**Practice 3**

Ann and Ben were equal partners in partnership as AB Company, while Carol and Denny were in partnership as CD Company sharing profit and losses in the ratio of 3:2.

On 1 January Year 3, the partners decided to amalgamate their businesses into a partnership as Alpha Company. The profit and loss sharing ratio for the new partnership was 3:2:32.

The following were the Statement Of Financial Position of the respective partnerships:

**Statement Of Financial Position** of AB Company as at 31 December Year 2

|  |  |  |  |
| --- | --- | --- | --- |
|  | **RM** |  | **RM** |
| Office Equipment | 3,500 | Capital |  |
| Motor Vehicles | 5,000 | - Ann | 4,750 |
| Inventory | 300 | - Ben | 4,750 |
| Accounts Receivable | 600 | Accounts Payable | 200 |
| Bank | 300 |  |  |
|  | 9,700 |  | 9,700 |

**Statement Of Financial Position** of CD Company as at 31 December Year 2

|  |  |  |  |
| --- | --- | --- | --- |
|  | **RM** |  | **RM** |
| Office Equipment | 3,000 | Capital |  |
| Motor Vehicles | 4,800 | - Carol | 4,900 |
| Inventory | 200 | - Denny | 3,100 |
| Accounts Receivable | 700 | Accounts Payable | 300 |
|  |  | Bank Overdraft | 400 |
|  | 8,700 |  | 8,700 |

The terms agreed by the partnership were:

1. Revaluations were to be made as follows:

|  |  |  |
| --- | --- | --- |
|  | **AB Company** | **CD Company** |
|  | **RM** | **RM** |
| Office equipment | 4,000 | 3,100 |
| Motor vehicles | 4,800 | 5,000 |
| Inventory | 400 | 300 |
| Goodwill | 2,600 | 2,000 |

1. Allowance for doubtful Debts of 5% was to be made for the respective accounts receivable.
2. The total capital of Alpha Company was to be RM20,000 and to be contributed by the partners equally. No Goodwill account should be maintained in the books of Alpha Company.
3. Ann, Ben Carol and Denny were to pay or be paid in cash, so that their capital would be in the same proportion.

You are required to prepare in the books of Alpha Company:

1. Opening Journal entries to record the amalgamation.
2. Opening Statement of Financial Position as at 1 January Year 3.
3. Capital account of Ann, Ben, Carol and Denny in columnar form.
4. Bank account.