**2022 Confucian Private Secondary Paper 2 Question 1**

CPSS Limited had an authorized share capital of 300,000 6% preferred shares of RM2 each and 300,000 ordinary shares of RM 1 each.

On 1 January 2022, CPSS Limited decided to acquire business of Julia Enterprise, a sole trader, based on the following Statement of Financial Position as at 31 December 2021:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Non-current Assets** | **RM** | **RM** | **Owner’s Equity** | **RM** | **RM** |
| Premises | 300,000 |  | Capital |  | 479,300 |
| Motor Vehicles | 80,000 |  | **Current Liabilities** |  |  |
|  |  | 380,000 | Trade Payables | 6,030 |  |
| **Current Assets** |  |  | Rent Due | 2,320 | 8,350 |
| Inventory | 11,030 |  |  |  |  |
| Trade Receivables | 7,400 |  |  |  |  |
| Cash at Bank | 89,220 |  |  |  |  |
|  |  | 107,650 |  |  |  |
|  |  | 487,650 |  |  | 487,650 |

The following information was available:

1. CPSS Limited took over all the assets and liabilities of Julia Enterprise (excluding bank balance and rent due) according to the revalued amounts as follows:

|  |  |
| --- | --- |
|  | **RM** |
| Motor Vehicles | 50,000 |
| Inventory | 9,000 |
| Trade Payables | ? |
| (at carrying value with a doubtful debts allowance of 5%) | |

1. The purchase consideration was agreed at RM 500,000. CPSS Limited paid for the above business purchase by the following combination payments:

|  |  |
| --- | --- |
|  | **RM** |
| Cash | 180,000 |
| 6% Preference Shares @ RM 2 | 200,000 |
| Balance paid by 100,000 new ordinary shares at premium | ? |

1. Immediate after completion of the business purchase, CPSS Limited revalued the total premises to RM 1,000,000. Carrying amount of CPSS Limited’s premises is RM 500,000 as per extracted Statement of Financial Statement as at 31 Dec 2021.

**You are required to prepare:**

1. in the books of CPSS Limited (buyer):

Journal entries to record the above transactions. (Narrations are not required)

1. the following accounts in the books of Julia Enterprise (seller):
2. Realization;
3. Buyer - CPSS Limited;
4. Bank;
5. Capital
6. Briefly explain the term of “Goodwill” **OR** “Gain on Bargain Purchase”.