

Question 3

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		<u>Accumulated Fund 1/1/2007</u>		
<u>Assets</u>		€		
Clubhouse		750,000	[1]	
Bar stock		7,000	[1]	
Equipment		26,000	[1]	
Bar Debtors		535	[1]	
Investments	W 1	24,000	[2]	
Investment interest due		400	[2]	
Bank current account		14,000	[2]	
Levy due (250x10)		<u>2,500</u>	[2]	824,435
Less Liabilities				
Life membership		40,000	[2]	
Bar creditors		6,000	[1]	
Levy reserve fund		50,000	[2]	
Wages due		2,500	[1]	
Loan		30,000	[1]	
Loan interest due	W 2	2,600	[2]	
Subscriptions prepaid		<u>1,600</u>	[2]	<u>132,700</u>
Accumulated Fund/Capital 1/1/2007				<u>691,735</u> [2]

(b)

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Income & Expenditure Account for year ended 31/12/2007				
Income				
Bar profit		35,980	[4]	
Investment interest	W 3	1,200	[2]	
Entrance fees		15,000	[1]	
Catering profit (14,000-8,000)		6,000	[1]	
Annual sponsorship		25,000	[1]	
Subscriptions	W 4	194,500	[5]	
Life membership		4,200	[2]	281,880
Less Expenses				
Sundry expenses (186,400-2,500)		183,900	[2]	
Golf lessons		4,600	[1]	
Loan interest		1,000	[2]	
Depreciation - equipment		14,200	[1]	
Depreciation - clubhouse		<u>15,000</u>	[1]	<u>(218,700)</u>
Surplus of Income over Expenditure for the year				<u>63,180</u> [2]

<u>Bar Trading Account</u>	€	€
Sales	[110,490 + 275 - 535]	110,200
<u>Less</u> Cost of goods sold		
Stock 1/1/2007	7,000	
<u>Add</u> Purchases	[78,500 + 3,220 - 6,000]	<u>75,720</u>
	82,720	
<u>Less</u> Closing Stock	<u>(8,500)</u>	<u>(74,220)</u>
Bar Profit		<u>35,980</u>

Workings:

1. Investments	5% = 1,200	100%	=	24,000
2. Loan interest due 1/1/2007	3,600 - 1,000		=	2,600
3. Investment interest	1,600 - 400			1,200
4. Subscriptions	1,600 + 250,000 - 2,000 - 50,000 - 2,500 - 2,600		=	194,500

(c)

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(i) [3]

Sometimes non profit making organisations such as a club prepare a Profit and Loss account for activities that are carried out to make a profit e.g. running a club lottery, dances, bar, restaurants etc. All expenses and revenues relating to that particular activity are entered in a special profit and loss account and the profit is then transferred to the income and expenditure account.

(ii) [7]

The proposed levy would raise €200,000 over 4 years [250 x 200 x 4]

Yes/No

As a member I would make the case that the club is capable of generating enough income from within as it has a surplus of income of €63,180. The club is financially sound as it has cash of €13,960, building society investment of €60,000 and 5% government investments €24,000 totalling €97,960 even after it has paid off a loan and interest of €33,600 and had purchased equipment for €45,000.

However a sizeable proportion of the surplus is provided by Entrance Fees of €15,000 and Sponsorship of €25,000. This income cannot be guaranteed in future years.