**Practice 6**

Tee decided to retire from business from 31 December Year 5. His financial position as at that date was as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **RM** |  | **RM** |
| Motor Vehicles | 12,000 | Capital | 14,000 |
| Inventory | 4,500 | Accounts Payable | 1,500 |
| Accounts Receivable | 2,800 | Loan from Samy | 4,500 |
| Bank | 700 |  |  |
|  | 20,000 |  | 20,000 |

On 1 January Year 6 the business was purchased by Phang And Gooi, a newly formed partnership.

Tee was to pay off all the liabilities and would retain the cash at bank. All the other assets would be taken over at carrying values, except for inventory which was revalued at RM 3,800. The purchase consideration was agreed at RM 25,000.

The partnership agreement provided that the partners should each contribute RM 15,000 cash as their initial capital from which the consideration would be discharged.

**You are required to prepare:**

1. in the books of buyer:
2. Journal entries to record the business purchase;
3. Statement of Financial Position as at 1 January Year 6.
4. in the books of vendor:

Journal entries to close the books.