## Question 4

**(a)** **25**

### Accumulated Fund 1/1/2012

| | | € | | € | |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Clubhouse | | 680,000 | [1] | | |
| Bar stock | | 2,200 | [1] | | |
| Equipment | | 23,000 | [1] | | |
| Bar debtors | | 421 | [1] | | |
| Investments | **W 1** | 30,000 | [2] | | |
| Bank current account | | 11,300 | [2] | | |
| Levy due (80 x15) | | 1,200 | [2] | 748,121 | |
| | | | | | |
| **Less Liabilities** | | | | | |
| Life membership | | 25,000 | [2] | | |
| Bar creditors | | 1,600 | [1] | | |
| Levy reserve fund | | 12,000 | [2] | | |
| Wages due | | 2,800 | [1] | | |
| Loan | | 40,000 | [1] | | |
| Loan interest due | **W 2** | 3,300 | [3] | | |
| Subscriptions prepaid | | 1,400 | [2] | 86,100 | |
| Accumulated Fund/Capital 1/1/2012 [1] | | | | 662,021 | [2] |

**(b)** **25**

### Income & Expenditure Account for year ended 31/12/2012

| | | | € | | € | |
|---|---|---|---|---|---|---|
| **Income** | | | | | | |
| Bar profit | | **W 1** | 13,999 | [4] | | |
| Investment interest | | **W 2** | 1,200 | [2] | | |
| Arena rent | | | 15,000 | [1] | | |
| Catering profit | [12,400 - 9,900] | | 2,500 | [1] | | |
| Annual sponsorship | | | 73,000 | [1] | | |
| Lotto | [52,500 – 7,600] | | 44,900 | [1] | | |
| Subscriptions | | **W 4** | 45,800 | [5] | | |
| Life membership | | **W 5** | 6,000 | [2] | 202,399 | |
| | | | | | | |
| **Less Expenditure** | | | | | | |
| Sundry expenses | [103,600 - 2,800] | | 100,800 | [2] | | |
| Coaching expenses | | | 4,600 | [1] | | |
| Loan interest | | **W 3** | 1,500 | [1] | | |
| Depreciation - Equipment | | | 12,800 | [1] | | |
| Depreciation – Clubhouse and arena | | | 13,600 | [1] | (133,300) | |
| **Surplus of Income over Expenditure for the year** | | | | | 69,099 | [2] |

**(c)** **(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 lotto, dances, bar, restaurant etc. All expenses and revenues relating to the particular activity are entered in a special purpose profit and loss account and the profit/loss is then transferred to the income and expenditure account.

**(ii)** [7]

The proposed levy would raise €150,000 over the next 5 years [200 x 150 x 5]
The club has funds amounting to:

| | |
|---|---|
| Investments | 30,000 |
| Building society | 28,000 |
| Cash | 4,310 |
| | 62,310 |

As a member I would make the case:
The proposed levy of €200 [120 +80] amounts to 66% of the annual subscription.
An increased levy would discourage new members and perhaps cause a drop in membership.

The club is capable of generating enough income from within as it has a surplus of income amounting to €69,099 and it is financially sound as it has a cash balance of €4,310, building society investment of €28,000 and 4% government investments €30,000 totalling €62,310.

Although a sizeable proportion of the surplus is provided by sponsorship of €73,000 and it cannot be guaranteed in future years it should be noted that this figure is well below the non-recurring capital amounts paid during the year i.e. equipment €41,000 and loan €44,800 amounting to €85,800.

The club should use the cash and investments totalling €62,310 and borrow the remainder of €90,000 approx or continue with current levy of €80 for 5 years plus use current funds and borrow €28,000 approx.
The improved facilities could:

Increase the rent earned from the arena
Increase membership
Encourage increased advertising income

**Workings**:

| | | | € | € | | |
|---|---|---|---|---|---|---|
| **1.** | **Bar Trading Account** | | | | | |
| | Sales | [42,410 + (190 – 421)] | | 42,179 | | |
| | Less Cost of sales | | | | | |
| | Stock 1/1/2012 | | 2,200 | | | |
| | Add Purchases [28,700 + (1,330 – 1,600)] | | 28,430 | | | |
| | | | 30,630 | | | |
| | Less Closing Stock | | (2,450) | (28,180) | | |
| | Bar Profit | | | | = | 13,999 |
| **2.** | Investments | [4% = 1,200] | 100% | | = | 30,000 |
| | Investment interest | [900 + 300] | | | = | 1,200 |
| **3.** | Loan interest due 1/1/2012 | [4,800 – 1,500] | | | = | 3,300 |
| **4.** | Subscriptions | [65,000 + 1,400 – 5,000 – 2,400 – 1,200 – 12,000] | | | = | 45,800 |
| **5.** | Life membership | 1/5 [25,000 + 5,000] | | | = | 6,000 |