**2022 Tsun Jin High School Paper 2 Question 2**

A, B, and C are in partnership for several years, sharing profit and losses in the ratio 2:2:1.

The partnership financial status as at 31 July 2022 is shown below:

|  |  |  |
| --- | --- | --- |
|  | RM | RM |
| Land And Property |  | 220,000 |
| Motor Vehicles | 38,000 |  |
| Less: Accumulated Depreciation | 12,500 | 25,500 |
| Inventory |  | 9,800 |
| Trade Receivables | 10,200 |  |
| Less: Allowance for Doubtful Debts | 200 | 10,000 |
| Petty Cash |  | 700 |
| Loan from A |  | 5,000 |
| Trade Payables |  | 10,600 |
| Bank Overdraft |  | 2,000 |
| Capital - A | 100,000 |  |
| - B | 100,000 |  |
| - C | 40,000 | 240,000 |
| Current - A | 5,000 |  |
| - B | 3,000 |  |
| - C | (600) | 7,400 |

C retired on 1 August 2022. A and B formed a new company, Alba Ltd was to take over the business on that date. The terms were as follows:

1. The assets of the business, other than current assets and bank balance, were to be taken over by the company at a valuation of RM 230,000 but were to be recorded in the books of Alba Ltd at the same carrying value as in the partnership books. Loan from partner was to be paid off by the partnership.
2. The registered capital of Alba Ltd made up of 200,000 ordinary shares of RM 1 each and 100,000 8% preferred shares of RM 1.50 each.
3. It was agreed that one of the motor vans was retained by B at its carrying value of RM 3,500. A took over half of inventory to settle 80% of the loan from him, and the rest were donated to a charity. The trade receivables were collected except for a bad debt of RM 800.
4. Dissolution fees of RM 200 was paid.
5. In order to finance the purchase, the company raised a 10% loan notes of RM 50,000 to the public from a merchant bank.
6. Alba Ltd settled the acquisition as follows:

* 90,000 ordinary shares at a premium of 20% over its par value to partly satisfy their capital accounts and allocated according to the capital ratio;
* 10% loan notes to clear their current accounts;
* The balance in cash.

1. Immediately after completion of the business purchase, the company decided to revalue the land and property at RM 250,000.

**You are required to:**

1. Prepare Journal entries to record the above transactions in the books of Alba Ltd

(Narrations are not required);

1. Draw up the following accounts to close the partnership:
2. Realization;
3. Capital in columnar form;
4. Bank