**Practice 2**

Abu, Bala and Site were partners for a number of years. Their profit and loss sharing ratio was 5:4:1. Their Statement OF Financial Position as at 31 December Year 2 was as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **RM** | **RM** | **RM** |
| **Non-current Assets** |  |  |  |
| Land And Building (Land cost RM200,000) |  |  | 300,000 |
| Machinery |  |  | 20,000 |
|  |  |  | 320,000 |
| **Current Assets** |  |  |  |
| Inventory |  | 30,000 |  |
| Accounts Receivable | 20,000 |  |  |
| Less: Allowance for Doubtful Debts | (3,000) | 17,000 |  |
| Bank |  | 3,000 | 50,000 |
| **Total Assets** |  |  | 370,000 |
| **Owners’ Equity** |  |  |  |
| Capital |  |  |  |
| Abu |  |  | 180,000 |
| Bala |  |  | 100,000 |
| Siti |  |  | 80,000 |
|  |  |  | 360,000 |
| **Current Liabilities** |  |  |  |
| Accounts Payable |  |  | 10,000 |
| **Total Equity and Liabilities** |  |  | 370,000 |

With effect from 1 January Year 3, Abu and Bala were both active partners. They agreed to change their profit-sharing ratio to 2:2:1.

Goodwill was valued at RM100,000 and to be kept in the books, but it was to be written off immediately.

Assets were revalued as follows:

|  |  |
| --- | --- |
|  | **RM** |
| Building | 91,000 |
| Machinery | 25,000 |
| Inventory | 25,000 |

Allowance for doubtful debts was increased to RM4,000.

You are required to prepare:

1. Goodwill account.
2. Revaluation account.
3. Partners’ Capital account in columnar form.
4. Statement Of Financial Position as at 1 January Year 3.