

Question 3 (15%)

Bebe Bhd was incorporated with an authorised capital of 300,000 7% preferred shares of RM 1 each and 700,000 ordinary shares of RM 1 each.

The following was the Statement of Financial Position of Finn Bhd as at 31 December 2021:

	RM		RM
Premises	280,000	Ordinary Shares of RM 0.50 each	360,000
Machinery	112,000	Retained Profits	84,000
Inventory	26,000	10% Loan Notes	40,000
Trade Receivables	20,000	Trade Payables	6,000
Bank	52,000		
	490,000		490,000

The additional information was as follows:

- (i) On 1 January 2022, Bebe Bhd decided to acquire the business of Finn Bhd.
- (ii) The assets and liabilities (with the exception of bank and 10% Loan Notes) were taken over according to the values as follows:

	RM
Premises	400,000
Machinery	102,000
Trade Receivables were deducted by 4% for allowance for doubtful debts	?
Goodwill	55,000

- (iii) The purchase consideration based on the above valuation was to be settled as follows:
 1. Bebe Bhd issued 3 ordinary shares (at a premium of RM 0.20 each) in exchange for every 5 ordinary shares in Finn Bhd
 2. Bebe Bhd issued 50,000 preferred shares at a par
 3. Balance was to be paid by cash
- (iv) The liquidation expenses of RM 6,000 was paid by Bebe Bhd on behalf of the vendor.

You are required to prepare:

- (a) in the books of Bebe Bhd:
 - Journal entries to record the above transactions. (Narrations are not required) (9%)
- (b) in the books of Finn Bhd the following ledger accounts:
 - (i) Liquidation account; (3.5%)
 - (ii) Shareholders account (2.5%)