**2021 Chong Hwa KL Paper 2 Question 2**

Lee, Wan and Jia were in partnership and shared profits and losses in the ratio of 5:3:2 respectively. The partnership was in financial difficulties, and was dissolved on 1 September 2021 when the Statement of Financial Position was as follows:

Lee, Wan and Jia

Statement of Financial Position as at 31 August 2021

|  |  |  |  |
| --- | --- | --- | --- |
|  | **RM** | **RM** | **RM** |
| **Non-Current Assets** |  |  |  |
| Premises |  | 100,000 |  |
| Motor Vehicles |  | 30,000 |  |
| Office Equipment |  | 10,000 |  |
|  |  |  | 140,000 |
| **Current Assets** |  |  |  |
| Inventory |  | 7,000 |  |
| Accounts Receivable |  | 4,000 |  |
| Cash at bank |  | 3,000 |  |
|  |  |  | 14,000 |
| Total Assets |  |  | 154,000 |
|  |  |  |  |
| **Owners’ Equities** |  |  |  |
| Capital - Lee |  | 60,000 |  |
| - Wan |  | 40,000 |  |
| - Jia |  | 10,000 |  |
|  |  |  | 110,000 |
| Current Account - Lee |  | 18,000 |  |
| - Wan |  | 15,000 |  |
| - Jia |  | (9,000) |  |
|  |  |  | 24,000 |
|  |  |  | 134,000 |
| **Current Liabilities** |  |  |  |
| Accounts Payable |  | 15,000 |  |
| Accrued Salary |  | 5,000 |  |
|  |  |  | 20,000 |
| Total Equity and Liabilities |  |  | 154,000 |

**Additional information:**

1. The premises were sold for RM70,000 and office equipment was realized for RM8,000.
2. One of the motor vehicle was taken over by Lee at agreed value of RM15,000 (Book value RM20,000), and the other one was sold for RM5,000.
3. The inventory was taken over by Wan at cost less 20%.
4. The accounts receivable paid the amount owing, less discounts allowed of RM200 and bad debts RM100.
5. Dissolution expenses amounted to RM1,200.
6. The accounts payable were paid the full amount of RM14,700.
7. Other liabilities were paid off in full.
8. The current account balances were transferred to their capital accounts before making any adjustment.
9. Partners brought in fund to meet any of his capital deficiency.
10. You are required to prepare the following accounts:
    1. Realisation
    2. Bank
    3. Partners’ Capital (in columnar form)
11. Based on your answer (a)
    1. What rules should be applied if one of the partner is insolvent and unable to contribute amount of his deficiency in his capital?
    2. Calculate the amount of deficiency that should be borne by the remaining partners.