**Question 1**

Two sole traders, Black and Jones, decide to amalgamate their businesses as from 1 January 1985. Their balance sheets are as follows.

**Balance Sheet of Black as at 1 January 1985**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| *Liabilities* |  | **RM** | *Assets* | **RM** | **RM** |
| Capital |  | 12,000 | Motor Vehicles |  | 8,400 |
| Bank Overdraft |  | 460 | Furniture |  | 2,200 |
|  |  |  | Inventory |  | 1,420 |
|  |  |  | Accounts Receivable | 630 |  |
|  |  |  | *Less:* Allowance for |  |  |
|  |  |  | Doubtful Debts | 190 | 440 |
|  |  | 12,460 |  |  | 12,460 |

**Balance Sheet of Jones as at 1 January 1985**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| *Liabilities* |  | **RM** | *Assets* |  | **RM** |
| Capital |  | 9,000 | Furniture |  | 4,560 |
| Accounts Payable |  | 300 | Inventory |  | 2,800 |
|  |  |  | Cash |  | 1,940 |
|  |  | 9,300 |  |  | 9,300 |

The new partnership firm will take over all the assets after the following adjustments.

1. Black's motor vehicles to be revalued at RM7,000.
2. The allowance for doubtful debts to be increased by RM150.
3. Black's and Jones' inventory to be reduced in value by 10%.
4. Goodwill of RM1,000 is to be credited to Black.
5. Both traders are to pay off their own liabilities by bringing in additional cash from private sources.

**You are required to** prepare the opening Statement of Financial Position of the new partnership.

*(Balance sheet total: RM20,788)*

**Question 2**

Lim and Tang, two sole traders, decide to amalgamate their businesses as from 1 October 1987. Their assets and liabilities are as follows.

|  |  |  |
| --- | --- | --- |
|  | **Lim** | **Tang** |
|  | **RM** | **RM** |
| Office equipment | 8,500 | 4,000 |
| Furniture | 920 | 1,050 |
| Inventory | 2,400 | 3,600 |
| Accounts Receivable | 3,000 | 2,500 |
| Cash |  | 400 |
| Accounts Payable | 1,900 | 800 |

They agree to the following terms.

1. Office equipment in both cases to be reduced in value by RM1,000.
2. Lim to retain his furniture which will not be included in the assets of the new partnership.
3. Tang to bring in cash to raise his capital to an amount equal to Lim's capital.
4. The rest of the assets and liabilities will be taken over by the new firm at the value stated in the books.
5. The goodwill of Lim's business is valued at RM2,000 and Tang's at RM3,000.

**You are required to prepare:**

1. The Capital Accounts of Lim and Tang in columnar form.
2. The opening Statement of Financial Position of the new partnership of Lim and Tang.

*(Balance sheet total, RM28,700)*

**Question 3**

Soon and Yong decide to amalgamate their businesses and form a partnership on I July 1985. Their

assets and liabilities are as follows.

**Soon's assets and liabilities:**

Petty cash RM25; Furniture and fittings RM800; Stock RM3,455; Debtors RM2,910; Motor vehicles RM6,600; Creditors RM790

**Yong's assets and liabilities:**

Furniture and fittings RM1 ,900; Premises RM8,000; Debtors RM2,200; Creditors RM100.

**These are the terms of the amalgamation.**

1. To revalue Yong's premises at RM10,000 and his furniture and fittings at RM900.
2. To revalue Soon's stock at RM4,060 and his motor vehicles at RM5,600.
3. Soon to pay off half his creditors by bringing in additional cash.
4. Yong is credited with RM2,000 for goodwill.

**These are the terms of the partnership.**

1. Interest to be paid on capital at 5% per annum.
2. Soon to be paid a salary of RM2,000 per annum.
3. The partners are to share profits and losses equally.

At the end of the first year's trading the net trading profit before paying interest on capital and partner's salary is RM8,962. Soon has drawn out RM400 cash and Yong RM300 cash from the business for their own use during the year.

**You are required to prepare:**

1. Income Statement (Profit and Loss Appropriation Account Section Only) for the year.
2. The Current Account of the partners in columnar form showing the final balances as it would appear on 30 June 1986.

*(Balance of Profit Shared, RM2,781; Current Accounts, Credit Balances, Soon, RM5,031; Yong, RM3,231)*