**Practice 5**

Kiam Kin’s **Statement of Financial Position** as at 31 December Year 4

|  |  |  |  |
| --- | --- | --- | --- |
|  | **RM** |  | **RM** |
| Freehold Premises | 35,000 | Capital | 80,000 |
| Plant | 12,000 | Accounts Payable | 15,000 |
| Motor Vehicles | 15,000 |  |  |
| Inventory | 6,500 |  |  |
| Accounts Receivable | 17,000 |  |  |
| Bank | 9,500 |  |  |
|  | 95,000 |  | 95,000 |

On 1 January Year 5, Kiam Kind agreed to acquire the business of Kok Seng who was going to retire. Kok Seng presented the following **Statement of Financial Position** as at 31 December Year 4:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **RM** |  | **RM** |
| Freehold Premises | 20,000 | Capital | 41,500 |
| Plant | 12,000 | Accounts Payable | 6,500 |
| Motor Vehicles | 3,800 |  |  |
| Inventory | 4,200 |  |  |
| Accounts Receivable | 7,600 |  |  |
| Bank | 400 |  |  |
|  | 48,000 |  | 48,000 |

**Additional information:**

1. Kiam Kin agreed to take over all the assets (except for cash) and the liabilities of Kok Seng at a price of RM 50,000 which would be paid by cash.
2. The assets taken over were revalued by Kiam Kin as follows:

RM

Freehold premises 22,000

Plant and machinery 11,000

Furniture and fixtures 3,500

Inventory 3,800

1. Kiam Kin obtained RM 50,000 bank loan for the debts owing to the vendor.

**You are required to prepare:**

1. in the books of Kiam Kin (buyer):
2. Business Purchase account, Vendor account and Bank account;
3. Statement of Financial Position as at 1 January Year 5.
4. In the books of Kok Seng (vendor):

Journal entries to close the books.