

Girl's High School and College, Prayagraj
2020-2021
Class 12-C
Accountancy
E-Learn Assignment-I

Instruction: Parents to ensure that their ward watches the video by clicking on the given link <https://youtu.be/tb-AmPsLiyY>. She should revise the lesson given in the book and then work on the assignment. Completed assignment is to be downloaded and filed/pasted in the subject file/copy and kept ready for submission. The date and procedure of submission shall be notified later.

Topic :- Goodwill.

- Q1. Define Goodwill.
- Q2. Give any two factors responsible for Goodwill.
- Q3. Why, in average profit method, number of years of purchase is multiplied ?
- Q4. X sold his business to Y. Calculate the value of Goodwill taking into consideration the following factors :
- i) Goodwill is valued at three years purchase of the average profits of the last four years. Profits of the last four years were as : year 2015 - Rs. 40,000, year 2016 - Rs. 58,000, year 2017 - Rs. 43,000, year 2018 - Rs. 62,000.
 - ii) Abnormal loss of Rs. 2,000 due to theft has reduced the profits of the year 2015.
 - iii) Profits for the year 2016 include abnormal profit of Rs. 4,000.

- iv) A speculative and lottery profit of Rs. 5,000 was received during the year 2017 which was included in that year's profit.
- v) Profits of the year 2018 were reduced by Rs. 10,000 of the depreciation on such a machinery which was destroyed by fire during the year.

Q5. X purchased the business of Y from 1st April, 2019. For this purpose goodwill is to be valued at 100% of the average annual profits of the last four years. The profits shown by Y's business for the last four years were :

Year ended

31st March,	2016	Profit	1,00,000	(after debiting loss of stock by fire Rs. 50,000)
"	2017	Loss	1,50,000	(includes voluntary retirement compensation paid Rs. 80,000)
"	2018	Profit	1,50,000	
"	2019	Profit	2,00,000	

Verification of books of accounts revealed the following :

- i) During the year ended 31st March, 2017, a machine got destroyed in accident and Rs. 60,000 was written off as loss in Profit & Loss Account.
- ii) On 1st July 2017, Two Computers costing Rs. 40,000 each were purchased and were debited to Travelling Expenses Account on which depreciation is to be charged @ 10% p.a. on Straight Line Method.
Calculate the value of goodwill.