

CLASS –XII
ASSIGNMENT- 2

SUBJECT – ACCOUNTANCY
TOPIC – GOODWILL: NATURE AND VALUATION

1. Define Goodwill.
2. List the characteristics of goodwill.
3. Explain the nature of goodwill.
4. Under what circumstances has the goodwill to be valued?
5. List the factors affecting the value of goodwill.
6. What do you understand by purchased goodwill and self generated goodwill?
7. What are the different methods of valuation of goodwill?
8. What is meant by "number of years purchase"?
9. What is meant by :-
 - (i) Super profit (ii) Capital employed (iii) capitalized value of business (iv) capitalized value of Super profits
10. Distinguish between average profits and super profits.
11. Give the formula for calculating goodwill in each of the following methods:-
 - (i) Average profit method (ii) super profit method (iii) capitalization method
12. Calculate the value of goodwill as on 1st Jan 2007 on the basis of three years' purchases of average profits of the last five years profits. The p + L for the years were
2001 – 30000 (profit)
2002 – 40000 (loss)
2003 – 92000 (profit)
2004 – 55000 (profit)
2005 – 70000 (profit)
2006 – 90000 (profit)
During 2002 profit on sale of fixed asset amounted to Rs 2000, during 2004 amounted to Rs 5000, and in 2006 loss on sale of fixed asset amounted to Rs 5000. [Ans 1, 59,000]
13. The profits of a firm for the last three years were:-
2001 – 5, 00,000 (including an abnormal gain of Rs 1, 50,000)
2002 – 4, 00,000 (after charging an abnormal loss of Rs 2, 00,000)
2003 – 6, 00,000 (excluding Rs 2, 00,000 payable on the insurance of P + m)
Calculate the value of firms' goodwill on the bases of four years' purchases of the average profits of the last three years. [Ans 18, 00,000]
14. On 1st April 2001 an existing firm had assets of Rs 75000 including cash of Rs 5000. The creditors amounted to Rs 5000 on that date. The firm had reserve fund of Rs 10,000 while partner's capital accounts showed a balance of Rs 60,000. If the normal rate of return is 20% and the goodwill of the firm is valued at Rs 24,000 at four years' purchase of super profits, find the average profits per year. [Ans super profit – 6000, av. profit – 20000]
15. A firm earns profit of Rs 1, 00,000. The normal rate of return in a similar type of business is 10%. The value of total assets (excluding goodwill) and total outsiders liabilities as on the date of valuation of goodwill are Rs 11, 00,000 and Rs 2, 80,000 respectively. Calculate the value of goodwill according to capitalization of super profits method. [Ans 1,80,000]
16. Is goodwill an intangible asset or a fictitious asset? Explain.