**Practice 7**

Qi Qi Bhd was incorporated with an authorized capital of RM 350,000 ordinary shares of RM 1 each.

The following was the **Statement of Financial Position** of Qi Qi Bhd as at 31 December Year 6:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **RM** |  | **RM** |
| Land and Building | 80,000 | Share Capital |  |
| Plant | 35,000 | 150,000 Ordinary Shares of RM 1 each | 150,000 |
| Motor Vehicles | 35,000 | Share Premium | 6,000 |
| Inventory | 12,000 | Revenue Reserves | 15,000 |
| Accounts Receivable | 9,000 | Accounts Payable | 8,000 |
| Bank | 8,000 |  |  |
|  | 179,000 |  | 179,000 |

On 1 January Year 7, Qi Qi Bhd decided to acquire the business of Kok Lam, a sole trader.

The **Statement of Financial Position** of Kok Lam as at 31 December Year 6 showed the following financial position:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **RM** |  | **RM** |
| Land and Building | 16,000 | Capital | 40,000 |
| Plant | 7,000 | Accounts Payable | 6,400 |
| Inventory | 12,000 |  |  |
| Accounts Receivable | 10,000 |  |  |
| Cash in Hand | 1,400 |  |  |
|  | 46,400 |  | 46,400 |

The assets and liabilities (with the exception of cash in hand) were taken over according to the values as follows:

**RM**

Land and Building 22,000

Plant 6,500

Inventory 12,000

Accounts Receivable (at carrying value with a doubtful debts allowance of RM 600) ?

Accounts Payable 6,400

Goodwill 8,000

The purchase consideration based on the above valuation was to be settled by issue of ordinary shares of Qi Qi Bhd at par.

**You are required to prepare:**

1. In the books of Qi Qi Bhd (buyer):
2. Journal entries;
3. Statement of Financial Position, immediately after completion of the acquisition.
4. In the books of Kok Lam (vendor):

Journal entries to close the books.