**Partnership: Amalgamation**

**SIM** and **LIM** are sole traders agreed to amalgamate their businesses and form a partnership on 1 January 2018 together with another partner **KIM**. Their respective Statement Of Financial Position on 31 December 2017 was as follows:

|  |  |  |
| --- | --- | --- |
|  | **SIM** | **LIM** |
|  | **RM** | **RM** |
| Delivery Van | - | 48,000 |
| Office Equipment | 1,200 | 800 |
| Inventory | 8,000 | 20,000 |
| Accounts Receivable | 20,000 | 25,000 |
| Bank | 5,000 | - |
|  | **34,200** | **93,800** |
|  |  |  |
| Capital | 26,400 | 60,300 |
| Accounts Payable | 6,000 | 5,500 |
| Accruals | 1,800 | - |
| Loan | - | 20,000 |
| Bank | - | 8,000 |
|  | **34,200** | **93,800** |
|  |  |  |

**The terms for the formation of the partnership are as follows:**

1. The goodwill of **SIM** and **LIM** was agreed at RM6,000 and RM10,000 respectively.
2. To create 2% allowance for doubtful debts on their debtors.
3. The value of their Inventory was decreased **by** 10% respectively.
4. **SIM** was to pay off his accruals while **LIM** was to pay off his loan and bank overdraft.
5. **SIM**’s Capital was fixed at RM40,000. The difference between his capital and the value of his business was to be contributed in cash.
6. **LIM**’s Capital was fixed at RM80,000. Any excess of the value of his business over his capital was to be treated as a loan to the partnership.
7. **KIM** was to contribute RM30,000 cash as his Capital.
8. Immediately after the completion of amalgamation of businesses, formation expenses amounting to RM2,200 and 30% of the creditors were paid by the partnership bank account on 1 January 2018.
9. Future profits and losses are to be shared in the ratio **3:2:1**

**Required:**

1. Journal entries (without narrations) to record the above transactions in the partnership’s books.
2. The partnership Bank Account
3. Partners’ Capital Account