**Question 2**

On 1 January 2023, Zai Lie decided to sell his business to Wuhu Bhd. with purchase consideration of RM 120,000. The Statement of Financial Position as at 31 December 2022 was summarized as follows:

|  |  |
| --- | --- |
|  | RM |
| Store Building | 75,000 |
| Furniture and Fittings | 40,000 |
| Motor Vehicles | 80,000 |
| Equipment | 3,000 |
| Inventory | 12,000 |
| Trade Receivables | 8,000 |
| Cash | 300 |
| Trade Payables | 11,700 |
| Bank Overdraft | 32,000 |
| Capital | ? |

**Additional information:**

1. Wuhu Bhd. take over all the assets and liabilities (except cash, equipment and bank overdraft). The Store Building and Inventory were revalued by Wuhu Bhd. at RM80,000 and RM 10,000 respectively.
2. The purchase price was settled by Wuhu Bhd. by issuing 50,000 ordinary shares of RM2 and the balance was paid by cheque.
3. Dissolution expenses amounting RM300 was paid by cash.
4. An interest on bank overdraft of RM 1,200 was charged by the bank.
5. The Equipment was disposal at its book value less 10%, and the proceed was being banked.
6. You are required to prepare in the books of Zai Lie:

**Ledger** accounts:

1. Realisation
2. Bank
3. Zai Lie's Capital

**OR**

Journal entries without narrations.

1. When a partnership is dissolved, one or more partners may have a debit balance on Capital account. What rules should be applied if one of the partners is insolvent and unable to contribute amount of his deficiency in his capital? Explain the rules
2. In the case of business purchase, the amount of goodwill and realisation profit may not be the same. Explain **one** reason for the difference.