

Student 6: High Not Achieved

NZQA Intended for teacher use only

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

- formation entries
- capital accounts for Alex
- profit distribution statement

1

<b>Current - Sam</b>					
1/1/13	Balance			9,000	Dr
31/12/15	Interest on Capital		4,000	5,000	Dr
	Interest on Drawings	1,800		6,800	Dr
<b>Current - Alex</b>					
1/1/13	Balance			14,000	Cr
	Capital - Alex	10,000		4,000	Cr
	Interest on Capital		2,000	6,000	Cr
	Interest on Drawings	500		5,500	Cr

Mighty Mini Golf			
Profit Distribution Statement for the year ended 31/12/13			
Net Profit			82,500
Add: Interest on drawings - Sam		1,800	
Interest on drawings - Alex		500	2,300
			84,800
Less: Distributions:			
Interest on Capital - Sam	4,000		
Interest on Capital - Alex	2,000	6,000	
Interest on Current - Sam	(360)		
Interest on Current - Alex	560	200	
Drawings - Sam	38,000		
Drawings - Alex	25,000	63,000	69,200
			15,600
Profit share - Sam		9,360	
Profit share - Alex		6,240	15,600
			---

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

Goodwill represents the assets in the partners' firm that have no physical presence, things like the good reputation of the business that will mean customers keep coming to buy from it.

If a Partnership Agreement has not been established, then the profit share in the partnership should be shared equally between partners, due to the Partnership Act 1908.

The partners agree on what their salaries will be. There is a difference in what they will be paid and this could be to do with different work the partners do or their different qualifications. They also agree on their percentage profit share and this might also be different for the partners.

2

The clause that charges interest on partners' drawings over \$20,000 is to discourage Sam and Alex from taking too much money out of the partnership's bank account.

3