

6. Club Accounts

(100)

- (a) Show the club's Accumulated Fund (Capital) on 01/01/2017. (30)

Accumulated Fund (of Glenview Golf Club) on 01/01/2017		
	€	€
Assets		
Clubhouse and course	750,000 (1)	
Equipment	23,000 (1)	
Bar stock	6,000 (2)	
Bar debtors	455 (2)	
Investment interest due	200 (2)	
4% Investments W2	•95,000 (2)	
Levies due	<u>750 (2)</u>	875,405
Liabilities		
Bar creditors	4,500 (2)	
Life membership	50,000 (2)	
Levy Reserve Fund	60,000 (2)	
Wages due	2,500 (2)	
Subscriptions prepaid	1,300 (2)	
8% Loan W3	•25,000 (2)	
Loan interest due W4	•833 (2)	
Bank current account	<u>6,300 (2)</u>	<u>(150,433)</u>
Accumulated Fund 01/01/2017		<u>•724,972 (2)</u>

- Allow 1 mark for student's own figure.
- Accept correct figure only.

Workings:

W1	Investment Interest	
	Receipts during the year	3,000
	– Investment interest due 01/01/2017	<u>(200) (1)</u>
		2,800
	+ Investment interest due 31/12/2017	<u>1,000 (1)</u>
	Figure transferred to Inc. & Exp. a/c	3,800
	Figure transferred to Balance Sheet	1,000 (1)

W3	Bank Loan	
	15 months' interest	= 8% ÷ 12 × 15
		= 10%
	Amount repaid	= 110% of loan
	⇒ 27,500	= 110% of loan
	⇒ Loan	= $\frac{27,500}{110} \times 100$
		= €25,000
	Figure transferred to Accum. Fund	25,000 (2)

W2	Investments	
	Principal	= $\frac{\text{Interest payable}}{\text{Interest rate}}$
	⇒ Investment	= $\frac{3,800}{4\%}$
		= $\frac{3,800}{0.04}$
		= €95,000
	Figure transferred to Accum. Fund	95,000 (2)
	Figure transferred to Balance Sheet	95,000 (1)

W4	Loan Interest	
	Interest repaid	= 15 mths. interest
		= 27,500 – 25,000
		= €2,500
	⇒ Interest due 01/01/2017	= 5 mths. interest
		= $2,500 \times \frac{5}{15}$
		= €833
	Figure transferred to Accum. Fund	833 (2)
	⇒ Loan Interest (2017)	= 10 mths. interest
		= 2,500 – 833
		= €1,667
	Figure transferred to Inc. & Exp. a/c	1,667 (1)

6. Club Accounts (cont'd.)

- (b) Show the club's Income and Expenditure Account for the year ended 31/12/2017. (35)

Income and Expenditure Account (of Glenview Golf Club) for the year ended 31/12/2017		
	€	€
Income		
Bar profit W5		54,565 (7)
Catering profit W6		4,100 (4)
Investment interest W1		3,800 (2)
Subscriptions W7		57,850 (8)
Life membership W8		•6,500 (2)
Entrance fees		8,000 (1)
Annual sponsorship		12,600 (1)
Competition profit W9		9,100 (2)
		156,515
Expenditure		
Sundry expenses W10	116,850 (3)	
Loan interest W4	1,667 (1)	
Depreciation:		
Clubhouse and course W11	15,000 (1)	
Equipment W13	7,280 (1)	
Loss on sale of equipment W14	1,100 (1)	141,897
Surplus of Income over Expenditure		••14,618 (1)

- Allow 1 mark for student's own figure.
- Accept correct figure only.

Workings:			€	€	€
W5	Bar profit				
	Bar receipts		66,200		
	– Bar debtors 01/01/2017		(455) (1)		
	+ Bar debtors 31/12/2017		320 (1)		
			66,065		
	<i>Less Cost of Sales</i>				
	Bar stock 01/01/2017	6,000 (1)			
	+ Bar purchases	22,500 (1)			
	– Bar creditors 01/01/2017	(4,500) (1)			
	+ Bar creditors 31/12/2017	5,100 (1)			
		29,100			
	– Bar stock 31/12/2017	(17,600) (1)	(11,500)		
	Figure transferred to Inc. & Exp. a/c		54,565		
W6	Catering profit				
	Catering receipts		7,200 (1)		
	<i>Less Cost of Sales</i>				
	Catering purchases	3,550 (1)			
	– Stock 31/12/2017	(450) (1)	(3,100)		
	Figure transferred to Inc. & Exp. a/c		4,100 (1)		
	Catering Stock 31/12/2017	450 (1)			
	Figure transferred to Balance Sheet		450		
W7	Subscriptions				
	Subscriptions receipts	103,000 (1)			
	+ Subscriptions prepaid 01/01/2017	1,300 (1)			
	– New life memberships [€5,000 × 3]	(15,000) (1)			
	– Subscriptions prepaid 31/12/2017	(700) (1)			
	– 2017 Levy [€50 × 600]	(30,000) (1)			
	– 2016 Levy [€50 × 15]	(750) (1)			
	– Dishonoured cheque	(200) (1)			
	+ Subscriptions due 31/12/2017	200 (1)			
	Figure transferred to Inc. & Exp. a/c		57,850		
W8	Life membership				
	Balance at 01/01/2017		50,000		
	+ New life memberships [€5,000 × 3]		15,000		
	Total life membership		65,000		
	Life membership w/o [€65,000 ÷ 10]		6,500		
	Figure transferred to Inc. & Exp. a/c		6,500 (2)		
	Total life membership		65,000		
	– Life membership w/o		(6,500)		
	Figure transferred to Balance Sheet		•58,500 (1)		
W9	Competition profit				
	Competition receipts		22,700 (1)		
	– Competition prizes		(13,600) (1)		
	Figure transferred to Inc. & Exp. a/c		9,100		
W10	Sundry expenses				
	Payments during the year		116,500 (1)		
	– Wages due 01/01/2017		(2,500) (1)		
	+ Wages due 31/12/2017		2,850 (1)		
	Figure transferred to Inc. & Exp. a/c		116,850		
	Wages due 31/12/2017		2,850		
	Figure transferred to Balance Sheet		2,850 (1)		
W11	Depreciation: Clubhouse and course				
	Depreciation charge for the year				
	[2% of €750,000]		15,000		
	Figure transferred to Inc. & Exp. a/c		15,000 (1)		
	Figure transferred to Balance Sheet		•15,000 (1)		

6. Club Accounts (cont'd.)

(b) (cont'd.)

Workings:

€

W12 Equipment		W14 Loss on sale of equipment	
Cost 01/01/2017	23,000	Cost of equipment	3,600
– Sale of equipment	(3,600) (1)	– Sale of equipment	(2,500)
+ Purchase of equipment	17,000 (1)	Figure transferred to Inc. & Exp. a/c	1,100 (1)
Figure transferred to Balance Sheet	36,400		
W13 Depreciation: Equipment		W15 Bank	
Depreciation charge for the year		Balance 31/12/2017	33,250
[20% of €36,400]	7,280	– Dishonoured cheque	(200)
Figure transferred to Inc. & Exp. a/c	7,280 (1)	Figure transferred to Balance Sheet	33,050 (1)
Figure transferred to Balance Sheet	7,280 (1)	W16 Levy Reserve Fund	
• Allow full marks for student's own figure if consistent with previous work.		Balance 01/01/2017	60,000
		+ 2017 Levy [€50 × 600]	30,000
		Figure transferred to Balance Sheet	90,000 (1)

(c) Show the club's Balance Sheet on 31/12/2017.

(20)

Balance Sheet (of Glenview Golf Club)
on 31/12/2017

	€	€	€
	Cost	Dep.	NBV
<u>Fixed Assets</u>			
Clubhouse and course W11	750,000 (1)	15,000 (1)	735,000
Equipment W12, 13	36,400 (2)	7,280 (1)	29,120
	<u>786,400</u>	<u>22,280</u>	764,120
<u>Investments</u>			
4% Investments W2			95,000 (1)
			<u>859,120</u>
<u>Current Assets</u>			
Bar stock		17,600 (1)	
Catering stock W6		450 (1)	
Bar debtors		320 (1)	
Bank W15		33,050 (1)	
Investment interest due W1		1,000 (1)	
Subscriptions due W7		200 (1)	
		<u>52,620</u>	
<u>Creditors: amounts falling due within 1 year</u>			
Bar creditors	5,100 (1)		
Wages due W10	2,850 (1)		
Subscriptions prepaid	700 (1)	(8,650)	
Working Capital			43,970
Total Net Assets			<u>903,090</u>
<u>Financed by:</u>			
<u>Creditors: amounts falling due after more than 1 year</u>			
Life membership W8			58,500 (1)
<u>Accumulated Fund</u>			
Balance at 01/01/2017		724,972 (1)	
Surplus of Income over Expenditure for year		14,618 (1)	
Equipment Grant		15,000 (1)	
Levy Reserve Fund W16		90,000 (1)	844,590
Capital Employed			<u>903,090</u>

• Allow full marks for student's own figure if consistent with previous work.

6. Club Accounts (cont'd.)

- (d) (i) Explain what is meant by a Special Purpose Profit and Loss Account and use an example to illustrate your answer. (5)

Explanation (4)

Example (1)

- sometimes non-profit making organisations such as clubs prepare a Profit and Loss Account for activities that are carried out to make a profit (2)
- 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 (2)
- e.g. running a club lotto, dances, bar, restaurant, etc. (1)

** Figures in brackets show the breakdown of marks if answer incomplete.

** Accept student's own wording if equivalent meaning conveyed.

** Accept other appropriate answers.

- (ii) The club is considering course improvements at a cost of €100,000. What advice would you give to the treasurer of the club? (10)

① Overall (1)

- would recommend to the treasurer to carry out the improvements

② Benefits (2)

- these improvements should increase membership/usage of the course, restaurant and bar (1) and therefore increase the annual surplus of income (1)

③ Reasons (2 × 2)

- the club is capable of generating income from within (1) - it had a surplus of income over expenditure of €14,618 in the last financial year (1)
- the club's financial position has improved dramatically in the last financial year (1) - it has moved from a bank overdraft of €6,300 to a positive balance of €33,050 as well as repaying a loan and purchasing equipment in that period (1)

④ Scenarios (2)

- ① to fund the expenditure of €100,000, the club could use the bank balance of €33,050 (1), and withdraw €66,950 from the 4% Investment fund (1)

$$\begin{aligned}
 \text{② Funds available} &= \text{Bank balance} + \text{Investments} - \text{Levy Reserve Fund} \\
 &= \text{€}33,050 + \text{€}95,000 - \text{€}90,000 \\
 &= \text{€}38,050 (1)
 \end{aligned}$$

balance required €61,950 could be borrowed in the short term and repaid quickly by the club through its regular income sources (1)

⑤ Caution (1)

- the club should avoid using any of the Levy Reserve Fund as this is more than likely earmarked for other future capital expenditure (1)

• Allow full marks for student's own figure if consistent with previous work.

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** Accept student's own wording if equivalent meaning conveyed.

** For the purposes of presentation and clarity, headings and bullets are shown in this marking scheme but are not necessary in a student's answer.