**2022 Chong Hwa Secondary High School Paper 2 Question 2**

Bing, Qi and Lin were in partnership sharing profits and losses 2:3:1 respectively. Due to mutual agreement, they decided to dissolve their partnership on 31 August 2022.

At that date, the partnership had the following assets and liabilities:

|  |  |
| --- | --- |
|  | **RM** |
| Machinery | 16,000 |
| Accumulated Depreciation | 4,200 |
| Premises | 38,000 |
| Inventory | 3,400 |
| Bank Overdraft | 8,680 |
| Accounts Payable | 9,400 |
| Accounts Receivable | 2,580 |

There were no balances on the partners’ current accounts, as these had been transferred to their capital accounts prior to dissolution.

On 31 August 2022, the capital account balances were:

|  |  |
| --- | --- |
|  | **RM** |
| Bing (Credit balance) | 20,000 |
| Qi (Credit balance) | 20,000 |
| Lin (Debit balance) | 2,300 |

**The following information is also available:**

1. One of the machineries was taken over by Bing at RM6,240. The remaining machinery were sold for RM7,400.
2. Premises was sold on credit to Walls Ltd for RM30.000. The amount was settled by the issue of 15,000 ordinary shares of RM2 each in Walls Ltd. The partners agreed to divide the shares between them equally.
3. Apart from the spoilt inventory of RM400 which can't be sold, all other inventory was / sold for RM2.000.
4. Accounts Receivable paid in full except for a debt of RM180 which was irrecoverable.
5. Accounts Payable agreed to give the partnership a 10% discount because all debts were settled immediately.
6. During dissolution, the partnership discovered that an electricity bill of RM150 for the month of August 202 unpaid.
7. The expenses of winding up amounted to RM250.
8. You are required to show the closing of the partnership by preparing the following:
9. Realization Account
10. Partners’ Capital accounts in columnar form
11. Bank Account
12. If Lin was unable to meet his liability to the partnership out of personal funds, his deficiency was to be apportioned between the remaining partners according to the rule in Garner v Murray. Calculate the deficiency to be borne by Bing and Qi. (Show your working in detail)