹ 5,600 per annum.

You are required to calculate the value of goodwill on the basis of 2 years purchase of average profits of the last three years.

Illustration 8

Calculate the value of goodwill at 5 years purchase of super profit from the following information:

(a) Capital employed: ₹ 1,20,000

(b) Normal rate of profit: 20%

(c) Net profit for 5 years:

2014: ₹ 30,000; 2015: ₹ 32,000; 2016: ₹ 35,000; 2017: ₹ 37,000 and 2018: ₹ 40,000

(d) Fair remuneration to the partners ₹ 2,800 per annum.

Subscribe: https://www.youtube.com/@Marutham_academy

10th to 12th important Questions upload soon.

மருதம் அகாடமி Youtube channel

தொகுப்பு: ந. சண்முகசுந்தரம் (மருதம் ஆசிரியர்), அ.எண்: 96598 38789

Subscribe: https://www.youtube.com/@Marutham_academy

4. From the following information relating to Sridevi enterprises, calculate the value of goodwill on the basis of 4 years purchase of the average profits of 3 years.

- Profits for the years ending 31st December 2016, 2017 and 2018 were ₹ 1,75,000, ₹ 1,50,000 and ₹ 2,00,000 respectively.
- A non-recurring income of ₹ 45,000 is included in the profits of the year 2016.
- The closing stock of the year 2017 was overvalued by ₹ 30,000.

8. A partnership firm earned net profits during the last three years as follows:

2016 : ₹ 20,000; 2017 : ₹ 17,000 and 2018 : ₹ 23,000

The capital investment of the firm throughout the above mentioned period has been ₹ 80,000.

Having regard to the risk involved, 15% is considered to be a fair return on capital employed in the business. Calculate the value of goodwill on the basis of 2 years purchase of super profit.

10. Find out the value of goodwill by capitalising super profits:

- Normal Rate of Return 10%
- Profits for the last four years are ₹ 30,000, ₹ 40,000, ₹ 50,000 and ₹ 45,000.
- A non-recurring income of ₹ 3,000 is included in the above mentioned profit of ₹ 30,000.
- Average capital employed is ₹ 3,00,000.

11. From the following information, find out the value of goodwill by capitalisation method:

- Average profit ₹ 20,000
- Normal rate of return 10%
- Capital employed ₹ 1,50,000

மருதம் அகாடமி
YouTube Channel
9659838789

Subscribe: https://www.youtube.com/@Marutham_academy

10th to 12th important Questions upload soon.

Kindly Send Me Your Key Answer to Our email id - Padasalai.net@gmail.com