**2022 Pay Fong Middle School Paper 2 Question 2**

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| --- | --- | --- | --- | --- | --- |
| Four Season Ltd.  Statement of Financial Position  As at 31 December 2021 | | | Shi and Ying Partnership  Statement of Financial Position as at 31 December 2021 | | |
|  | **RM** | **RM** |  | **RM** | **RM** |
| **Non-Current Assets** |  |  | **Non-Current Assets** |  |  |
| Building |  | 185,500 | Building | 30,000 |  |
|  |  |  | Motor Vehicles | 15,000 |  |
| **Current Assets** |  |  | Fixture And Fittings | 5,000 | 50,000 |
| Inventory | 52,000 |  |  |  |  |
| Accounts Receivables | 67,000 |  | **Current Assets** |  |  |
| Cash at bank | 11,500 | 130,500 | Inventory | 2,000 |  |
|  |  | 316,000 | Accounts Receivable | 6,300 |  |
|  |  |  | Bank | 4,700 | 13,000 |
| **Equity** |  |  |  |  | 63,000 |
| Issued and paid up share |  |  | **Capital Account** |  |  |
| capital |  |  | Shi | 30,000 |  |
| 150,000 Ordinary Shares |  |  | Ying | 20,000 | 50,000 |
| of RM 1 each |  | 150,000 |  |  |  |
| Share Premium | 30,000 |  |  |  |  |
| General Reserve | 30,000 |  | Current Account |  |  |
| Retained Profit | 20,000 | 80,000 | - Shi | 3,000 |  |
| Shareholders’ Fund |  | 230,000 | - Ying | 2,000 | 5,000 |
|  |  |  | **Current Liabilities** |  |  |
| **Non-current Liabilities** |  |  | Accounts Payable |  | 8,000 |
| 10% Loan Notes |  | 50,000 |  |  | 63,000 |
| **Current Liabilities** |  |  |  |  |  |
| Accounts Payable |  | 36,000 |  |  |  |
|  |  | 316,000 |  |  |  |

Four Season Ltd. agreed to acquire Shi and Ying Partnership, who sharing profit and losses in equal.

The terms of the offer, which have been agreed by the partners on 1 January 2022 were as follows:

1. Four Season Ltd. agreed to take over the assets (except the cash at bank) and to pay off the Accounts payable.
2. Four Season Ltd. revalued the assets acquired from Shi and Ying as:

Building RM38,000; Motor Vehicle decreased to RM12,000; Fixture And Fittings RM4,000; Inventory increased by RM500; Accounts Receivable at its carrying value.

1. The purchase price of RM 60,000 was to be settled by issue of 40,000 new ordinary share in Four Season Ltd. at premium RM0.30 and the balance was paid by cheque.
2. Dissolution cost amounted RM550 paid by Partner – Shi.
3. Immediately after completion of the business purchase, Four Season Ltd. revalued the total buildings to RM 250,000.

**You are required to prepare:**

1. Journal entries in the books of Four Season Ltd. (buyer) to record the business purchases.
2. Statement of Financial Position immediately after completion of the transactions.