

OPEN STUDENT FOUNDATION

Date : 20-02-2024

STD 12 Commerce Elements of Account
12th Account Practice Sheet Day 3 (Part 1 - Ch.3)

Total Marks : 30

Section A

* **Choose The Right Answer From The Given Options.** [5]

- When profit amount of the last years constantly increases, which methods of valuation of goodwill is to be adopted?
(A) Simple average profit method (B) Weighted average profit method (C) Capitalization of average profit method (D) None of the given
- Value of goodwill is for business which depends on skill and proficiency of an individual.
(A) Less (B) More (C) Negative (D) Zero
- What is the formula for super profit?
(A) Average profit + Expected profit (B) Expected profit + Average profit (C) Average profit + Expected profit (D) Average profit + Expected profit
- Super profit means.....
(A) Capital employed Expected profit
(B) Expected profit Capital employed
(C) Average profit Expected profit
(D) Expected profit Average profit
- Following factors are affecting the valuation of goodwill except-
(A) Business location (B) Nature of business (C) Competitiveness of business (D) Customer's frequency

Section B

* **Answer The Following Questions In One Sentence.** [5]

- Which type of asset is goodwill?
- Under which head goodwill is shown in the balance sheet?
- What is the base for the valuation of goodwill?
- When valuation of goodwill is necessary?
- State the methods for the valuation of goodwill.

Section D

* **Answer The Following Questions With Necessary Calculations.** [20]

- Rajesh and Harish are partners of a partnership firm. On the basis of their partnership firm's profit and other information, determine the value of goodwill on the basis of two

years purchase of super profit. .

(1) Capital employed: Rs.8,00,000

(2) Expected rate of return: 12 %

(3) Previous year's profit:

Year	2014-15	2015-16	2016-17
Profit (Rs.)	1,20,000	90,000	1,50,000

12. Pushpa, Pratibha and Bhavna are partners of the partnership firm. They decided to change date profit-loss sharing ratio from 3:2:1 to 1:1:1. Therefore I decided to make the valuation of goodwill. On the basis of partnership firm's profit and other information, determine the value of goodwill on the basis of 3 year purchase of super profit.

Assets: Rs.6,00,000; liabilities: Rs.2,50,000; expected rate of return: 10%

Actual Profit:

Year	Profit(Rs.)
2014-15	80,000
2015-16	70,000
2016-17	90,000

13. Explain the nature of the goodwill.
14. Explain the simple average method for the valuation of goodwill.
15. Mahendra and Pravin are partners of a firm sharing profit and loss in the ratio of 3 : 2. They want to change their profit-loss sharing ratio to 1:1. Therefore, they decided to make valuation of goodwill. As per partnership agreement, value of goodwill to be determine on the basis of 5 years Purchase of last 4 years average profit.

Year	2013-14	2014-15	2015-16	2016-17
Profit (Rs.)	60,000	80,000	(20,000)	30,000
