

Chapter 2 Clubs and Societies Accounts

Non-profit organizations

Non profit is a type of organization that does **not** earn **profits** for its owners. Typically **non profit** organizations are charities or other types of public service organizations.

Important terminologies used in accounts

Trading Business	Non-trading Business
Capital (assets – liabilities)	Accumulated fund (asset – liabilities)
Cash Book	Receipts and Payments
Trading Account	Bar Trading/Activity Trading
Income Statement	Income & Expenditure Account
Statement of Financial Position	Statement of Financial Position
Profit for the year	Surplus (excess of income over expenditure)
Loss	Deficit (excess of expenditure over income)
Trade Receivables	Subscription in arrears
Trade payables	Subscription in advance

Important Terms and Accounting Treatment

1. Donation

Donations are the life blood of non-profits that help them survive and fulfil their missions. Donation is received by two ways.

(a) Specific donation: An amount donated by members or any other person for any specific purpose. It is a capital receipt and shown in the Balance Sheet. Examples of such donations are: donation for library, donation for building, etc.

(b) General donation: An amount donated by members or any other person without any specific purpose is called general donation. Its amount is comparatively small than the specific donation. It is a revenue receipt and shown in Income and Expenditure Account.

2. Legacy

It is the amount received by the concern as per the 'will' of the 'donor'. It appears on the receipts side of receipts and payments account. It should not be considered as income but should be treated as capital receipt i.e. credited to capital fund account.

3. Entrance fees

This is also an item to be found on the receipts side of receipts and payments account. There are arguments that it should be treated as capital receipt because entrance fees is to be paid by every member only once (i.e. when enrolled as member, hence it is nonrecurring in nature. But another

argument is that since members to be enrolled every year and receipt of entrance fees is a regular item, therefore, it should -be credited to income. In the absence of the instructions anyone of the above treatment may be followed but students should append a note justifying their treatment.

4. Subscription

It is the amount paid by the members' usually annual basis for the facilities provided by the club or society. It is a revenue receipt.

Receipt and Payment account records the actual subscription received. It may pertain to any year.

However, In order to post it to the Income and Expenditure Account adjustments have to be made to the subscription as only subscription pertaining to that particular year is recorded in I/E account.

Calculate subscription

	\$
Total subscription received during the year	XX
Add opening subscription in advance	XX
Add closing subscription in arrears	XX
Less closing subscription in advance	(XX)
Less opening subscription in arrears	(XX)
Current year subscription	XX

Ledger Account to calculate subscription

Subscription Account					
2018		\$	2018		\$
Jan 1	Balance b/d (Arrears)	XX	Jan 1	Balance b/d (Prepaid)	XX
	Inc & Exp. Account	XX		Bank (R/P Account)	XX
Dec 31	Balance c/d (Prepaid)	XX		Irrecoverable debts	XX
			Dec 31	Balance c/d (Arrears)	XX
		XX			XX
2019 Jan 1	Balance b/d (Arrears)	XX	2019 Jan 1	Balance b/d (Prepaid)	XX

Practice Questions

1. The following information relates to the annual membership subscriptions of a cricket club for the year ended 31 December.

Cash received during the year for subscriptions totalled \$81 000.

Which amount should be shown in the income and expenditure account for membership subscriptions?

	1 January \$	31 December \$
subscriptions in arrears	7200	7800
subscriptions paid in advance	2800	4200

Resource Pack/Accounting/A Level (Paper 3)

2. During the year ended 31 December 2001, the XY Sports Club received \$10 860 for subscriptions. The following further information is available. What is the figure for subscriptions in the Income and Expenditure Account for the year ended 31 December 2001?

	Year ended 31 December	
	2000 \$	2001 \$
subscriptions owing	580	870
subscriptions received in advance	1 640	1 220

3. The information relates to the subscriptions of a club. Cash received during the year was \$3750. What was the subscription income for the year?

	in advance \$	in arrears \$
at the start of the year	50	75
at the end of the year	150	120

4. A club provides the following information relating to members' subscriptions. What amount for subscriptions will be entered in the Income and Expenditure Account for the year ended 31 December 2004?

	\$
accrued at 1 January 2004	200
prepaid at 1 January 2004	300
received during 2004	10 000
outstanding at 31 December 2004	500

Life membership subscription

Generally, the members are required to make the payment in a lump sum only once which enables them to become the members for whole of the life. Life members are not required to pay the annual membership fees. As 'life membership fees' is a substitute for 'annual membership fees', therefore, it is desirable that life membership fees should be credited to a separate fund and fair proportion be credited to income in subsequent years. In the examination question, if there is no instruction as to what proportion be treated as income then whole of it should be treated as capital.

Practice Questions

1. A club received the following life membership fees in each of its first 2 years

Year 1 \$1500
Year 2 \$800

A club's policy is to take credit for life membership fees in equal amounts over 10 years.

Calculate the amount transferred to Income and Expenditure account and Balance Sheet for each of the 2 years

2. A club received the following life membership fees in each of its first 2 years

Year 1 \$1000
Year 2 \$900

A club's policy is to take credit for life membership fees in equal amounts over 5 years.

Calculate the amount transferred to Income and Expenditure account and Balance Sheet for each of the 2 years

3. A club received the following life membership fees in each of its first 3 years

Year 1	\$5000
Year 2	\$2000
Years 3	6000

A club's policy is to take credit for life membership fees in equal amounts over 10 years.

Calculate the amount transferred to Income and Expenditure account and Balance Sheet for each of the 3 years

6. Sale of old assets

It is a non-recurring item. It cannot be taken to income and expenditure account. It leads to reduction in asset. Therefore, it is shown by way of deduction from the concerned asset. It is important to note that it is the "book value" that is to be deducted from asset. Profit or loss in such a case is taken to income and expenditure account. Where the book value of asset is nil, the entire proceeds of sale be treated as income.

7. Honorarium

Persons may be invited to deliver lectures or artists may be invited to give their performance by a club (for its members). Any money, paid to invitees, is termed as honorarium and not salary. Such honorarium represents expenditure and will be debited to income and expenditure account.

8. Bar profit/Refreshment profit/shop profit

Bar Trading Account

	\$	\$
Bar sales		XX
Cost of sales		
Bar opening inventory	XX	
Purchases	XX	
Bar Closing inventory	(XX)	
		(XX)
Gross profit		XX
Bar related expenses		(XX)
Bar profit		XX

In some questions, bar purchases inventory on credit so suppliers opening and closing balances will be provided in question then purchases will be calculated as:

Credit Purchases = payment to suppliers + closing payables – opening payables

Practice questions

1. The Cardio Health Club operates a fitness centre and a shop and provides the following information.

	1 June 2017	31 May 2018
Shop inventory	\$8500	\$4800
Shop wages accrued	\$1000	\$3000

The receipts and payments in the bank current account for the year ended 31 May 2018 shows:

Shop revenue	\$120000
Shop purchases for resale	\$32500
Wages of shop staff	\$27000
Insurance	\$12000
Heating and lighting	\$20000

1. Insurance and heating and lighting are apportioned 80:20 between the fitness club and the shop.

Prepare the shop income statement for the year ended 31 May 2018.

2. A club provides the following information related to its Bar trading activity.

Bar sales	\$60000
Payment to suppliers of bar	\$20000
Bar equipment depreciation	\$3500
Barman wages	\$6000

	1 June 2017	31 May 2018
Bar inventory	\$5000	\$4000
Bar Payables	\$2000	\$2500

Calculate profit or loss in bar trading

Receipts and Payment Account

- The receipts and payments account is used as a summary of all of the cash transactions for a period of time, in a similar manner to a cash book.
- It shows opening / closing bank balance
- It aids preparation of financial statements

Resource Pack/Accounting/A Level (Paper 3)

Receipt and Payments Account			
for the year ended 31 December 2016			
Dr.		Cr.	
Receipts	\$	Payments	\$
Balance b/d (Opening bal.)	XX	All cash payments	XX
All Cash receipts	XX	Balance c/d (closing Bal.)	XX
	<u>XX</u>		<u>XX</u>

Income and Expenditure Account

- Calculate subscriptions earned.
- Calculate entrance fees and/ or life membership subscriptions for the year.
- Calculate net income from other ancillary activities (dinner/ dance/ competitions).
- Calculate expenses incurred by preparing ledger accounts for expenses (where opening and closing balances are available).
- Calculate depreciation.

Income and expenditures Account for the year ended 31st December 2019

Incomes:	\$	\$
Subscription (current year only)	XX	
Bar/shop profit	XX	
Profit on disposal	XX	
Income from any social events	XX	
Any other income	<u>XX</u>	
		XX
Expenditures:		
Loss on disposal	XX	
Bar/restaurant loss	XX	
Wages and salaries	XX	
Club Rent	XX	
Club Insurance	XX	
Depreciation	XX	
Other revenue expenditures	<u>XX</u>	
Surplus/(deficit)		<u>XX</u>

Difference between R/P account and I/E account

Receipts and Payments Account	Income and Expenditures Account
It is like a cash book	It is like an Income Statement.
Closing balance is carried forward to the next period.	Closing balance is merged into accumulated fund.
Closing balance represents cash in hand and at bank.	Closing balance represents either surplus or deficiency.
It includes both capital and revenue items	It includes only revenue items.
It ignores outstanding items.	It records outstanding items.
It ignores credit sales and purchases.	It records credit sales and purchases.

It includes prepaid items.	It excludes prepaid items.
It begins with a balance.	It does not begin with a balance.
It includes items relating to past, present or future periods.	It includes items relating to current period only.
It ignores non-cash items like depreciation, bad debts etc.	It records non-cash items like depreciation, bad debts etc.

Accumulated Fund

Accumulated fund is also a difference of Assets and Liabilities.

It arises from accumulated surpluses in previous years

Accumulated Fund = Assets – Liabilities

ACCUMULATED FUND	
Balance at start	XX
± Surplus/(Deficit) of income over expenditure	XX
Balance at end of the year	XX

Calculation of Accumulated fund

1. The treasurer has provided the following information relating to a golf club’s financial position at the year end.

	\$
Cash at bank	2 50
Non-current assets	120
Prepaid expenses	80
Inventory of refreshments	500
Subscriptions in advance	50
Subscriptions in arrears	100
Unpaid bills	200

What is the accumulated fund at the year end?

2. A sports club had the following assets and liabilities.

How much was the accumulated fund?

	\$
trade payables (creditors) for refreshments	750
bank	1870 debit
subscriptions due from members	60
subscriptions prepaid by members	40
equipment	9500
loan to a member	500

Statement of Financial Position as at 31st, 20X

	\$	\$
<u>Non-Current Assets</u>		
Land and building	XX	
Machinery	XX	
Motor vehicles	XX	
Fixtures and Fittings	<u>XX</u>	
		XX
<u>Current Assets</u>		
Refreshment Inventory	XX	
Subscription in arrears	XX	
Other receivables	XX	
Bank (R/P)	<u>XX</u>	
		<u>XX</u>
Total Assets		<u>XX</u>
<u>Accumulated Fund</u>		
Opening balance		XX
Surplus/ (deficit)		<u>XX</u>
		<u>XX</u>
Life membership fee		XX
Donation (if capital receipts)		XX
<u>Non-Current Liabilities</u>		
Long term bank loan		XX
<u>Current Liabilities</u>		
Subscription in advance	XX	
Trade payables	XX	
Other payables	<u>XX</u>	
		<u>XX</u>
		<u>XX</u>

Past Paper Questions

Q # 1 The Pavey Sports and Social Club is a not for profit organisation. Accounts are prepared annually to 31 March. The membership has been constant for some years at 350 members paying an annual subscription of \$100.

A life membership scheme was introduced to try to boost membership. On 1 April 2015, there were 25 new members who joined under this scheme, each paying \$750. It was agreed that the life membership fund would be transferred to the income and expenditure account over 15 years.

The following receipts and payments account was prepared for the year ended 31 March 2016.

Receipts		Payments	
	\$		\$
Balance b/d	12 120	Purchase of fixtures and fittings	34 500
Annual subscriptions	34 000	Payments to restaurant suppliers	6 950
Life membership	18 750	Restaurant wages	5 450
Donations	8 500	Administrative expenses	4 750
Restaurant takings	<u>17 450</u>	Balance c/d	<u>39 170</u>
	<u>90 820</u>		<u>90 820</u>

The following information is available for the year ended 31 March 2016.

1		1 April 2015	31 March 2016
		Number of members	Number of members
	Subscriptions in advance	4	3
	Subscriptions in arrears	10	?
2		1 April 2015	31 March 2016
		\$	\$
	Restaurant suppliers owing	845	955
	Restaurant wages owing	–	280
	Administrative expenses owing	–	350
	Administrative expenses prepaid	–	200

3 No inventories of restaurant supplies were held.

4 Fixtures and fittings acquired on 1 April 2013 had cost \$20 000. Depreciation is charged at 20% per annum using the reducing balance method. A full year’s depreciation is charged in the year of acquisition.

5 All donations are capitalised.

6 The opening balance on the accumulated fund at 1 April 2016 was \$24 675.

REQUIRED

(a) Distinguish between the terms ‘capital’ and ‘accumulated fund’. [2]

(b) Prepare the income and expenditure account for the year ended 31 March 2016, clearly identifying the profit or loss from the restaurant within the account. [14]

(c) Explain why a club may capitalise donations received from its members. [2]

Additional information

The club is considering modernising the pavilion which will cost \$75 000.

REQUIRED

(d) (i) Compare and contrast **two** sources of finance which the club could use. [4]

(ii) Advise the club members which source of finance would be most appropriate. Justify your answer. [3]

June 2016

Q # 2 The Seagulls Boating Club is a small not for profit organisation which generates income from members' subscriptions and a café.

REQUIRED

(a) State **two** differences between the financial statements of a not for profit organisation and those of a limited company. [2]

Additional information

The following information is available for the café for the year ended 31 March 2016.

1 The café takings were \$25 750 and \$8850 was paid to suppliers.

2 An assistant received monthly wages of \$600. On 31 March 2016, the assistant also received a bonus of 10% of the annual café takings.

3 The following balances were available:

	1 April 2015	31 March 2016
	\$	\$
Café inventory	3875	3423
Café trade payables	2831	2952

REQUIRED

(b) Prepare the café trading account for the year ended 31 March 2016. [5]

Additional information

The club has 310 members who pay an annual subscription of \$80.

The following information was available for members' subscriptions.

	1 April 2015	31 March 2016
	Number of members	Number of members
Subscriptions in advance	4	3
Subscriptions in arrears	9	12

REQUIRED

(c) Prepare the subscriptions account for the year ended 31 March 2016. [4]

Additional information

The following information is also available for the year ended 31 March 2016.

1 General expenses of \$2500 were incurred which included a paid insurance invoice for the period from 1 March 2016 to 31 May 2016 for \$180.

2 Fixtures and fittings were acquired on 1 April 2013 at a cost of \$16 000 and are depreciated at 25% using the reducing balance method.

REQUIRED

(d) Prepare the income and expenditure account for the year ended 31 March 2016. [5]

Additional information

The treasurer currently maintains the records using a manual book-keeping system and is now considering transferring the records to a computerised accounting system.

REQUIRED

(e) Recommend to the treasurer whether or not he should introduce a computerised accounting system. Justify your answer analysing **both** benefits and limitations to the club. [9]

June 2016

Q # 3 International Dancing is a dance club charging an annual subscription of \$500 per member. A summary of its subscriptions account for the year ended 31 December 2015 was as follows:

**International Dancing
Subscriptions account**

2015		\$	2015		\$
Jan 1	Balance b/d	2 000	Jan 1	Balance b/d	1 500
Dec 31	Income and expenditure account	106 500	Dec 31	Bank	105 500
	Balance c/d	2 500		Balance c/d	4 000
		<u>111 000</u>			<u>111 000</u>

Additional information

1 The club's only other receipts came from the sale of music CDs to members. These receipts amounted to \$5800 for the year.

Resource Pack/Accounting/A Level (Paper 3)

2 Payments for the year were as follows:

	\$
Rent	15 000
Staff costs	61 000
Insurance and administration	4 200
Purchase of music CDs for resale	2 600
Purchase of equipment	11 700
Purchase of CDs for club use	4 000

3 The bank balance at 1 January 2015 was \$13 500 debit. All receipts and payments are made through the bank.

4 CDs purchased for club use are **not** considered to have a useful life of more than 12 months.

5 The club maintains an inventory of CDs for resale. This amounted to \$180 at 1 January 2015 and \$280 at 31 December 2015.

6 Equipment was valued at \$17 200 at 1 January 2015 and \$21 300 at the end of the year.

7 At 31 December 2015 prepaid insurance was \$300 and accrued administration costs were \$50.

REQUIRED

(a) Prepare the club's income and expenditure account for the year ended 31 December 2015. [9]

Additional information

In 2016 the club is given the opportunity to buy its premises for \$142 000. If it is agreed that this purchase should go ahead, three sources of finance would be used.

1 Half the balance at bank on 31 December 2015 would be used.

2 Life membership of the club would be introduced. The life membership fee would be \$5000 per person and this would be credited to the income and expenditure account in equal instalments over a 10-year period. It is expected that 10 existing members of the club would take up life membership, and the funds raised would be used in the purchase.

3 A 5-year bank loan, at 10% interest per annum, would finance the balance of the purchase price.

REQUIRED

(b) (i) Calculate the bank balance at 31 December 2015. [2]

(ii) Calculate the amount of the loan which would be taken out. [3]

(c) Assess the effect the purchase of the premises would have on annual cash flows in future years. [4]

Resource Pack/Accounting/A Level (Paper 3)

(d) Recommend to the managing committee of the club whether or not they should proceed with the purchase of the premises. Justify your answer by discussing **both** advantages and disadvantages of the purchase. [7]

Nov 2016

Q # 4 Sunshine Social Club runs a gift shop. Goods are sold only to members at a discount. Selected balances relating to the gift shop at 31 December are as follows:

	2015	2014
	\$	\$
Net book value of shop equipment	?	55 000
Shop inventory	18 600	24 000
Shop trade payables	64 300	54 500
Insurance prepaid	1 660	1 400
Shopkeeper wages prepaid	3 200	—
Accrued expenses – water and electricity	2 000	2 700
– shopkeeper wages	—	3 450

Summarised receipts and payments account of the club for the year ended 31 December 2015 is as follows:

	\$		\$
Balance b/d	124 000	Shop suppliers	74 500
Annual subscriptions	345 000	Purchases of shop equipment	4 000
Life membership subscriptions	60 000	Shopkeeper wages	30 400
Annual ball tickets	68 000	Insurance	9 460
Shop takings	124 200	Water and electricity	14 800
		Club administration	361 400
		Hire of ballroom and band for annual ball	48 000
		Food for annual ball	36 000
		Balance c/d	142 640
	<u>721 200</u>		<u>721 200</u>

Additional information

1 Expenses are allocated to the shop as follows:

Water and electricity	40%
Insurance	25%

2 Shop equipment is depreciated at 20% per annum using the reducing balance method. Equipment is depreciated in the year of purchase but **not** in the year of sale.

REQUIRED

(a) State **three** differences between a donation and a member subscription received by a not-for-profit organization. [3]

(b) Prepare the club's shop trading account for the year ended 31 December 2015. [15]

Additional information

After reviewing the trading account of the gift shop, the chairman is not satisfied with the performance.

REQUIRED

(c) Discuss **two** ways to improve the performance of the gift shop. [4]

Additional information

The chairman of the club undertook to cover 50% of the deficit arising from the 2015 annual ball. The demand for payment was issued to the chairman on 31 December 2015.

REQUIRED

(d) Calculate the amount the chairman had to contribute to the club to cover the deficit. [3]

Nov 2016

Q # 5 AB Cricket Club is a not-for-profit organisation.

REQUIRED

(a) State **two** reasons why the members of a not-for-profit organisation do not receive a dividend. [2]

Additional information

The treasurer of AB Cricket Club provided the following financial information:

1 At 1 September 2015 the assets and liabilities were:

	\$
Equipment at net book value	7 800
Subscriptions in advance	490
Subscriptions in arrears	270
Life membership fund	1500
Trade payables for refreshments	265
Inventory of refreshments	420
Accumulated fund	7825

2 The receipts and payments account for the year ended 31 August 2016 was as follows:

Resource Pack/Accounting/A Level (Paper 3)

Receipts and payments account

	\$		\$
Bank balance b/d	1 590	Groundsman's wages	7 500
Subscriptions	11 200	Repairs to clubhouse	700
Sale of equipment	4 000	Purchase of equipment	2 500
Match ticket sales	6 400	Cost of refreshments	1 700
Refreshments	2 500	Awards to players	1 450
Life membership	800	Administration expenses	760
Donation	3 500	Bank balance c/d	11 880
	<u>29 990</u>	Savings account c/d	<u>3 500</u>
			<u>29 990</u>

3 At 31 August 2016, the balances were:

	\$
Subscriptions in advance	295
Subscriptions in arrears	165
Trade payables for refreshments	315
Inventory of refreshments	390

4 The donation of \$3500 is to be used for the purchase of a new clubhouse. It had been invested in a new savings account and is to be capitalised.

5 The club depreciates its equipment at 10% on the net book value. A full year's depreciation is charged in the year of purchase. No depreciation is charged in the year of sale.

6 Equipment sold had a net book value of \$3640.

7 The life membership fund is transferred to the income and expenditure account over 10 years in equal instalments.

8 For the year ended 31 August 2016 the club made a profit of \$720 on the sale of refreshments.

REQUIRED

(b) Prepare the income and expenditure account for the year ended 31 August 2016. [11]

(c) Prepare the statement of financial position at 31 August 2016. [8]

(d) Explain why the club transfers life membership fund to the income and expenditure accounts over 10 years. [4]

Nov 2016

Q # 6 The AB Cricket Club prepares its financial statements annually.

REQUIRED

(a) Identify three differences in the terminology used in the financial statements of a club compared to a profit-making organisation. [3]

Additional information

The club runs a small snack bar. The following information is available for the year ended 31 December 2016.

1 The snack bar takings for the year totalled \$52 750.

2 The food inventory was valued at \$260 at 1 January 2016. This had been reduced by 40% at 31 December 2016.

3 All food is purchased from one supplier. The supplier was paid \$33 785 during the year.

4 At 1 January 2016 the supplier was owed \$460. There was \$585 owing to the supplier at 31 December 2016.

REQUIRED

(b) Prepare the snack bar trading account for the year ended 31 December 2016. [6]

Additional information

1 The annual subscription per member has remained at \$250 for many years.

2 There are currently 310 members. There were no resignations or new members joining during 2016.

3 At 31 December 2015, there were 7 members who had not paid their 2015 subscription and 2 members who had paid their subscriptions for 2016.

4 At 31 December 2016, there were 12 members who had not paid their 2016 subscription and 3 members who had paid their 2017 subscription.

REQUIRED

(c) Prepare the subscriptions account for the year ended 31 December 2016. [7]

Additional information

The club buildings are in urgent need of repairs. The committee has decided to carry out the required work during 2017.

The club is proposing a scheme whereby local businesses are invited to sponsor matches.

At 31 December 2016 there was a small debit balance on the bank account.

REQUIRED

(d) Identify four actions other than sponsorship that could be taken by the club to fund the repairs of the buildings. [4]

(e) State the advantages and disadvantages to the club if the proposed sponsorship is adopted. [5]

March 2017

Q # 7 The EF Tennis Club generates revenue from member subscriptions by selling tickets for matches and operating a club shop. It also receives income from renting out their catering facility. The treasurer has provided the following figures for the year ended 31 December 2016:

Receipts and Payments Account

2016		\$	2016		\$
Jan 1	Balance b/d	1 546	Dec 31	New equipment	1 400
Dec 31	Shop sales	8 960		Shop purchases	5 720
	Match tickets	2 740		Printing and advertising	
	Sale of old equipment	1 760		for matches	3 765
	Rent of catering facilities	2 600		Ground staff wages	4 210
	Subscriptions	3 600		Shop staff wages	2 200
	Donation	<u>5 000</u>		Balance c/d	<u>8 911</u>
		<u>26 206</u>			<u>26 206</u>
2017					
Jan 1	Balance b/d	8 911			

Other balances are:

	1 January 2016	31 December 2016
	\$	\$
Shop inventory	975	826
Equipment at net book value	14 760	?
Shop trade payables	1 210	1 450

REQUIRED

(a) Distinguish between the capital of a sole trader and the accumulated fund of a non-profit-making club or society. [2]

(b) Prepare the shop income statement for the year ended 31 December 2016. [4]

Additional information

1 Equipment is depreciated at 10% of net book value at the year end. Equipment which was sold had a net book value of \$1900.

2 The rent received for the catering facility is \$200 per month and commenced on 1 January 2016.

Resource Pack/Accounting/A Level (Paper 3)

3 The annual subscription for the year ended 31 December 2016 was \$9 per member. On 1 January 2017 it was increased to \$10 per member.

At 1 January 2016:

20 members had paid their subscription in advance for 2016.

There were 6 members in arrears for 2015. Their membership has been withdrawn and the amount they owed is to be written off as a bad debt.

At 31 December 2016:

26 members paid their subscription in advance for 2017.

10 members were in arrears for 2016 and they had until 30 June 2017 to pay.

4 The donation of \$5000 was received specifically to start a new fund for a club-house. The treasurer would like to invest this in a separate long-term savings account.

REQUIRED

(c) Prepare the income and expenditure account for the year ended 31 December 2016. [10]

(d) Prepare an extract from statement of financial position at 31 December 2016 to show the current assets and current liabilities of the club. [4]

(e) Discuss whether or not the treasurer should invest the fund for the club-house in a separate long-term savings account. Justify your answer. [5]

Nov 2017

Q # 8 The GT Boating Club is a not-for-profit organisation which collects funds by subscriptions paid annually. At 1 January 2016 the following assets and liabilities were held by the club:

	\$	
Boathouse	240 000	
Fixtures and fittings		
Cost	15 000	
Accumulated depreciation	10 000	
Trade payables	1 750	
Total inventory	1 100	
Bank	6 150	debit
Insurance paid in advance	1 100	
Electricity owing	450	
Subscriptions in arrears	600	
Subscriptions in advance	400	

Additional information

1 The club runs a restaurant for the exclusive use of members and their guests. During the year ended 31 December 2016 the revenue of the restaurant was \$45 000.

Resource Pack/Accounting/A Level (Paper 3)

2 The opening restaurant inventory was 75% of the total club inventory. The closing restaurant inventory had doubled at 31 December 2016.

3 During the year ended 31 December 2016 the club paid \$28 350 for restaurant purchases. All the club's trade payables at 1 January 2016 related to the restaurant suppliers. This had risen by 20% at 31 December 2016.

4 The club paid insurance for the year of \$4800 and electricity of \$2000. Half of these costs are charged to the restaurant.

At 31 December 2016 the club still owed \$950 for insurance.

REQUIRED

(a) Prepare a statement to calculate the restaurant profit for the year ended 31 December 2016. The statement should also clearly show the gross profit. [10]

Additional information

Another local boating club runs a similar restaurant. Its latest accounts showed that the restaurant had achieved a gross margin of 45%.

REQUIRED

- (b) (i) Calculate the difference between the gross margins of both restaurants. [2]
(ii) Discuss three actions which the club could take to improve the gross margin. [6]

Additional information

The club is now considering the introduction of a life membership subscription. The annual subscription is \$100 and the proposed life subscription would be \$1000. Gurmukh, a retired gentleman, is considering joining the club and seeks your advice on whether or not he should pay an annual subscription or the life membership.

REQUIRED

- (c) Explain the accounting treatment of the life subscriptions. [2]
(d) Advise Gurmukh whether or not he should become a life member. Justify your advice. [5]

Nov 2017

Resource Pack/Accounting/A Level (Paper 3)

Q # 9 The RS Rowing Club is a not-for-profit organisation.

A summary of the club's receipts and payments account for the year ended 31 March 2017 is as follows:

Receipts and payments account

	\$		\$
Balance b/d	4 370	Purchases of sports equipment	1 624
Members' subscriptions	10 300	Rent of boathouse	2 800
Sales of sports equipment	1 850	General expenses	1 379
Entry fees for annual boat race	4 200	Wages	3 500
		Prizes for annual boat race	325
		Expenses of annual boat race	2 456
		Balance c/d	8 636
	<u>20 720</u>		<u>20 720</u>

Additional information

1 The club owns boats which had originally cost \$24000. Accumulated depreciation at 1 April 2016 was \$11200. The depreciation policy is to charge 10% per annum using the reducing balance method.

2 The club also sells sports equipment to its members. Inventory of sports equipment was as follows:

	\$
1 April 2016	364
31 March 2017	429

3 Members' subscriptions in arrears and paid in advance were as follows:

	1 April 2016	31 March 2017
	\$	\$
Members' subscriptions in arrears	700	650
Members' subscriptions in advance	350	450

4 The balance on the accumulated fund on 1 April 2016 was \$40 614.

REQUIRED

(a) Identify four terms used only in the financial statements of a not-for-profit organisation with the corresponding terms used in the financial statements of a profit-making business. [4]

(b) Prepare the income and expenditure account for the year ended 31 March 2017. [8]

(c) Prepare an extract from the statement of financial position at 31 March 2017 showing the accumulated fund of the club at that date. [2]

Additional information

The club has decided to introduce a scheme offering life membership for payment of \$400.

Resource Pack/Accounting/A Level (Paper 3)

Annual subscription fees are currently \$50. The club members think that the life membership fees should be credited in full to the income and expenditure account when received. The treasurer has suggested that the life membership payments should be credited to income and expenditure account over a number of years.

REQUIRED

(d) Discuss the correct accounting treatment for the life membership. [4]

Additional information

A former member has donated \$35000 to the club. The funds are to be invested and the investment income used to encourage young people to train for national competitions. The club is considering two investment options.

1 Invest for 3 years at an annual fixed interest rate of 7.5%.

2 Use the funds to build its own boathouse. Part of the new boathouse could be rented to another local group at an annual rent of \$1250.

REQUIRED

(e) Recommend which option the club should select. Support your answer with reasons and relevant calculations. [7]

Nov 2017

Q # 10 A Social Club provides activities for the elderly. It also provides them with meals and organises coach trips.

The ledger accounts of the club for the year ended 31 December 2017 included the following:

Subscription account

Details	\$	Details	\$
Balance b/d	400	Balance b/d	100
Income and expenditure account	26 300	Bank	25 800
Balance c/d	50	Irrecoverable debts	250
		Balance c/d	600
	26 750		26 750

Fixtures and fittings account

Details	\$	Details	\$
Balance b/d	12 000	Balance c/d	15 300
Bank	3 300		
	15 300		15 300

Provision for depreciation of fixtures and fittings account

Details	\$	Details	\$
Balance c/d	3 930	Balance b/d	2 400
		Income and expenditure account	1 530
	3 930		3 930

The following information was also available.

- 1 The club owned its own premises which had an original cost of \$100 000. These were not depreciated.
- 2 On 1 January 2017 the bank account had a debit balance of \$4700 and the accumulated fund amounted to \$114 850.
- 3 The sale of meals to members during the year amounted to \$21 500 and made a profit of \$2600. Inventory of food remained constant at \$250. No purchases of food were made on a credit basis. All receipts and payments for meals were made through the bank account.
- 4 The club organised two coach trips every month. For each trip it hired a 50-seater coach (with driver) at a cost of \$1000. During 2017 the club sold 620 coach trip tickets for \$25 each. All receipts and payments for trips were made through the bank account.
- 5 Other running costs paid during the year totalled \$18 100. These included staff costs.
- 6 Staff costs of \$200 were accrued at the end of the year.

Required

- (a) State two differences between a club and a limited company. [4]

Resource Pack/Accounting/A Level (Paper 3)

(b) Prepare the income and expenditure account for the year ended 31 December 2017. [7]

(c) Prepare the statement of financial position at 31 December 2017. [10]

Additional information

The management committee of the club is considering increasing the price of the coach trip tickets to members.

(d) Advise the management committee whether or not it should increase the price of the coach trip tickets. Justify your answer. [4]

June 2018

Q # 11 A Sports Club was set up several years ago and its membership has increased each year. Annual membership for the year ended 31 December 2017 was \$120 per member.

A summary of the receipts and payments account for the year ended 31 December 2017 is as follows:

Receipts and Payments account			
	\$		\$
Balance b/d	1 250	Marathon prizes and costs	80
Members subscriptions	21 000	Wages	7 900
Entry receipts for marathon	2 500	Rent of clubhouse	4 800
Sales of sports wear	950	Purchases of sports wear	740
Donation	600	Club overheads	8 780
Balance c/d	100	Repairs and maintenance	4 100
	26 400	Balance b/d	100
			26 400

(a) Explain one use of a receipts and payments account. [2]

Additional information

1 Members subscription in arrears and in advance was as follows:

	1 January 2017	31 December 2017
	\$	\$
members subscriptions in arrears	840	1440
members subscriptions in advance	480	240

2 Other assets and liabilities were as follows:

	1 January 2017	31 December 2017
	\$	\$
Inventory of sports wear	635	665
Gym equipment at cost	15 625	15 625
Wages owing	700	800
Rent paid in advance	1 200	1 400

Resource Pack/Accounting/A Level (Paper 3)

3 The gym equipment is depreciated using the reducing balance method at 20% per annum. At 31 December 2017 the gym equipment was two years old.

4 All donations are capitalised.

(b) Prepare the income and expenditure account for the year ended 31 December 2017. [8]

(c) Prepare the statement of financial position at 31 December 2017. [6]

Additional information

The new treasurer of the club discovered that the surplus for the previous year ended 31 December 2016 was \$23 400. This included a life membership of \$19 000 which had been credited in full to the income and expenditure account. The treasurer has suggested that the life membership should be credited to income and expenditure over five years.

(d) Explain why the new treasurer has suggested this treatment for life membership. [3]

(e) Calculate the impact on the surplus or deficit if the new treasurer's suggestion for treatment of life membership had been adopted:

(i) For the year ended 31 December 2016 [3]

(ii) For the year ended 31 December 2017. [3]

Nov 2018

Q # 12 The following information is available for a Club

At 1 July 2017	
	\$
Clubhouse at cost	300 000
Accumulated depreciation on clubhouse	156 000
Equipment at cost	140 000
Accumulated depreciation on equipment	64 000
Subscriptions in arrears	7 000
Subscriptions in advance	3 400
Accumulated fund	194 000
For the year ended 30 June 2018	
	\$
Operating expenses	192 000
Staff salaries	326 000
Subscriptions received	544 000
Restaurant profit	12 600

Resource Pack/Accounting/A Level (Paper 3)

At 30 June 2018

	\$
Restaurant inventory	23 400
Restaurant trade payables	12 100
Loan from a club member (repayable 2022)	10 000
Cash and cash equivalents	7 700
Subscriptions in arrears	8 200
Subscriptions in advance	2 400

The following information is also available.

1 Depreciation is charged as follows:

Clubhouse at 4% per annum using the straight-line method

Equipment at 15% per annum using the reducing balance method

2 Accrued restaurant wages, \$3300, had not been accounted for.

3 The loan from the club member was received on 1 January 2018. Interest is to be paid at 10% per annum. No interest has yet been paid.

Required

(a) Prepare the income and expenditure account for the year ended 30 June 2018. [7]

(b) State two differences between an income and expenditure account and a receipts and payments account. [2]

(c) Prepare the statement of financial position at 30 June 2018. [7]

Additional information

At 1 July 2017 the following balances for the restaurant were available.

	\$
Inventory	15 700
Trade payables	13 900

(d) Calculate the restaurant cash surplus or deficit for the year ended 30 June 2018. [4]

Additional information

The club plans to improve the clubhouse next year at a cost of \$50 000. The chairman is considering financing the improvement by either members' loans or taking a bank loan.

(e) Evaluate whether the club should finance the improvement by members' loans or take a bank loan. Justify your answer. [5]

March 2019

Resource Pack/Accounting/A Level (Paper 3)

Q # 13 A Social Club had the following assets and liabilities at 1 April 2018

	\$
Non-current assets	14 500
Bank overdraft	3 600
Trade payables	2 250
Accrued electricity expenses	1 550
Prepaid insurance	300
Inventory	2 200
Subscriptions in arrears	150
Subscriptions in advance	100

- (a) Explain what is meant by the term ‘accumulated fund’. [2]
- (b) Calculate the accumulated fund at 1 April 2018. [3]

Additional information

The annual subscription has been unchanged for the past few years. During the year ended 31 March 2019, a total of \$13 900 was received from 278 members who paid their annual subscription in full. One member, who owed the club for the previous year’s subscription, was unable to pay and this amount was written off.

At 31 March 2019, six members had not paid their annual subscription and one member had paid the following year’s subscription in advance.

- (c) Prepare the subscriptions account for the year ended 31 March 2019. [8]
- (d) Prepare an extract from the statement of financial position at 31 March 2019 to show how the balances on the subscriptions account are recorded. [4]

Additional information

The annual surplus of income over expenditure has fallen steadily in recent years.

The treasurer is considering introducing a life membership scheme to improve this. He believes that the total life membership should be recorded in full as income in the income and expenditure account when it is received

- (e) Discuss two ways other than a life membership scheme by which the club could increase the future annual surplus. [4]
- (f) Discuss if the treasurer's proposed accounting treatment for life membership is correct. Justify your answer by reference to any relevant accounting concept. [4]

Nov 2019

Resource Pack/Accounting/A Level (Paper 3)

Q # 14 SS Club had the following balances at 31 December

	2018	2019
	\$	\$
Café equipment (net book value)	126 500	101 200
Furniture and fixtures (net book value)	48 200	66 560
Café inventory	13 000	?
Subscriptions in advance	2 600	1 500
Subscriptions in arrears	3 800	4 200
Café trade payables	26 400	29 600
Café wages accrued	5 000	Nil
Cash at bank	33 500	?

The following information related to the year ended 31 December 2019.

1 Café sales \$240 000 were on a cash basis. All café takings were banked on the same day. One quarter of the café sales were made to non-members at a gross margin of 50%. The remaining café sales were made to members at a gross margin of 40%.

2 Café purchases were \$141 000.

3 No records had been kept for ascertaining café inventory at 31 December 2019.

4 There were no purchases or disposals of café equipment.

5 Café wages recognised in the income and expenditure account were \$46 000.

(a) Prepare the café trading account for the year ended 31 December 2019, showing clearly the closing café inventory. [5]

Additional information

The club had prepared an income and expenditure account for the year ended 31 December 2019. The following items were shown in the income and expenditure account.

	\$
Subscriptions	322 000
Administrative expenses	251 100
Depreciation: furniture and fixtures	16 640

(b) Prepare the receipts and payments account for the year ended 31 December 2019. [8]

(c) State two differences between an income and expenditure account and a receipts and payments account. [2]

Additional information

The treasurer is aware that in early 2020, the club will receive two sums of donations from two wealthy members. One donor intends his donation to be used for maintaining the general running of the club in future years. The other donor intends his donation to be used for building a swimming pool in a few years' time.

(d) Explain the appropriate accounting treatment for the donation for:

(i) Maintaining the general running of the club in future years [4]

(ii) Building a swimming pool in a few years' time. [3]

Additional information

In view of the large cash balance in the club, the committee is thinking of making a distribution to the existing members, just like paying a dividend to shareholders in a limited company.

(e) Advise the committee whether or not the proposed distribution should be made. Justify your answer. [3]

March 2020