**Unified Exam Bookkeeping and Accounts Past Year Papers Collection - Year 2008 Question 2**

Lin and Ming were sole traders, they agreed to form1 a partnership on 31 December 2007. Profits and losses are to be shared equally. Their assets and liabilities were as follows:

|  |  |  |
| --- | --- | --- |
|  | **Lin** | **Ming** |
|  | **RM** | **RM** |
| Premises | - | 60,000 |
| Office Equipment | 45,000 |  |
| Fixtures And Fittings | 20,000 | 12,000 |
| Delivery Van | 37,000 | 10,000 |
| Stock | 4,000 | 14,000 |
| Debtors | 3,900 | 2,400 |
| Cash At Bank | 12,000 | 9,000 |
| Creditors | 6,000 | 5,500 |
| Water And Electricity Outstanding | 1,800 | - |

**They agreed to the following terms:**

1. Premises should be revalued at RM 75,000.
2. Lin's delivery van should be reduced by 10%.
3. Provision for bad debts of 4% should be made on debtors in both cases.
4. Both traders were to pay off their liabilities from their own bank accounts.
5. Both traders were to transfer the balances in their respective bank accounts to the partnership's bank account.
6. The rest of the assets should be taken over by the new partnership at book value.
7. The goodwill for each of the sole traders should be valued at 2 years' purchase of the average profit and loss of the last 3 years.

Profits and losses for the last 3 years ended 31 December were as follows:

|  |  |  |
| --- | --- | --- |
|  | **Lin** | **Ming** |
|  | **RM** | **RM** |
| 2005 | 5,400 | 1,400 |
| 2006 | 3,000 | 3,000 |
| 2007 | (600) | 4,300 |

On 1 January 2008, the partners agreed to bring in extra cash or take out cash so that their capitals would be equal to RM 120,000 each.

**You are required to prepare:**

1. Capital Account of Lin and Ming in columnar form;
2. Bank Account of the partnership;
3. Balance Sheet of the partnership as at 1 January 2008.