**2021 Tsun Jin High School Paper 2 Question 2**

X, Y and Z were partners in a trading firm sharing profits and losses in the ratio 2 : 2 : 1 respectively. On 1 July 2021 they agreed to sell their business to Q Berhad as going concern. The partnership financial status was shown below:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **RM** |  | **RM** |
| Land And Leasehold Property (cost of land RM 300,000) | 770,000 |  |  |
| Less: Accumulated Depreciation | 20,000 |  | 750,000 |
| Motor Vehicles | 56,000 |  |  |
| Less: Accumulated Depreciation | 19,600 |  | 36,400 |
| Office Equipment |  |  | 4,500 |
| Inventory |  |  | 18,200 |
| Trade Receivables | 34,000 |  |  |
| Less: Allowance For Doubtful Debts | 1,000 |  | 33,000 |
| Petty Cash |  |  | 900 |
| Loan From Y |  |  | 10,000 |
| Trade Payables |  |  | 20,000 |
| Bank Overdraft |  |  | 3,000 |
| Accruals |  |  | 500 |
| Capital ― X | 300,000 |  |  |
| Capital ― Y | 300,000 |  |  |
| Capital ― Z | 200,000 |  | 800,000 |
| Current ― X | 10,500 |  |  |
| Current ― Y | (6,000) |  |  |
| Current ― Z | 5,000 |  | 9,500 |

According to the agreement, the partnership retained the current assets, land and motor vehicles, and paid off the liabilities other than trade payables.

Land was disposed of at above its cost price of RM 20,000. It was agreed to give **X** a delivery van of carrying amount RM 4,400 as a gift, and the others were taken over by **Y** at a loss of RM 2,000. **Y** also took over some inventory to settle 80% of the loan from him and the rest were realised for its market price RM 3,000 less 20%. All the debts from credit customers, except for RM 4,000 as irrecoverable, were collected by a debt-collecting agency, and the partnership required to pay a commission of 1% on the amount collected.

Dissolution fees of RM 300 was incurred and paid by **Z** on behalf of the partnership.

However, Q Berhad will acquire the remaining sundry assets and trade payables at an agreed price of RM 437,300. The purchase price was partly satisfied by the issuance of 64,000 RM 2 ordinary shares at a premium of 25% over its par value and 60,000 8% RM 1 preferred shares at par, and the balance in cash.

The settlement between the partners subject to the following condition:

1. Ordinary shares should be distributed in the capital ratio;
2. Half of preferred shares should be first distributed to **X**, and the rest to the three partners equally;
3. The balances on partners’ capital account were finally settled by cash.

**You are required to:**

1. prepare the following accounts to close the partnership:
2. Realisation;
3. Capital in columnar form;
4. Bank.
5. Do you agree “a sum of gain on realisation was generally resulted from Q Berhad in which paid more the exact amount on purchase price under normal circumstance”? Justify your opinion.