

Question 3

(a)

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| | | Accumulated Fund 01/01/2015 | | |
|-----------------------------|-----|------------------------------------|-----|--------------------|
| | | € | | € |
| Assets | | | | |
| Clubhouse and course | | 650,000 | [1] | |
| Bar stock | | 6,000 | [1] | |
| Equipment | | 24,000 | [1] | |
| Bar debtors | | 355 | [1] | |
| Investments | W 1 | 62,500 | [2] | |
| Levy due | | 1,000 | [2] | |
| Investment interest due | W 2 | <u>300</u> | [2] | 744,155 |
| Less Liabilities | | | | |
| Life membership | | 40,000 | [2] | |
| Bar creditors | | 3,000 | [1] | |
| Wages due | | 1,500 | [1] | |
| Levy reserve fund | | 50,000 | [2] | |
| Subscriptions prepaid | | 1,400 | [2] | |
| Loan | | 30,000 | [1] | |
| Loan interest due | W 3 | 600 | [3] | |
| Bank current account | | <u>8,500</u> | [1] | (135,000) |
| Accumulated fund 01/01/2015 | | | | <u>609,155</u> [2] |

(b)

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| | | Income and Expenditure Account for the year ended 31/12/2015 | |
|-------------------------------------|-----|---|-------------------|
| | | € | € |
| Income | | | |
| Bar profit | W 4 | | 55,515 [4] |
| Investment interest | W 2 | | 2,500 [2] |
| Subscriptions | W 5 | | 67,500 [6] |
| Life membership | W 6 | | 5,000 [2] |
| Catering profit | W 7 | | 2,300 [2] |
| Competition profit | W 8 | | 3,500 [1] |
| Entrance fees | | | 10,000 [1] |
| Annual sponsorship | | | <u>11,400</u> [1] |
| | | | 157,715 |
| Less Expenditure | | | |
| Sundry expenses | W 9 | 122,850 | [2] |
| Loan interest | W 3 | 2,400 | [1] |
| Depreciation - clubhouse and course | | 13,000 | [1] |
| Depreciation - equipment | | 8,400 | [1] |
| Bad debt | | <u>80</u> | [1] |
| | | | (146,730) |
| Surplus of income over expenditure | | | 10,985 [2] |

(c)

Levy – This is a payment made to a club by its members to fund a special project such as a clubhouse extension. It must be used for the purpose for which it is collected. It is a capital receipt (on a once off basis or for a specific number of years) and is credited to a reserve fund. It is due to the members until it is used so it is treated as a long-term liability in the balance sheet.

Life Membership – This is where a club member pays a fee that entitles her/him to use the facilities of the club for the rest of her/his life. It is treated as a long-term liability in the balance sheet and can be written off to income over a stated number of years.

Workings

| | | | |
|--|-------------------------------|-----------------|-----------------|
| 1. Investments | | | |
| 4% | = | 2,500 | |
| Therefore 100% | = | | 62,500 |
| 2. Investment interest | | | |
| 2,400 - 300 + 400 | = | | 2,500 |
| 3. Loan interest | | | |
| 8% × 1.25 years | = | 10% | |
| 33,000 | = | 110% | |
| Loan (100%) | = | 30,000 | |
| Total interest (10%) | = | 3,000 | |
| Interest for 2014 | = | | 600 |
| Interest for 2015 | = | | 2,400 |
| 4. Bar Trading Account | | € | € |
| Sales (76,300 - 355 + 500) | | | 76,445 |
| Stock 01/01/2015 | | 6,000 | |
| Add Purchases (33,600 - 3,000 + 1,230) | | <u>31,830</u> | |
| | | 37,830 | |
| Less Closing stock | | <u>(16,900)</u> | <u>(20,930)</u> |
| Bar profit | | | <u>55,515</u> |
| 5. Subscriptions | | | 102,900 |
| Add prepaid 01/01/2015 | | | 1,400 |
| Less prepaid 31/12/2015 | | | (800) |
| Less life membership | | | (10,000) |
| Less levy 2015 | | | (25,000) |
| Less levy 2014 | | | <u>(1,000)</u> |
| | | | <u>67,500</u> |
| 6. Life Membership | 50,000 (40,000 + 10,000) ÷ 10 | = | 5,000 |
| 7. Catering Profit | 6,500 - 4,200 (4800 - 600) | = | 2,300 |
| 8. Competition Profit | 25,600 - 22,100 | = | 3,500 |
| 9. Sundry Expenses | 124,350 - 1,500 | = | 122,850 |