

Question 2 (20%)

Foon Bhd was formed on 1 July 2020 with an authorised capital of 500,000 ordinary shares of RM 1.50 each. On the same day, Foon Bhd decided to acquire the business of Yew Bhd.

The selling company provided its statement of financial position as follows:

| Assets | RM | RM |
|------------------------------------|-----------|----------------|
| Freehold Premises | | 70,000 |
| Plant and Machinery | 28,000 | |
| Less: Accumulated Depreciation | (4,000) | 24,000 |
| Office Equipment | | 18,500 |
| Inventory | | 16,700 |
| Trade Receivables | 9,400 | |
| Less: Allowance for Doubtful Debts | (200) | 9,200 |
| Cash At Bank | | 24,300 |
| | | <u>162,700</u> |
| Equity and Liabilities | | |
| Ordinary Share Capital | | 100,000 |
| Retained Profits | | 34,300 |
| Trade Payables | | 28,400 |
| | | <u>162,700</u> |

Additional information:

- (i) On 1 July 2020, Foon Bhd issued 200,000 ordinary shares to the public at a premium of RM 0.10 and part of the monies received was used to pay the preliminary expenses RM 3,000.
- (ii) Foon Bhd acquired all the assets (except cash at bank) and liabilities from Yew Bhd at the following valuations:

| | RM |
|---------------------|--------|
| Freehold Premises | 85,000 |
| Plant and Machinery | 20,000 |
| Office Equipment | 16,000 |
| Inventory | 8,500 |
| Trade Receivables | 8,800 |
- (iii) The purchase consideration was made up of a cheque payment of RM 120,000 and an issue of 1 share in Foon Bhd at a premium of RM 0.20 each in exchange for every 2 shares in Yew Bhd.
- (iv) The liquidation expenses of RM 1,100 was paid by Foon Bhd on behalf of the vendor.

You are required to prepare:

- (a) in the books of Foon Bhd:
 - Journal entries to record the above transactions. (Narrations are not required) (13.5%)
- (b) in the books of Yew Bhd the following ledger accounts:
 - (i) Liquidation account (4%)
 - (ii) Shareholders account (2.5%)