

CENTURY FOUNDATION MATRIC. HR. SEC. SCHOOL, TIRUPUR
XII ACCOUNTANCY - UNIT - 04 IS QA

CHOOSE THE CORRECT ANSWER

53 X 1 = 53

1. Which is the present value of a firm's future excess earnings?
 (a) Fixed asset (b) Current assets (c) Good will (d) None of these
2. Goodwill is shown under fixed assets in the _____
 (a) Trial balance (b) Balance sheet (c) Trading account (d) Profit and loss account
3. The monetary value of such advantage is termed as _____
 (a) Goodwill (b) Bank overdraft (c) Capital (d) Cash
4. Goodwill helps in earning more profit and attracts more _____
 (a) customers (b) producers (c) competitors (d) suppliers
5. The profit earning capacity of the firm determines the value of its _____
 (a) balance sheet (b) goodwill (c) profit and loss account (d) all of these
6. Goodwill acquired by making payment in cash or kind is called _____
 (a) Purchased goodwill (b) Self-generated goodwill (c) Average goodwill (d) 'a' and 'b'
7. Which of the following method, goodwill is calculated by multiplying the weighted average profit?
 (a) Super profit method (b) Annuity (c) Weighted average profit method (d) All of these
8. Self-generated goodwill should not be shown in the _____
 (a) journal (b) ledger (c) balance sheet (d) books of accounts
9. The total capitalised value of the business is calculated by capitalising the average profits on the basis of _____
 (a) average profit (b) normal rate of return (c) actual capital employed (d) none of these
10. Goodwill is to be valued when _____
 (a) amalgamation takes place (b) a partner is admitted
 (c) one company takes over another company (d) all of the above
11. Goodwill is paid for obtaining _____
 (a) future profit (b) present benefit (c) past benefit (d) none of the above
12. Super profit is _____
 (a) excess of average profit over normal profit (b) extra profit earned
 (c) average profit earned by similar companies (d) none of the above
13. Normal profit is _____
 (a) average profit earned (b) profit earned by similar companies in the same industry
 (c) both 'a' and 'b' (d) none of the above
14. Goodwill as per purchase of average profit method is equal to _____
 (a) Average profit (b) Average profit x Amount of purchases
 (c) Average profit x Number of years purchases (d) All of the above
15. The company earns a net profit of Rs. 24,000 with a capital of Rs. 1,20,000. The NRR is 10% under capitalisation of super profit goodwill will be _____
 (a) Rs. 70,000 (b) Rs. 24,000 (c) Rs. 12,000 (d) Rs. 1,20,000
16. Average Capital employed Rs. 4,00,000; Net profit 2011 2,50,000; 2012 1,00,000 (Loss); 2013; 4,50,000; N R R 10%; Goodwill at 3 years purchase of super profit will be _____
 (a) Rs. 1,80,000 (b) Rs. 90,000 (c) Rs. 1,50,000 (d) Rs. 1,20,000
17. Rate of interest is 11% and the rate of risk is 9% The normal rate of return is _____
 (a) 11% (b) 9% (c) 20% (d) 2%
18. _____ is the good name or reputation of the business which brings benefit to the business
 (a) Goodwill (b) Fixed asset (c) Current asset (d) None of these
19. _____ Cannot be seen or touched.
 (a) Computer (b) Machinery (c) Goodwill (d) All of these
20. _____ method, goodwill is calculated by multiplying the average profits by a certain number of years of purchase.
 (a) Weighted average profit (b) Super profit (c) Annuity (d) Simple average profit
21. _____ method, goodwill is calculated as certain years of purchase of average profits of the past few years.

- (a) Simple average method (b) Average profit method
(c) Super profit method (d) Annuity method
22. _____ is the excess of average profit over the normal profit of a business.
(a) Average profit (b) Super profit (c) Annuity method (d) None of these
23. _____ is the profit earned by the similar business firms under normal conditions
(a) Normal profit (b) Super profit (c) Average profit (d) All of these
24. _____ method, goodwill is the excess of capitalised value of average profit of the business over the actual capital employed in the business.
(a) Capitalisation (b) Super profit (c) Weighted average profit (d) Annuity
25. _____ refers to series of uniform cash flows at regular intervals.
(a) Cash flow (b) Funds flow (c) Annuity (d) None of these
26. Goodwill is _____.
(a) an intangible asset (b) a fixed asset (c) realisable (d) all of the above
27. While calculating capital employed _____.
(a) Tangible trading assets should be considered
(b) Intangible assets should be considered
(c) Fictitious assets should be considered
(d) None of the above
28. Capital employed at the end the year is Rs. 74,20,000 profit earned Rs. 20,000. Average capital employed is _____.
(a) Rs. 4,20,000 (b) Rs. 4,60,000 (c) Rs. 4,40,000 (d) Rs. 4,00,000
29. Average profit is 19,167 and normal profit is 10,000 the super profit is _____.
(a) Rs. 9,167 (b) Rs. 29,167 (c) Rs. 9,167 (d) Rs. 10,000
30. Goodwill has _____ Value
(a) realisable (b) fictitious (c) both (d) none of these
31. Goodwill is not a _____ asset
(a) Fixed (b) Current (c) Fictitious (d) None of these
32. Net asset value method is based on the assumption that the company is _____.
(a) a going concern (b) going to be liquidated
(c) both 'a' and 'b' (d) none of the above
33. List I List II
i) Goodwill 1. Excess of EM.P over normal profit
ii) Fictitious asset 2. Accounted in the books of accounts
iii) Purchased goodwill 3. Intangible having no realisable value
iv) Super profit 4. An intangible asset
(a) (i) (ii) (iii) (iv) (b) (i) (ii) (iii) (iv)
4 3 2 1 1 2 3 4
(c) (i) (ii) (iii) (iv) (d) (i) (ii) (iii) (iv)
2 3 4 1 3 4 1 2
34. List I List II
(i) Average profit method 1. Excess of average profit
(ii) Weighted average profit method 2. Present value of annuity
(iii) Super profit method 3. Increase or decrease trend
(iv) Annuity method 4. Past few years
(a) (i) (ii) (iii) (iv) (b) (i) (ii) (iii) (iv)
1 2 3 4 4 3 1 2
(c) (i) (ii) (iii) (iv) (d) (i) (ii) (iii) (iv)
2 3 4 1 3 4 2 1
35. Goodwill is valued under _____.
(a) Average profit method (b) Super profit method
(c) Capitalisation method (d) All of these
36. Average profit method can be further divided _____.
(a) Simple average profit (b) Weighted Average profit

- (c) Both (a) and (b) (d) None of these
37. Super profit is _____
 (a) Average profit - Normal profit (b) Normal profit - Average profit
 (c) Both (a) and (b) (d) None of these
38. Kinds of Goodwill _____
 (a) Purchased Goodwill (b) Self-generated Goodwill
 (c) None of these (d) Both (a) and (b)
39. Nature of Good will is _____
 (a) Reputation of business firm (b) Profit of firm
 (c) Total Asset of firm (d) None of these
40. Factors of Good will is _____
 (a) Location of the business (b) Efficient management
 (c) Nature of the goods (d) All of these
41. Goodwill of the firm in the basis of 2 years purchase of average profit of the last 5 years is Rs. 25,000 find average profit _____
 (a) Rs. 50,000 (b) Rs. 25,000 (c) Rs. 10,000 (d) Rs. 12,500
42. Calculate the value of Goodwill at 3 years purchase when capital employed Rs. 2,50,000. Average profit < 30000 and normal rate of return is 10%.
 (a) 3,000 (b) Rs. 25,000 (c) Rs. 30,000 (d) Rs. 15,000
43. Adjusted profit = Actual profit
 (a) + Past expenses not required in the future
 (b) - Past revenue. not likely to be reached in the future.
 (c) + Additional income. expected in the future
 (d) All of these
44. Select the odd one out
 (a) Fixed capital method (b) Average profit method
 (c) Super Profit method (d) Capitalisation method
45. Goodwill which cannot be recorded in the books of accounts :
 (a) Self-generated goodwill (b) Acquired goodwill
 (c) Purchased goodwill (d) None of these
46. (i) Goodwill is shown under fixed assets in the balance sheet
 (ii) Goodwill is an intangible asset.
 (iii) Goodwill helps in earning more profit and attracts more customers.
 (a) (i) is correct (b) (ii) is correct (c) (i) and (ii) are correct (d) (i), (ii) and (iii) are correct
47. (ii) Weighted average profit method, goodwill is calculated by multiplying the weighted average profit by a certain number of years of purchase.
 (iii) Normal profit = Capital employed x Fixed assets
 (i) Goodwill acquired by making payment in cash or kind is called acquired or purchased goodwill.
 (a) (i) is correct (b) (i) and (ii) are correct
 (c) (ii) and (iii) are correct (d) (i), (ii) and (iii) are correct
48. Assertion (A): Goodwill is the good name or reputation of the business which brings benefit to the business.
 Reason (R): It is an intangible asset as it has no physical existence.
 (a) Both (A) and (R) are true and (R) is the correct explanation of (A)
 (b) Both (A) and (R) are true and (R) is not the correct explanation of (A).
 (c) (A) is true, but (R) is false
 (d) (A) is false, but (R) is true
49. Assertion (a): The Profit earning capacity of the firm determines the value of its goodwill
 Reason (R): Goodwill acquired by making payment in cash or kind is called acquired or purchased goodwill.
 (a) Both (A) and (R) are true and (R) is the correct explanation of (A)
 (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
 (c) (A) is true, but (R) is false

(d) (A) is false, but (R) is true

50. Find out the wrong pair

- | | | | |
|----------------------------|---|---------------------------|-----------------------------|
| a) Average profit | - | Total profit | Number of years |
| b) Goodwill | - | Average profit x | Number of years of purchase |
| c) Weighted average profit | - | Total of weighted profits | Total of weights |
| d) Normal profit | - | Capital employed x | Average profit |

51. Find out the wrong pair

- | | | |
|-------------------|---|------------------------------------|
| a) Capital | - | Goodwill + current liabilities |
| b) Super profit | - | Average profit - Normal profit |
| c) Annuity factor | - | $i(1+i)^n / (1+i)^n - 1$ |
| d) Goodwill | - | super profit Normal rate of return |

52. Find the odd one out

- | | |
|-------------------------------|---------------------------|
| (a) Profitability of the firm | (b) Degree of competition |
| (c) Efficiency of management | (d) Lack of uniformity |

53. Find the odd one out

- | | |
|---------------------------|----------------------------|
| (a) Average profit method | (b) Straight line method |
| (c) Super profit | (d) Capitalisation method. |

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1. (c) Good will
2. (b) Balance sheet
3. (a) Goodwill
4. (a) customers
5. (b) goodwill
6. (a) Purchased goodwill
7. (c) Weighted average profit method
8. (d) books of accounts
9. (b) normal rate of return
10. (d) all of the above
11. (a) future profit
12. (a) excess of average profit over normal profit
13. (b) profit earned by similar companies in the same industry
14. (c) Average profit x Number of years purchases
15. (d) Rs. 1,20,000
16. (a) Rs. 1,80,000
17. (c) 20%
18. (a) Goodwill
19. (c) Goodwill
20. (a) Weighted average profit
21. (b) Average profit method
22. (b) Super profit
23. (a) Normal profit
24. (a) Capitalisation
25. (c) Annuity
26. (d) all of the above
27. (a) Tangible trading assets should be considered
28. (d) Rs. 4,00,000
29. (a) Rs. 9,167
30. (a) realisable
31. (c) Fictitious
32. (b) going to be liquidated
33. (d) (i) (ii) (iii) (iv) 3 4 1 2
34. (b) (i) (ii) (iii) (iv) 4 3 1 2

35. (d) All of these
36. (c) Both (a) and (b)
37. (a) Average profit - Normal profit
38. (a) Purchased Goodwill
39. (a) Reputation of business firm
40. (b) Efficient management
41. (a) Rs. 50,000
42. (d) Rs.15,000
43. (d) All of these
44. (a) Fixed capital method
45. (a) Self-generated goodwill
46. (d) (i), (ii) and (iii) are correct
47. (b) (i) and (ii) are correct
48. (a) Both (A) and (R) are true and (R) is the correct explanation of (A)
49. (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
50. (d) Normal profit - Capital employed x Average profit
51. (a) Capital employed - Goodwill + current liabilities
52. (d) Lack of uniformity
Reason: Lack of uniformity is a features of incomplete records. Other three are factor determine the values of goodwill of a partnership firm.
53. (b) Straight line method
Reason: Under this method, the same amount of depreciation is charged every year throughout the life of the asset other three are methods of valuation of goodwill

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