**Practice 2**

Sole traders, Tan and Lim, decided to amalgamate their businesses as from 1 January Year 2.

Before amalgamation, the financial positions of the two businesses were revealed in their respective Statements of Financial Position as at 31 December year 1 as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **Tan** | **Lim** |
|  |  | **RM** | **RM** |
|  | Premises | 20,000 | 12,000 |
|  | Motor Vehicles | 8,000 | 6,000 |
|  | Inventory | 2,400 | 3,200 |
|  | Accounts Receivable | 3,000 | 2,000 |
|  | Bank | 2,200 | 800 |
|  |  | 35,600 | 24,000 |
|  |  |  |  |
|  | Capital | 30,000 | 20,000 |
|  | Accounts payable | 5,600 | 4,000 |
|  |  | 35,600 | 24,000 |

The following terms were agreed:

1. All the assets (except for the bank balances) and liabilities were transferred to the new firm.
2. Revaluation of assets was to be made as follows:

|  |  |  |
| --- | --- | --- |
|  | **Tan** | **Lim** |
|  | **RM** | **RM** |
| Premises | 25,000 | 15,000 |
| Motor vehicles | 6,400 | 5,000 |
| 5,000 | 250 | (5% on accounts receivable) |

1. The goodwill of Tan’s business was valued at RM3,000 and Lim’s at RM2,000.
2. Lim had to bring in cash to raise her capital to the amount equal to Tan’s revised capital.
3. The partners were to share profits and losses equally.

You are required to prepare in the books of the new partnership:

1. Opening Journal Entries.
2. Opening Statement Of Financial Position as at 1 January Year 2.