

Student 4: High Achieved
NZQA Intended for teacher use only

The following aspects of evidence have been omitted from this exemplar:

- formation entries
- statement of financial position extract and note

①

Mighty Mini Golf General Ledger					
Date		Dr	Cr	Bal	
Capital - Sam					
1/1/13	Balance			80,000	Cr
31/12/15	Bank		10,000	90,000	Cr
Current - Sam					
31/12/13	Balance			9,000	Dr
	Salary		8,000	1,000	Dr
	Interest on Capital		4,000	3,000	Cr
	Interest on Current	360		2,640	Cr
	Interest on Drawings	3,800		(1,160)	Cr
	Profit Share		39,000	37,840	Cr
	Drawings	38,000		(160)	Dr
Capital - Alex					
1/1/13	Balance			40,000	Cr
1/7/13	Current - Alex		10,000	50,000	Cr
Current - Alex					
31/12/13	Balance			4,000	Cr
	Salary		10,000	14,000	Cr
	Interest on Capital		2,000	16,000	Cr
	Interest on Current		160	16,160	Cr
	Interest on Drawings	2,500		13,660	Cr
	Profit Share		260,000	39,660	Cr
	Drawings	25,000		14,660	Cr

Mighty Mini Golf Profit Distribution Statement for the year ended 31/12/12			
Net Profit			82,500
Add: Interest on drawings – Sam		3,800	
Interest on drawings – Alex		2,500	6,300
			88,880
Less: Distributions:			
Salary – Sam	8,000		
Salary – Alex	10,000	18,000	
Interest on current – Sam	(360)		
Interest on current – Alex	160	(200)	
Interest on capital – Sam	4,000		
Interest on capital – Alex	2,000	6,000	23,800
			65,000
Profit share – Sam		39,000	
Profit share – Alex		26,000	65,000

Sections of the student's narrative response have been omitted from this Exemplar.

Goodwill represents future inflow of economic benefit from those goods with no physical presence, e.g. customer base, location, quality of service which will bring in profit to Mighty Mini Golf. **Some of the customers from Sam's old mini-golf business will probably keep going to the new business.**

2

If there was no Partnership Agreement at the time of formation the profits would have been distributed equally to follow the New Zealand Partnership Act 1908 even if one partner worked longer and deserved a higher salary.

Sam and Alex are charged interest on drawings in excess of \$20,000 to put them off taking too much drawings out of Mighty Mini Golf to ensure financial stability (liquidity).

3

Sam and Alex can earn 5% interest on the balances of their capital accounts. **This rewards them for keeping their capital invested in the business.**

2

Sam gets a lower salary than Alex, although Sam's share of the profit is higher so it is probably fair.