



INDIAN SCHOOL AL WADI AL KABIR

DEPARTMENT OF COMMERCE

MCQ'S -VALUATION OF GOODWILL

1. Goodwill may be defined as excess amount paid for a business over and above its -----
(a) Tangible assets (b) Current assets (c) Total assets (d) Net Assets
2. Goodwill is an intangible asset but not a ----- asset.
(a) Fixed (b) Fictitious (c) Saleable
3. Goodwill of a firm is affected by its:
(a) Location (b) Nature of business (c) Degree of competition (d) All of these
4. Goodwill of the firm is not valued during
(a) Admission of partner (b) Retirement / death of partner (c) Amalgamation of two firm
(d) Dissolution of partnership firm
5. If average capital employed in a firm is ₹8,00,000, average of actual profits is ₹1,80,000 and normal rate of return is 10%, then value of goodwill as per capitalization of average profits is:
(A) ₹10,00,000 (B) ₹18,00,000 (C) ₹80,00,000 (D) ₹78,20,000
6. Need for valuation of goodwill arises at the time of
(a) Change in profit sharing ratio (b) Admission of new partner (c) Retirement / death of partner (d) All of these.
7. At the time of calculation of average profit
(a) Abnormal profit will be deducted (b) Abnormal profit will be added (c) Both (a) and (b) (d) None of these
8. As per accounting standard 26, which goodwill is shown in the accounting books
(a) Purchased goodwill (b) Self-generated goodwill (c) above (a) and (b) both (d) None of these
9. Average profit earned by a firm is Rs. 75,000 which includes undervaluation of stock of Rs. 5,000 on average basis. The capital invested in the business is Rs. 7,00,000 and the normal rate of return is 7%. What will be the amount of goodwill on the basis of 5 times the super profit?
(a) Rs. 1,55,000 (b) 31,000 (c) 1,30,000 (d) 1,05,000

10. M/s. Supertech India has assets of Rs. 5,00,000, whereas liabilities are: Partners' Capitals - Rs. 3,50,000, General Reserve - 60,000 and Sundry Creditors - Rs. 90,000. If Normal Rate of Return is 10% and Goodwill of the firm is valued at Rs. 90,000 at 2 years', purchase of super profit, the Average Profit of the firm will be

(a) Rs. 46,000 (b) Rs. 86,000 (c) Rs. 1,63,000 (d) Rs. 23,000

11. A firm earned Rs. 60,000 as profit, the normal rate of return being 10%. Assets of the firm are Rs. 7,20,000 (excluding goodwill) and external liabilities Rs. 2,40,000. Find the value of goodwill by Capitalisation of average profit method.

(a) Rs. 2,40,000 (b) Rs. 1,80,000 (c) Rs. 1,20,000 (d) Rs. 60,000

12. 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

13. Assertion(A): Both purchase and self-generated goodwill are accounted in the books of account

Reason (R): According to AS-26 only purchase goodwill is accounted in the books of account. Self-generated goodwill is not accounted in the books of account

- (a) A is correct but R is not correct
- (b) R is correct but A is not correct
- (c) Both A and R is correct
- (d) Both A and R not correct

From the following information of M/s Sharma and Gupta give the answer of question number 14 to 17

INFORMATION:

- (a) Average capital employed - Rs. 10,00,000
- (b) Net profit of the firm for the past years 2019 - Rs. 1,60,000; 2020 - Rs. 1,40,000; 2021- Rs. 2,70,000
- (c) Normal rate of return on capital employed is 11%
- (d) Remuneration to each partner for his service to be treated as a charge on profit - 2,500 per month

14. Value of Goodwill at three year's purchase of Average Profit

(a) Rs. 3,90,000 (b) Rs. 1,30,000 (c) Rs. 1,90,000 (d) None of the above.

15. Value of Goodwill at three year's purchase of Super Profit

(a) Rs. 1,50,000 (b) Rs. 2,00,000 (c) Rs. 60,000 (d) Rs. 3,90,000

16. Value of Goodwill on the basis of Capitalisation of Super Profit

(a) Rs. 60,000 (b) Rs. 1,81,818 (c) Rs. 3,90,000 (d) Rs. 40,000

17. Value of Goodwill on the basis of Capitalisation of Average Profit

(a) Rs. 40,000 (b) Rs. 60,000 (c) Rs. 300,000 (d) Rs. 1,81,818