BRAIN INTERNATIONAL SCHOOL

SUBJECT: ACCOUNTANCY **CLASS XII** **JULY'21**

Chapter 2–Goodwill

Q1. What do you understand by purchased goodwill and self generated goodwill?

Q2.The average net profits expected in the future by ABC firm are Rs. 1,00,000 per year. The average Capital employed in the business by the firm is 5,00,000. The rate of interest expected from capital invested in this class of business is 15%. The remuneration of the Partners is estimated to be Rs. 10,000 per annum. Find out the value of Goodwill on the basis of two years' purchase of super profits.

Q3. The net assets of a firm as on Dec. 31, 2001 were Rs. 4,00,000. If the normal rate of return is 20% and the goodwill of the firm is valued at Rs. 1,25,000 at 5 year's purchase of super profits, find the average profits of the firm.

Q4. On April 1st 2003, an existing firm had assets of Rs. 5,00,000 including cash of Rs. 20,000. The firm had a Reserve Fund of Rs. 90,000, partner's capital accounts showed a balance of Rs. 3,80,000 and creditors amounted to Rs. 30,000. If the normal rate of return is 20% and the goodwill of the firm is valued at Rs.64,000 at 4 year's purchase of super profit, find the average profits of the firm.

Q5. The average profits of a firm is Rs. 48,000. The total assets of the firm are Rs. 8,00,000. Value of other liabilities is Rs. 5,00,000. Average rate of return in the same business is 12%.
Calculate goodwill from capitalization of average profits method.

Chapter 4 –Admission

Q1. Hari, Ravi and Kavi were partners in a firm sharing profits in the ratio of 3:2:1. They admitted Guru as a partner for 1/7th share in the profits. The new profit sharing ratio will be 2:2:1:1 respectively. Guru brought Rs.3,00,000 for his capital and Rs.45,000 for his 1/7th share of goodwill. Pass necessary journal entries.

Q2. P & Q are partners in a firm . R is admitted in the firm with i/3rd share. P & Q decide to share future profits in the ratio of 1;2. Goodwill appears in the books at Rs 10000. R brings in 200000 as capital & his share of goodwill in cash. On R's admission goodwill is valued at Rs 120000. Partners withdraw ½ the goodwill in cash. Pass the necessary journal entries,

Q3. A and B share the profits of a business in the ration of 5:3. They admit C into the firm for 1/4th share in the profit to be contributed equally by A and B. On the date of admission of C, the balance sheet of the firm was as follows.

Liabilities	Rs.	Assets	Rs.
A's Capital	40,000	Machinery	30,000
B's capital	30,000	Furniture	20,000
Workmen's Compensation Fund	4,000	Stock	15,000
Creditors	2,000	Debtors	15,000
Provided fund	10,000	Bank	6,000
	86,000		86,000

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Terms of C's admission were as follows:
(i) C will bring Rs. 30,000 for his share of capital and goodwill.

(ii) Goodwill of the firm has been valued at 3 years' purchase of the average super profits of last four year. Average profits of the last four years are Rs. 20,000 while the normal profits that can be earned with the capital employed are Rs. 12,000.
(iii) Furniture is undervalued by Rs. 12,000 and the value of stock is reduced to Rs. 13,000. Provident fund be raised by Rs. 1,000.
(iv) Creditors are unrecorded to the extent of Rs. 6,000.
Prepare Revaluation Account, Partners' Capital Accounts and the new Balance Sheet of A, B and C.

Q4. X and Y are in partnership, sharing profits in the ration 5:3 respectively. Their balance sheet is as follows.;-

Liabilities	Rs.	Assets		Rs.
Creditors	28,000	Cash at Bank		7,800
Workmen's Compensation Fund	4,000	Debtors	40,000	
Z's Loan A/c	30,000	Less: Provision	1,800	38,200
Capital A/cs:		Stock		56,000
X	50,000	Investments		10,000
Y	40,000	Goodwill		30,000
		Plant		
	1,52,000			1,52,000

Z is admitted into partnership on the following terms:
(i) The new profit –sharing ratio will be 4:3:2 between X, Y and Z respectively.
(ii) Z's loan should be treated as his capital.
(iii) Goodwill of the firm is valued at Rs. 27,000
(iv) Rs. 8,000 of investments were to be taken over by X and Y in their profit sharing ratio.
(v) Stock be reduced by 10%.
(vi) Provision for doubtful debts should be @5% on debtors and a provision for discount on debtors @2% should also be made.
(vii) x is to withdraw Rs. 6,000 in cash.
Give journal entries to record the above and prepare balance sheet of the new firm.

Q5. A and B are partners sharing profits in the ratio of 3:2. They admit C into partnership for 1/4th share. C is unable to bring his share of goodwill in cash. The goodwill of the firm is valued at Rs. 21,000. give journal entry for the treatment of goodwill on C's admission.

Q6. Following is the Balance Sheet of A and B as on 01.04.2007 who share profits in the ratio of 3:2

Balance Sheet As on 1.4. 2007

Liabilities.		Rs.	Assets	Rs.
Sundry Creditors		20,000	Cash in Hand	3,000
Capital Account			Debtors	12,000
A	30,000		Stock	15,000
B	20,000	50,000	Furniture	10,000
			Plant and Machinery	30,000
		70,000		70,000

On that date C is admitted into the partnership on the following terms.:
i. That C brings in Rs.50,000 as capital and Rs.5,000 as premium for goodwill for 1/6th share
ii. That the value of stock is reduced by 10% while plant and machinery is appreciated by 10%
iii. That Furniture is revalued at Rs.9,000
iv. That a provision for doubtful debt is to be created on sundry debtors at 5% and Rs.200 is to be provided for outstanding electricity bill.
v.Investment worth Rs.1,000 (not mentioned in the Balance sheet)is to be taken in to account.
vi. A creditor of Rs.100 is not likely to claim his money and is to be written off.
Record necessary journal entries and prepare revised balance sheet.