**Practice 2**

Chee Hwa, Laila and Vimala had been in partnership for several years sharing profits and losses in the ratio 3:2:1. Their last Statement Of Financial Position prepared before dissolution on 31 December Year 2 was as follows:

Chee Hwa, Laila And Vimala

**Statement Of Financial Position**

As At 31 December Year 2

|  |  |  |
| --- | --- | --- |
|  | **RM** | **RM** |
| **Non-current Assets** |  |  |
| *Less:* Accumulated Depreciation | 20,000 |  |
|  | (6,000) | 14,000 |
| **Current Assets** |  |  |
| Inventory | 5,000 |  |
| Accounts Receivable | 21,000 | 26,000 |
| *Total Assets* |  | 40,000 |
|  |  |  |
| **Owners’ Equity** |  |  |
| Capital |  |  |
| Chee Hwa | 4,000 |  |
| Laila | 4,000 |  |
| Vimala | 2,000 | 10,000 |
|  |  |  |
| **Current Liabilities** |  |  |
| Accounts Payable | 17,000 |  |
| Bank Overdraft | 13,000 | 30,000 |
| *Total Equity And Liabilities* |  | 40,000 |

Despite making good profits during recent years, they had become increasingly dependent on one major customer Abdul Wahab who owed the partnership a total amount of RM18,000.

It had now been discovered that Abdul Wahab was insolvent and unlikely to repay any of the money owed by him. Reluctantly, the partners had decided to dissolve the partnership at the end of the reporting period.

The following were the details regarding the dissolution:

1. The inventory was sold to Nelson Bhd at its market price of RM4,000 in cash.
2. The non-current assets were sold for RM8,000 except for certain items of carrying amount RM5,000 were taken over by Chee Hwa at a valuation of RM7,000.
3. Amounts due from debtors were collected except the debt from Abdul Wahab which was considered irrecoverable.
4. Settled debts with creditors and received discounts RM500.
5. Expenses of RM800 were incurred on dissolution.
6. Vimala was unable to meet her liability to the partnership, thus the Garner vs Murray rule was applied.
7. Any amount of deficiency on partners’ capital accounts would be settled from the partners’ personal funds.

You are required to prepare the following accounts to close the books of the partnership:

1. Realisation account;
2. Partners’ Capital account;
3. Partnership Bank account;