**Practice 4**

On 1 January Year 4, Wai Leong decided to take over the business of Kin Guo Trading. The Statement of Financial Position was as follows:

Kin Guo Trading

**Statement of Financial Position**

As At 31 December Year 3

|  |  |  |  |
| --- | --- | --- | --- |
|  | **RM** |  | **RM** |
| Freehold Premises | 40,000 | Capital | 66,500 |
| Office Equipment | 15,000 | Accounts Payable | 3,500 |
| Inventory | 7,500 |  |  |
| Accounts Receivable | 6,500 |  |  |
| Bank | 1,000 |  |  |
|  | 70,000 |  | 70,000 |

The purchase consideration of RM 65,000 was to be settled by cash.

All the assets and liabilities (except for cash at bank) were to be taken over at their original carrying values.

Besides the purchase consideration, Wai Leong was to bring in RM 5,000 cash for the business operation.

**You are required to prepare:**

1. in the books of Wai Leong (buyer):
2. Journal entries to record the above transactions;
3. Business Purchase account and Vendor account - Kin Guo Trading;
4. Statement of Financial Position, immediately after completion of the acquisition.
5. In the books of Kin Guo Trading (vendor):

Journal entries to close the books.