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| 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.