

## Q.6 Club Account

## (a) Accumulated Fund 01/01/2018

| Assets                      | €                | €                         |
|-----------------------------|------------------|---------------------------|
| Clubhouse and course (NBV)  | 528,000 [2]      |                           |
| Bar stock                   | 5,800 [1]        |                           |
| Equipment (NBV)             | 15,600 [2]       |                           |
| Bar debtors                 | 480 [2]          |                           |
| Investment interest due     | 400 [1]          |                           |
| 4% Investments              | 67,500 [2]       |                           |
| Building society            | 10,000 [1]       |                           |
| Levy due                    | <u>1,000 [2]</u> | 628,780                   |
|                             |                  |                           |
| <b>Liabilities</b>          |                  |                           |
| Life membership             | 45,000 [2]       |                           |
| Bar creditors               | 750 [2]          |                           |
| Wages due                   | 1,640 [1]        |                           |
| Levy reserve fund           | 30,000 [2]       |                           |
| Subscriptions               | 1,900 [2]        |                           |
| Bank                        | 7,300 [2]        |                           |
| Loan due                    | 20,000 [2]       |                           |
| Loan interest due           | <u>650 [2]</u>   | <u>(107,240)</u>          |
| Accumulated fund 01/01/2018 |                  | <u><u>521,540 [2]</u></u> |

## (b) Income and Expenditure Account year ended 31/12/2018

| Income                                 | €                 | €                        |
|--|-------------------|--------------------------|
| Bar profit                             | 34,440 [6]        |                          |
| Subscriptions                          | 81,900 [6]        |                          |
| Investment interest                    | 2,700 [3]         |                          |
| Profit on catering                     | 4,000 [3]         |                          |
| Entrance fees                          | 12,000 [1]        |                          |
| Annual sponsorship                     | 7,400 [1]         |                          |
| Profit on competition                  | 7,900 [1]         |                          |
| Life membership w/o                    | 6,000 [2]         |                          |
| National Lottery grant                 | <u>15,500 [1]</u> | 171,840                  |
|  |                   |                          |
| <b>Expenditure</b>                     |                   |                          |
| Sundry expenses                        | 81,500 [1]        |                          |
| Coaching lessons                       | 6,460 [3]         |                          |
| Loan interest                          | 250 [2]           |                          |
| <b>Dep: Clubhouse and course</b>       | 11,000 [1]        |                          |
| Equipment                              | <u>7,450 [2]</u>  | <u>(106,660)</u>         |
| Excess/surplus income over expenditure |                   | <u><u>65,180 [2]</u></u> |

## (c) Balance Sheet as at 31/12/2018

| <b>Fixed Assets</b>                                 | €                 | €                 | €              |
|---|-------------------|-------------------|----------------|
| Clubhouse and course                                | 550,000 [1]       | 33,000 [2]        | 517,000        |
| Equipment   | <u>41,000 [2]</u> | <u>17,850 [2]</u> | <u>23,150</u>  |
|   | <u>591,000</u>    | <u>50,850</u>     | 540,150        |
| <b>Financial Assets</b>                             |                   |                   |                |
| 4% Government investment                            |                   |                   | 67,500 [2]     |
|   |                   |                   |                |
| <b>Current Assets</b>                               |                   |                   |                |
| Closing stock (13,200 + 400)                        |                   | 13,600 [2]        |                |
| Debtors   |                   | 500 [1]           |                |
| Investment interest due                             |                   | 300 [1]           |                |
| Bank  |                   | <u>83,300 [2]</u> |                |
|   |                   | 97,700            |                |
| <b>Creditors: amounts falling due within 1 year</b> |                   |                   |                |
| Creditors   | 1,230 [1]         |                   |                |
| Wages due   | 2,500 [1]         |                   |                |
| Subscriptions prepaid                               | <u>900 [2]</u>    | <u>(4,630)</u>    | <u>93,070</u>  |
| Total net assets                                    |                   |                   | <u>700,720</u> |
|   |                   |                   |                |
| <b>Financed by:</b>                                 |                   |                   |                |
| <b>Creditors: amounts falling due after 1 year</b>  |                   |                   |                |
| Life membership                                     |                   |                   | 54,000 [2]     |
| Accumulated fund 01/01/2018                         |                   | 521,540 [1]       |                |
| Surplus of income/expenditure                       |                   | 65,180 [1]        |                |
| Levy reserve  |                   | <u>60,000 [2]</u> | <u>646,720</u> |
|   |                   |                   | <u>700,720</u> |

- (d) The club would like to build a new driving range at a cost of €350,000. Outline the options available to the club in funding this project with reference to the accounts.

They could fund it as follows:

|                      |                  |
|----------------------|------------------|
| Sales of investments | €67,500          |
| Bank balance         | <u>€83,300</u>   |
| Total                | €150,800         |
| Less levy            | <u>(€60,000)</u> |
| Net available        | €90,800          |

1. Investments can be sold which would realise €67,500.
2. They have a very healthy bank balance of €83,300 and would have no problem meeting interest repayment.

They could fund this extension by borrowing the remainder of €259,200 without having to touch their levy reserve fund. A loan could be obtained as the club is a profitable concern with more than adequate security in the form of its clubhouse and course.

3. Based on the financial results for the year 2018, the club had a surplus of income of €65,180 when this is added to the depreciation of €18,450, a non-cash item. It would indicate a cash inflow from operating activities in the region of €83,630. This shows that the club, based on existing performance is very capable of repaying a loan.

They have also repaid a loan with interest of €20,900 and bought equipment of €15,000, and transferred €10,000 from their building society.

4. A sizeable part of their surplus, €34,900 of the income is coming from annual sponsorship, entrance fees and lottery funding. These are not guaranteed as a source of income.

Workings:

1. Investment income  $2,800 - 400 + 300 = 2,700 = 4\%$   
 4 % Investment  $2,700/4 \times 100 = 67,500$
  
2. Loan  $3/12 \times 18 = 4.5\%$   
 $104.5\% = 20,900$   
 $100\% = 20,000$   
 Interest = 900 = 18 months  
 Due 01/01 (13 months) €650, P and L (5 months) €250

3. Bar trading account

|                                   | €               | €               |
|-----------------------------------|-----------------|-----------------|
| Bar receipts (66,200 – 480 + 500) |                 | 66,220          |
| Less cost of sales                |                 |                 |
| Opening stock                     | 5,800           |                 |
| Purchases (38,700 – 750 + 1,230)  | 39,180          |                 |
| Less closing stock                | <u>(13,200)</u> | <u>(31,780)</u> |
| Bar profit                        |                 | <u>34,440</u>   |

4. Subscriptions  $126,900 + 1,900 - 15,000 - 900 - 30,000 - 1,000 = 81,900$
5. Catering  $8,500 - 4,900 + 400 = 4,000$
6. Life membership w/o  $(45,000 + 15,000)/10 = 6,000$
7. Coaching expenses  $5,600 - 1,640 + 2,500 = 6,460$
8. Dep: clubhouse and course  $550,000 \times 2\% = 11,000$
9. Dep: equipment  $26,000 \times 20\% = 5,200$   
 $15,000 \times 20\% = 3,000 \times 9 \div 12 = 2,250$