

6. Club Accounts (100)

(a) Accumulated Fund of Pine Wood Golf Club as at 1/1/2013	(30)	(b) Income and Expenditure Account of Pine Wood Golf Club for year ended 31/12/2013	(35)
€	€	€	€
<u>Assets</u>		<u>Income</u>	
Clubhouse and course	720,000 (1)	Bar profit (W1)	97,160 (8)
Equipment	45,000 (1)	Interest from investments (W2)	3,500 (2)
Bar stock	12,400 (2)	Subscriptions (W3)	169,000 (6)
Bar debtors	860 (2)	Annual sponsorship	24,000 (1)
Wages prepaid	500 (2)	Life membership w/o (W4)	<u>*4,050 (2)</u> 297,710
Subscriptions due	700 (2)		
Bank	3,150 (2)	<u>Expenditure</u>	
5% Investments (W2)	*70,000 (3)	Loss on catering (W5)	2,200 (2)
Levies due	<u>1,100 (2)</u> 853,710	Loss on sale of equipment (W6)	1,200 (2)
		Sundry expenses (W7)	177,000 (2)
<u>Liabilities</u>		Coaching expenses	4,800 (1)
Bar creditors	5,300 (2)	Travel expenses	12,000 (1)
Life membership	27,000 (2)	Loan interest (W8)	*1,750 (2)
Levy Reserve	40,000 (2)	Depreciation:	
Loan	60,000 (2)	Equipment (W10)	14,700 (2)
Loan interest due (W8)	<u>*2,750 (3)</u> 135,050	Clubhouse and course (W11)	<u>14,400 (2)</u> 228,050
Accumulated Fund/Capital at 1/1/2013	<u>**718,660 (2)</u>	Surplus of Income over Expenditure	<u>**69,660 (2)</u>

* Allow 1m for correct words.

** Accept correct figure only.

(c) Balance Sheet of Pine Wood Golf Club as at 31/12/2013 (20)

	€	€	€
	<u>Cost</u>	<u>Dep.</u>	<u>NBV</u>
<u>Fixed Assets</u>			
Clubhouse and course (W11)	720,000 (1)	*14,400 (1)	705,600
Equipment (W9,10)	<u>73,500 (3)</u>	<u>*14,700 (1)</u>	<u>58,800</u>
	<u>793,500</u>	<u>29,100</u>	764,400
<u>Investments</u>			
5% Investments			<u>*70,000 (1)</u>
			834,400
<u>Current Assets</u>			
Bar stock		16,100 (1)	
Bar debtors		920 (1)	
Bank		57,050 (1)	
Investment interest due		600 (2)	
Prize Bonds		<u>3,800 (1)</u>	
		78,470	
<u>Creditors: amounts falling due within 1 year</u>			
Bar creditors	6,200 (1)		
Subscriptions prepaid	<u>1,900 (1)</u>	(8,100)	
Working Capital			70,370
Total Net Assets			<u>904,770</u>
<u>Financed by:</u>			
<u>Creditors: amounts falling due after more than 1 year</u>			
Life membership (W4)			36,450 (1)
<u>Accumulated Fund</u>			
Balance at 1/1/2013		*718,660 (1)	
Surplus of Income for year		*69,660 (1)	
Levy Reserve Fund (W12)		<u>80,000 (2)</u>	868,320
Capital Employed			<u>904,770</u>

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

Workings:		€	€	€
W1	Bar profit			
	Bar receipts		182,200 (1)	
	– Bar debtors 1/1/2013		(860)(1)	
	+ Bar debtors 31/12/2013		<u>920 (1)</u>	
			182,260	
	<i>Less Cost of Sales</i>			
	Bar stock 1/1/2013	12,400 (1)		
	+ Bar purchases	87,900 (1)		
	– Bar creditors 1/1/2013	(5,300)(1)		
	+ Bar creditors 31/12/2013	<u>6,200 (1)</u>		
		101,200		
	– Bar stock 31/12/2013	<u>(16,100)(1)</u>	85,100	
	Figure transferred to Inc. & Exp. a/c		97,160	
W2	Interest from investments	2,900 (1)		
	+ Investment interest due 31/12/2013	<u>600 (1)</u>		
	Figure transferred to Inc. & Exp. a/c		3,500	
	5% Investments			
	Value (€3,500 ÷ 5%)	<u>70,000 (3)</u>		
	Figure transferred to Accumulated Fund		70,000	
W3	Subscriptions			
	Subscriptions received	226,200 (1)		
	– Subscriptions due 1/1/2013	(700)(1)		
	– New life memberships (€4,500 × 3)	(13,500)(1)		
	– Subscriptions prepaid 31/12/2013	(1,900)(1)		
	– 2013 Levy (€100 × 400)	(40,000)(1)		
	– 2012 Levy (€100 × 11)	<u>(1,100)(1)</u>		
	Figure transferred to Inc. & Exp. a/c		169,000	
W4	Life membership			
	Balance 1/1/2013	27,000		
	+ New life memberships (€4,500 × 3)	<u>13,500</u>		
	Total life membership	40,500		
	Life membership w/o (€40,500 ÷ 10)	<u>4,050 (2)</u>		
	Figure transferred to Inc. & Exp. a/c		4,050	
	Total life membership	40,500		
	– Life membership w/o (€40,500 ÷ 10)	<u>(4,050)(1)</u>		
	Figure transferred to Balance Sheet		36,450	
W5	Loss on catering			
	Catering costs		15,100 (1)	
	– Catering receipts		<u>(12,900)(1)</u>	
	Figure transferred to Inc. & Exp. a/c		2,200	
W6	Loss on sale of equipment			
	Cost of equipment		3,500 (1)	
	– Sale of equipment		<u>(2,300)(1)</u>	
	Figure transferred to Inc. & Exp. a/c		1,200	
W7	Sundry expenses		176,500 (1)	
	+ Wages prepaid 1/1/2013		<u>500 (1)</u>	
	Figure transferred to Inc. & Exp. a/c		177,000	
W8	Loan interest			
	Interest payable (€64,500 – €60,000)		4,500	
	Loan Interest (€4,500 × 7/18)		<u>1,750 (2)</u>	
	Figure transferred to Inc. & Exp. a/c		1,750	
	Interest due 1/1/2013 (€4,500 × 11/18)		<u>2,750 (3)</u>	
	Figure transferred to Accumulated Fund		2,750	
W9	Equipment			
	Cost 1/1/2013		45,000 (1)	
	– Sale of equipment		(3,500)(1)	
	+ Purchase of equipment		<u>32,000 (1)</u>	
	Figure transferred to Balance Sheet		73,500	
W10	Depreciation: Equipment			
	Charge for year (€73,500 × 20%)		<u>14,700</u>	
	Figure transferred to Inc. & Exp. a/c		14,700 (2)	
	Figure transferred to Balance Sheet		14,700 (1)	
W11	Depreciation: Clubhouse and course			
	Charge for year (€720,000 × 2%)		<u>14,400</u>	
	Figure transferred to Inc. & Exp. a/c		14,400 (2)	
	Figure transferred to Balance Sheet		14,400 (1)	
W12	Levy Reserve Fund			
	Balance 1/1/2013		40,000 (1)	
	+ 2013 Levy (€100 × 400)		<u>40,000 (1)</u>	
	Figure transferred to Balance Sheet		80,000	

(d) (i) Explain what is meant by a 'Life membership'. (5) (15)

- a single payment (1) which entitles the member to use the club facilities for life (1)
- life membership is written off against income (1) over a number of years (1)
- the balance is shown as a long-term liability (1)

** Accept other appropriate material.

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

(ii) The club is considering course improvements at a cost of €95,000.
What advice would you give to the Treasurer of the club?

Overall

- would recommend to the Treasurer to carry out the improvements

Benefit (2)

- these improvements may enable the club to increase membership/usage of the course (1) and therefore increase the annual surplus of income as well as greater use of the club's restaurant and bar (1)

Reasons (2 × 1)

- the company is in a strong financial position - it has a surplus of income over expenditure of *€69,660 in the current year (1)
- the club has increased its bank account to €57,050 after paying off a loan of €60,000 and 18 months interest during the year (1)

Scenarios (2 × 2)

- to fund the expenditure of €95,000, the club could use the bank balance of €57,050, the prize bonds of €3,800 (1) and withdraw €34,150 from the investment fund (1)

Funds available = Investments + Prize Bonds + Bank Balance – Levy
= *€70,000 + €3,800 + €57,050 – €80,000
= *€50,850 (1)

balance required *€44,150 could be borrowed in the short-term and could repay the loan within one year (1), if the annual sponsorship continues

Caution (2)

- the club should avoid using any of the funds raised through the levy (1) as this is more than likely earmarked for other purposes and these funds may be needed for future capital expenditure (1)

* Accept student's own figure.

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