

QB365 Question Bank Software Study Materials

Goodwill In Partnership Accounts 50 Important 1 Marks Questions With Answers (Book Back and Creative)

12th Standard

Accountancy

Total Marks : 50

Multiple Choice Question

50 x 1 = 50

- 1) Which of the following statements is true?
(a) Goodwill is an intangible asset (b) Goodwill is a current asset (c) Goodwill is a fictitious asset
(d) Goodwill cannot be acquired
- 2) Super profit is the difference between
(a) Capital employed and average profit (b) Assets and liabilities **(c) Average profit and normal profit**
(d) Current year's profit and average profit
- 3) The average rate of return of similar concerns is considered as
(a) Average profit **(b) Normal rate of return** (c) Expected rate of return (d) None of these
- 4) Which of the following is true?
(a) Super profit = Total profit / number of years (b) Super profit = Weighted profit / number of years
(c) Super profit = Average profit - Normal profit (d) Super profit = Average profit x Years of purchase
- 5) Identify the incorrect pair
(a) Goodwill under Average profit method - Average profit × Number of years of purchase
(b) Goodwill under Super profit method - Super profit × Number of years of purchase
(c) Goodwill under Annuity method - Average profit × Present value annuity factor
(d) Goodwill under Weighted average profit method - Weighted average profit × Number of years of purchase
- 6) When the average profit is Rs. 25,000 and the normal profit is Rs. 15,000, super profit is _____
(a) Rs. 25,000 (b) Rs. 5,000 **(c) Rs. 10,000** (d) Rs. 15,000
- 7) 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 _____
(a) Rs. 36,000 (b) Rs. 35,000 (c) Rs. 38,000 (d) Rs. 34,000
- 8) 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
(a) Rs. 40,000 (b) Rs. 70,000 (c) Rs. 1,00,000 **(d) Rs. 30,000**
- 9) 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
- 10) Goodwill is shown under fixed assets in the _____
(a) Trial balance **(b) Balance sheet** (c) Trading account (d) Profit and loss account
- 11) The monetary value of such advantage is termed as _____
(a) Goodwill (b) Bank overdraft (c) Capital (d) Cash

Goodwill helps in earning more profit and attracts more

- 12) Goodwill helps in earning more profit and attracts more _____
 (a) **customers** (b) producers (c) competitors (d) suppliers
- 13) 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
- 14) 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'
- 15) 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
- 16) Self-generated goodwill should not be shown in the _____
 (a) journal (b) ledger (c) balance sheet (d) **books of accounts**
- 17) 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
- 18) 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**
- 19) Goodwill is paid for obtaining _____
 (a) **future profit** (b) present benefit (c) past benefit (d) none of the above
- 20) 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
- 21) 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
- 22) 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
- 23) 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**
- 24) Average Capital employed Rs. 4,00,000
- | | |
|-----------------|---------------|
| Net profit 2011 | 2,50,000 |
| 2012 | 1,00,00(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
- 25) 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%
- 26) _____ 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

27) _____ Cannot be seen or touched.

(a) Computer (b) Machinery (c) **Goodwill** (d) All of these

28) _____ 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

29) _____ 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

30) _____ 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

31) _____ 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

32) _____ refers to series of uniform cash flows at regular intervals.

(a) Cash flow (b) Funds flow (c) **Annuity** (d) None of these

33) Goodwill is _____.

(a) an intangible asset (b) a fixed asset (c) realisable (d) **all of the above**

34) 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

35) 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**

36) 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

37) Goodwill has _____ Value

(a) **realisable** (b) fictitious (c) both (d) none of these

38) Goodwill is not a _____ asset

(a) Fixed (b) Current (c) **Fictitious** (d) None of these

39) 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

40)

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)
4 3 2 1

(b) (i)(ii)(iii)(iv)
1 2 3 4

(c) (i)(ii)(iii)(iv)
2 3 4 1

(d) (i)(ii)(iii)(iv)
3 4 1 2

41)

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)	(b)	(c)	(d)
(i)(ii)(iii)(iv)	(i)(ii)(iii)(iv)	(i)(ii)(iii)(iv)	(i)(ii)(iii)(iv)
1 2 3 4	4 3 1 2	2 3 4 1	3 4 2 1

- 42) Goodwill is valued under_____
- (a) Average profit method (b) Super profit method (c) Capitalisation method **(d) All of these**
- 43) Average profit method can be further divided _____
- (a) Simple average profit (b) Weighted Average profit **(c) Both (a) and (b)** (d) None of these
- 44) Super profit is _____
- (a) Average profit - Normal profit** (b) Normal profit - Average profit (c) Both (a) and (b) (d) None of these
- 45) Kinds of Goodwill_____
- (a) Purchased Goodwill** (b) Self-generated Goodwill (c) None of these (d) Both (a) and (b)
- 46) Nature of Good will is_____
- (a) Reputation of business firm** (b) Profit of firm (c) Total Asset of firm (d) None of these
- 47) Factors of Good will is_____
- (a) Location of the business **(b) Efficient management** (c) Nature of the goods (d) All of these
- 48) 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
- 49) Adjusted profit = Actual profit
- (a) +Past expenses not required in 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**
- 50) Goodwill which cannot be recorded in the books of accounts :
- (a) Self generated goodwill** (b) Acquired goodwill (c) Purchased goodwill (d) None of these