
Chapter 13

Club Accounts

Higher Level

2022

Abbey Hockey Club Club
100 Marks

Step by step approach

STEPS INVOLVED

- | | |
|--------|------------------------------------------------------------------------|
| Step 1 | Prepare the clubs accumulated fund (Capital) for the start of the year |
| Step 2 | Prepare a special purpose trading account |
| Step 3 | Prepare the income and expenditure account |
| Step 4 | Prepare a balance sheet. |
| Step 5 | Some sort of Theory. |

Step 1 - Prepare the clubs accumulated fund (Capital) for the start of the year

This is where you look at the start of the question and from the list given identify the assets and liabilities. (sometimes you may have to complete a working for fixed assets and reduce by the accumulated amount in the question. You will also have to include the following which students usually leave out -

1. Investment Income - You might have to calculate the total figure for investments.
2. Levy (see end of the question) - Look at the end of the question to see if there is a levy due to be paid if there is calculate this figure and this is an asset because the club should have this money
3. Bank (see receipts and payments account) - the opening back figure will have to be included. If this figure is on the debit side, it is an asset but if it is on the credit side it is a liability. (look out for transfer from building society this will be an asset)
4. Loan (see receipts and payments account) - You might have to calculate the figure for the loan. Have a look at the payment section in the question and see if they have given you the loan figure or the loan plus the interest figure. If it is the loan plus the interest figure the loan will have to be calculated.
5. The interest figure - Take the loan figure (calculated above) and take it away from the figure in the payment section.

These figures (1-4 above) should include are where students lose marks.

Part 1

Identify if the items at the start of the question are an asset or liability. Place an A over the item you think is an asset and a L under the item you think is a liability.

Assets	Liabilities
Balance	Life membership
Clubhouse and Astro turf (W)	Bar Creditors
Bar Stock	Wages Due
Equipment at cost (W)	Levy Reserve Fund
Bar Debtors (W)	Subscription Prepaid
Investment (W)	Loan (W)
Investment Income due	Loan Interest (W)
Levy (W)	

Note

In the question it says

'all fixed assets have 3 years accumulated depreciation on 01/01/2021'

This means we have to calculate the depreciation on the fixed assets and take away the years it has been accumulated for

Working 1 - Depreciation

Club and astro turf

Cost	950,000	Cost as per the start of the question
Rate	2%	as per additional information
Years	3 years	as per question
950,000 * 2%	950,000	as per start of the question
= 19,000 x 3 years	<u>(57,000)</u>	see calculation across
= 57,000	893,000	A.F

Equipment

Cost	42,000	Cost as per the start of the question
Rate	12.5%	as per additional information
Years	3 years	as per question
42,000 * 12.5%	42,000	as per start of the question
= 5,250 x 3 years	<u>(15,750)</u>	see calculate across
= 15,750	26,250	A.F

Working 2 - Investment Income

You need to find out how much the investment income is for the year (Yearly figure). To do this we look at the start of the question and see if there is any investment income due (take the figure away) or and income prepaid (add it on). You also look at the end of the question and see if there is any investment income due (add it on) or investment income prepaid (take it away). This are added or subtracted from the investment income figure in the receipts and payments account

Amount	1050	Receipts and payments account (only for 6 months)
Less Due 01.01	<u>420</u>	Start of the question
	630	Received for 6 months this year

Full year will be double 630 for 12 months

$$630 \times 2$$

$$= 1260 \quad \text{I \& E (i)} \quad \text{Investment income for the year}$$

$$5\% = 1260$$

$$1\% = 1260 / 5$$

$$= 252$$

$$100\% = 252 \times 100$$

$$= 25200 \quad \text{AF / BS FA}$$

Investment income Due

Yearly	1260	See working above
Received	630	See working above
Due	630	BS CA

Working 3 - Levy

As part of the additional information, it says the following under subscriptions

'Levy for 2020 of €100 each due from 30 members'

This means the company is owed this money, so it is an asset and it is the business money

100 x 30

= 3,000 AF

Working 4 - Loan

It says in the question

'Bank loan and 9 months interest at 8% per annum 30/06/2021'

We need to find out how much of the €273,480 is for a loan and how much is for interest. To do this we do the following

12 months	=	8%
1 month	=	8/12
	=	.6666667
9 months	=	.667 x 9
	=	6.00%

This means that the

106%	=	273480
1%	=	273480 / 106
	=	2580
100%	=	2580 x 100
	=	258,000 AF

So

Total Loan = 273,480

Loan = 258,000

Interest = 15,840

This loan was taken repaid on 30/06/2021

So, 6 months of this interest (of 15,840) is for this year (and included in the Income and expenditure account) and 3 months is the interest paid up to the start of this year (and goes in the Accumulated Fund).

€15,840 / 9 months	€1,720 x 3	=	€5,160	AF
= €1,720 interest per month	€1,720 x 6	=	€10,320	I & E (e)

Accumulated Fund for Abbey Hockey Club on 01.01.2021		
Assets		
Bank	9,800	
Clubhouse and Astroturf (w1)	893,000	
Equipment (W1)	26,250	
Bar Stock	1,820	
Bar Debtors	560	
Investment Income Due	420	
Investment (w2)	25,200	
Levy (w 3)	3,000	960,050
Liabilities		
Life membership	48,000	
Bar creditors	700	
Wages Due	440	
Levy Reserve Fund	50,000	
Subs prepaid	1,000	
Loan (W4)	258,000	
Loan Interest (W4)	5,160	363,300
ACCUMULATED FUND CAPITAL 01.01.21		596,750

Step 2 - Prepare a special purpose trading account

Remember a special purpose Profit & Loss Account is

1. when 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
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.

Remember the layout of a trading account is as follows

Bar Trading account for Crest Club Golf Club for year ended 31.12.2018		
Sales		x
<u>Less Cost of Sales</u>		
Opening Stock	x	
Add Purchases	(+) x	(-) x
		x
Less Closing stock		(-) x
Gross Profit		

Sales figure

Have a look at the start and end of the question. If there are debtors at the start of the question take the figure away from bar receipts as this is the debtor's figure for last year. If there are debtors' figure at the end of the question add this figure onto the bar receipts as this is the debtors' figure for this year

Opening Stock

This figure is taken straight from the start of the question

Purchases Figure

Have a look at the start and end of the question. If there are creditors at the start of the question take the figure away from bar purchases as this is the creditors' figure for last year.

If there are creditors' figure at the end of the question add this figure onto the purchases payment as this is the creditors' figure for this year

Closing stock

This is the figure that is at the end of the question or additional information. Remember to adjust the figure if there is closing stock for something else included - for example oil or catering

Bar Trading account for Abbey Hockey Club for year ended 01.01.2021		
Sales (73,600 - 560 + 780)		73,820
<u>Less Cost of Sales</u>		
Opening Stock	1,820	
Add Purchases (44,200 - 700 + 1,100)	(+ 44,200	
	46,020	
Less Closing stock (21,700 - 11,460)	(-) 10,240	(-) 35,780
Gross Profit		38,040

Step 3 - Prepare the income and expenditure account

This shows the difference between the income and expenditure for a period. It shows the true financial performance of the club over a period of time - showing all profits and losses. It is similar to the Profit and Loss and only takes into account actual income so adjusted for gains and expenses

To complete this account, we work down through each item listed in the receipts account and payment account - make adjustment accordingly

Receipts

Balance	Entered in the AF so not entered here
Subscriptions	Need a working
Interest on investments	See working 2
Competitions Fees	Need a working (if there is a profit enter it here)
Catering Receipts	Need a working (if there is a profit enter it here)
Sale of equipment	Need a working (if there is a profit enter it here)
National Lottery Grant	Enter as is (if no adjustment in the question)
Annual sponsorship	Entered in the balance sheet as per the question
Hocky Ireland Grant	Enter as is (if no adjustment in the question)
Bar Receipts	See Profit and Loss account (if there is a profit enter it here)

Remember

To include the life member ship that is credited (included) as an income each year

Payments

Catering Purchases	Need a working (if there is a profit enter it here)
Bank Loan	See working 4
Sundry expenses	Enter as is (if no adjustment in the question)
Bar Purchases	See Profit and Loss account (if there is a Loss enter it here)
Competition prizes	Need a working (if there is a profit enter it here)
Purchase of equipment	Need a working (just include this year depreciation (include other Fixed assets as well - Buildings)

Coaching expenses and wages Enter as is (if no adjustment in the question)

Balance This is the bank balance in the Balance sheet as a Current Asset

Receipts

Balance

This figure has been entered already in the AF so not entered here

Subscriptions

Remember the layout to calculate subscriptions

Amount received during the year	x	Receipts and payment account (Receipts)
Less Due 1/1 (Last year)	(-) x	Given at the start of the question
Add prepaid 1/1 (This year)	(+) x	Given at the start of the question
Less subs prepaid 31/12/ (Next year)	(-) x	Given at the end of the question
Add subs due 31/12 (This year)	(+) x	Given at the end of the question
Less any life membership included in the subs	(-) x	Given at the end of the question
Less any levies included in subs	(-) x	Given at the end of the question
	x	

Working 5 - Subscriptions

Amount received during the year	425,500	Receipts
Add prepaid 1/1 (This year)	(+) 1,000	Start of the Question
Less subs prepaid 31/12/ (Next year)	(-) 3,160	See Adjustment (vii) 1
Less levies 2021	(-) 65,000	See working 5
Less levies 2020	<u>(-) 3,000</u>	See working 3
	81,900	I & E (i)

Working 6 - Life Membership

Have a look at the question and see what it says about life membership

(v) *The club has decided that life membership is to be credited to income over a 10-year period commencing in 2019*

Life membership is to be credited to income over a 10-year period starting 2019, this is 2 years ago. SO there are 8 years left to credit the life membership (10/2)

48,000 / 8

<u>6,000</u>	Amount to be credited to income	I & E (i)
42,000	New life membership figure	BS FB

Interest on 4% investments

See working 2

Competitions Receipts

As there are competitions receipts and competition costs, we can do a small working to find out if there was a profit or loss made on this. Any profit is an income, and any loss is an expenditure

Working 7 - Competition Receipts

Competition receipts	22,400	Receipts and Payments (Receipts)
Competition prizes	<u>18,900</u>	Receipts and Payments (Payments)
	3,500	I & E (i)

Catering Receipts

Working 8 - Catering Receipts

As there are catering receipts, catering costs and stock left over we can do a small working to find out if there was a profit or loss made on this. Any profit is an income, and any loss is an expenditure

Catering receipts	122,500	
Catering stock	<u>11,460</u>	
	133,960	
Less Catering Purchases	<u>93,100</u>	
	40,860	I & E (i)

Hockey Grant

Enter as is and as per the question

'(vi) the grant from hockey Ireland is received on a annual basis to support the day to day activities on the club. It is treated as a revenue item'

Bar receipts

See profit and loss

Life Membership

See working 6

Income

Income and Expenditure account for Abbey Hockey Club for year ended 31.12.2021		
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Income		
Subscriptions (w5)	355,340	
Investment Income (w2)	1,260	
Competition Profit (w7)	3,500	
Catering Profit (w8)	40,860	
Hockey Grant	13,500	
Bar Profit	38,040	
Life Membership (w6)	6,000	458,500

Payments**Catering Purchases**

See working 8

Bank Loan

See working 4

Sundry expenses

Enter as is (if no adjustment in the question)

Bar Purchases

See Profit and Loss account working

Competition prizes

Competition Prizes have been included already see working 7

Purchase of equipment

Here we need to calculate the total figure for equipment (or any fixed assets) so add and new purchase to the opening figure given at the start of the question. We will also calculate the depreciation for any other fixed asset

The question says the following in relation to depreciation

(iii) Provide for depreciation on equipment at 12.5% of cost. A full year's depreciation is charged in the year of acquisition and none in the year of disposal)

(iv) Clubhouse and astro turf pitch are to be depreciated by 2% of cost

It also mentions in the receipts and payments account in the payment section

Purchase of equipment

NOTE

As part of this working, we will calculate the depreciation for equipment and clubhouse and Astroturf

Working 9 - Depreciation**Equipment**

1. Calculate the new total figure for equipment this will go in the balance sheet

Cost	42,000	Given at the start of the question
Additions	<u>47,000</u>	as per receipts and payment account (Payments)
	89,000	
Less	<u>30,000</u>	as per receipts and payment account (Receipts)
	59,000	BS TA

2. Calculate the depreciation to go in the income and expenditure account

Cost	59,000 × 12.5%	=	7,375	I & E (e)
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NOTE - We use the cost figure here because we don't know when the vehicle was sold and it says that no depreciation is charged in the year of disposal

3. Calculate the accumulated depreciation figure to go in the balance sheet

Accumulated depreciation	15,750	See working 1
This year depreciation	<u>7,375</u>	See calculation above
	23,125	
Less Acc dep Disposal	<u>11,250</u>	
	11,875	BS TA

$$30,000 \times 12.5\%$$

$$= 3,750 \times 3 \text{ year (accumulated depreciation as per the question)}$$

$$= 11,250$$

4. Calculate if a profit or loss was made on the sale of the equipment

Cost	30,000	
Less Depreciation	11,250	
Less allowance	<u>7,000</u>	
Loss	11,750	I & E (e)

Clubhouse and Astro turf

1. Calculate the new total figure for equipment this will go in the balance sheet

950,000 **BS FA** Given at the start of the question

2. Calculate the depreciation to go in the income and expenditure account

Remember to sue the cost figure for clubhouse and course given at the start of the question

$950,000 \times 2\% = 19,000$ **I & E (e)**

3. Calculate the accumulated depreciation figure to go in the balance sheet

Accumulated depreciation	57,000	See working 1
This year depreciation	<u>19,000</u>	See calculation above
	76,000	BS TA

Coaching Wages and Expenses

Enter as is (if no adjustment in the question).

Note is this question it says the following

'(vii) Wages due on 01/01/2021 were owed to the club coach for two weeks. Provide for three weeks' due on 31/12/2021 and include a bonus of €30 for each of the 3 weeks'

This means that we have to take the wages due figure at the start of the question away from the coaching expenses given in the receipts and payments and add the wage due figure that needs to be calculated as per the adjustment

Working 10 - Coaching expenses

Coaching expenses	15,540	Given in the receipts and payments account (payments)
Less Wages Due 01.01	<u>440</u>	Given at the start of the question
	15,100	
Add Wages due 31.12	<u>750</u>	BS CL See calculation below
	15,850	I & E (e)

Wages Due

440 / 2 week	3 Weeks	= 3 x 220	=	660
220 per week	bonus	= 3 x 30	=	<u>90</u>
		Wages due	=	750

Bank Loan

See working 4

Balance

This is the closing balance that we have at the end of the year. It will be the opening balance for the next period so it will go in the balance sheet as a current asset

239,170 **BS CL**

NOTE

The last working that we need is the working for the levy for 2018. The question says the following

(viii) Subscriptions include

2. Levy for 2021 of €100 each from 650 members

Working 11 - Levy Fund

Levy reserve fund 01.01.21	50,000	Given at the start of the question
Levy reserve fund 31.12.21	<u>65,000</u>	100 x 650
	115,000	BS FB

Expenditure

Income and Expenditure account for Abbey Hockey Club for year ended 31.12.2021		
Expenditure		
Loan Interest (w4)	10,320	
Sundry Expenses	64,360	
Dep equipment (w9)	7,375	
Loss on equipment (w9)	11,750	
Dep Clubhouse (w9)	19,000	
Coaching Expenses (w10)	15,850	128,665

Income and expenditure account

Income and Expenditure account for Abbey Hockey Club for year ended 31.12.2021		
Income		
Subscriptions (w5)	355,340	
Investment Income (w2)	1,260	
Competition Profit (w7)	3,500	
Catering Profit (w8)	40,860	
Hockey Grant	13,500	
Bar Profit	38,040	
Life Membership (w6)	6,000	458,500
Expenditure		
Loan Interest (w4)	10,320	
Sundry Expenses	64,360	
Dep equipment (w9)	7,375	
Loss on equipment (w9)	11,750	
Dep Clubhouse (w9)	19,000	
Coaching Expenses (w10)	15,850	128,665
Excess income over expenditure		329,845

Step 4 - Prepare a balance sheet.

Balance sheet for Abbey Hockey Club as at ended 31.12.2021			
Fixed Asset	Cost	Ac Dep	NBV
Clubhouse and Astroturf (w9)	€950,000	€76,000	€874,000
Equipment (w9)	€59,000	€11,875	€47,125
	€1,009,000	€87,875	€921,125
Financial Assets			
5% Investments (w2)			€25,200
			€946,325
Current Assets			
Closing stock		€21,6700	
Bar Debtors		€780	
Investment Income Due (w2)		€630	
Bank		€239,170	
		€262,280	
Creditors due within one year			
Bar Creditors	€1,100		
Wages Due	€750		
Subs Prepaid	€3,610	(€5,010)	(€252,270)
			€1,203,595
Finance by			
Creditors due falling due over 1 year			
Life membership (w6)			€42,000
Accumulated Fund			
Accumulate Fund 01.01		€596,750	
Surplus income over expenditure		€329,845	
Lotto Grant		€120,000	
Levy Reserve (w13)		€115,000	€1,161,595
			€1,203,595

Step 5 - Some sort of Theory.

Explain with the use of an example what is meant by a special purpose profit and loss account

Many not for profit organisation run activities to raise funds for the organisation. These activities are intended to generate profits to invest in the organisation

The expenses and revenues related to that particular activity are entered in a special profit and loss account and the profits then transferred to the income and expenditure account

Example Running a bar, a lotto or dance

There is a proposal to reduce annual subscriptions by 10% for the next three years. As treasurer of Abbye Hockey Club, what points would you make in favour of this proposal

The proposal to reduce the subscription by 10% will reduce income by €35,534 per year based on current subscriptions

Point in favour

1. The club is in a healthy financial position with a bank balance of €239,170 which is considerably higher than the bank balance at the beginning of the year €9,800.
Excluding the once off grant of €120,000 this is still very healthy
2. They have investments of €25,200
3. They have paid back a loan of €273,480 in total
4. The club has a current surplus income of €329,845 which will reduce to €294,291 with the reduction of €35,534 in subscriptions which is a very healthy surplus
5. This may bring in extra members which may counter act the reduction in the subs and result in revenue remaining the same
6. The club has net expenditure on fixed assets of €40,000 which it may not have in the coming years
7. The club will be able to financially sustain a reduction in the subscription fee of 10%