

IGCSE Accounting Club Accounts

1 (a) A successful club prepares a trading account and an income and expenditure account.

Which statement is true?

- A The trading account shows an opening and closing balance and the income and expenditure account shows a profit.
- B The trading account shows a profit and the income and expenditure account shows an opening and closing balance.
- C The trading account shows a profit and the income and expenditure account shows a surplus.
- D The trading account shows a surplus and the income and expenditure account shows a profit.

Answer: C. The trading account shows a profit and the income and expenditure account shows a surplus.

(b) The activities of the Wilhelm Archery club include the running of an equipment shop. On 1 January the accumulated fund of the club amounted to \$16 200 and on 31 December \$18 000.

What does this increase mean?

- A The non-current assets increased by \$1800.
- B There was a surplus for the year of \$1800.
- C There was a trading profit from the shop of \$1800.
- D The subscriptions received amounted to \$1800.

Answer: B. There was a surplus for the year of \$1800.

(c) Why does a sports club prepare the trading account section of an income statement?

- A it has paid staff as well as voluntary workers
- B it operates a café
- C to calculate subscriptions for the year
- D to value the closing inventory

Answer: B. it operates a café

2 The treasurer of the Hills Road Youth Club provided the following information at the end of the financial year on 31 October 2015.

1 Receipts during the year		
		\$
Subscriptions		6180
Sale of refreshments		3100
2 Payments during the year		
		\$
Purchase of refreshments		2650
Purchase of equipment		2000
Repairs to equipment		220
Insurance for 15 months to 31 January 2016		1350
Rent of premises for 11 months to 30 September 2015		1430
General expenses		2540
3 Other information		
	1 November	31 October
	2014	2015
	\$	\$
Subscriptions paid in advance	450	270
Subscriptions accrued	360	-
Inventory of refreshments	280	310
Equipment at valuation	6000	6800

There were no sales of equipment during the year.

REQUIRED

(a) Calculate the subscriptions for the year ended 31 October 2015.

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Answer:

	\$
<i>Subscription received</i>	6 180
<i>Less amount for previous year</i>	<u>360</u>
	5 820
<i>Less amount for following year</i>	<u>270</u>
	5 550
<i>Add amount prepaid at start</i>	450
<i>Subscription for the year</i>	<u>6 000</u>

(e) Explain why a club does not distribute a surplus to its members.

Answer: *The members of the club have not invested any capital so there can be no dividends/profit share which represent a return on capital invested.*

(f) State how a club's accumulated fund arises.

Answer: *Accumulated fund arises from the surpluses the club has made.*

3 Hi-Jump is a sports club which also runs a shop for the use of members only. It provided the following information.

Hi-Jump
Subscriptions account

Date	Details	\$	Date	Details	\$
2016			2016		
Jan 1	Balance b/d	1160	Jan 1	Balance b/d	280
Dec 31	Income and expenditure account	52 905	Dec 31	Bank	52 950
	Balance c/d	395		Bad debts	250
				Balance c/d	980
		<u>54 460</u>			<u>54 460</u>
2017			2017		
Jan 1	Balance b/d	980	Jan 1	Balance b/d	395

REQUIRED

(a) State what the balance of \$395 on 1 January 2017 represents.

Answer: *Subscriptions paid in advance at the year-end*

The receipts and payments account of the club was as follows:

Hi-Jump
Receipts and Payments Account for the year ended 31 December 2016

	\$		\$
Balance b/d	6 100	Shop purchases	15 240
Subscriptions received	52 950	Rent	12 000
Shop sales	13 610	Club expenses	34 200
		New club equipment	5 100
		Balance c/d	6 120
	72 660		72 660

The following additional information was also available.

- | | | at 1 January 2016 | at 31 December 2016 |
|---|---|-------------------|---------------------|
| 1 | | \$ | \$ |
| | Shop inventory | 440 | 710 |
| | Club equipment at valuation | 17 100 | 19 900 |
| 2 | 10% of the rent is allocated to the shop. | | |
| 3 | All shop sales and all shop purchases are made on a cash basis. | | |

REQUIRED

- (b) Complete the following table to show the values of the current assets and current liabilities which would appear in the statement of financial position of the club on 31 December 2016.

Current assets	\$
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Current liabilities	\$
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Answer:

current assets	
<i>cash and cash equivalents/bank</i>	\$6120
<i>inventory</i>	\$710
<i>subscriptions in arrears</i>	\$980
current liabilities	
<i>subscriptions in advance</i>	\$395

(c) Calculate the loss made by the shop in the year ended 31 December 2016.

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Answer:

	\$
Sales	13 610
Purchases	(15 240)
Increase in <i>inventory</i>	<u>270</u>
(710 – 440)	(1 360)
Rent	<u>(1 200)</u>
Loss	<u>2 560</u>

(d) Prepare the club's income and expenditure account for the year ended 31 December 2016. See next page.

- (f) Explain how the financial statements of the club would be affected if the managing committee decided not to charge the shop with its share of the rent.

Answer: *the surplus would not change
plus development
the shop's loss would decrease
OR rent in the income and expenditure account would increase*

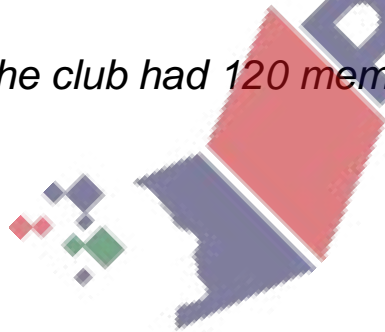
- 4 A sports club charges its members an annual fee of \$100. Its subscriptions account for the year was as follows.

Subscriptions account			
	\$		\$
Balance b/d	400	Balance b/d	600
Income and expenditure account	12 000	Bank	11 300
Balance c/d	<u>300</u>	Balance c/d	<u>800</u>
	<u>12 700</u>		<u>12 700</u>
Balance b/d	800	Balance b/d	300

Which statement is true?

- A Four members had paid in advance at the start of the year.
- B 120 members paid their fee during the year.
- C Subscriptions in arrears decreased during the year.
- D The club had 120 members during the year.

Answer: *D. The club had 120 members during the year.*



5 The A1 Sports Club was formed some years ago.

The club has 100 members. The annual subscription is \$70.

A few years ago the club borrowed \$3000 from a member at 3% per annum interest.

In addition to providing sporting facilities, the club also has a café for members.

All supplies for the café are purchased on credit terms, and all sales are made for cash.

The following information was available for the year ended 30 April 2017.

	\$
At 1 May 2016	
Amount owing to café suppliers	311
Café inventory	298
Loan from member (interest charged at 3% per annum)	3000
Subscriptions in arrears	560
Bank overdraft	3180
Receipts and payments during the year ended 30 April 2017	
Subscriptions for the year ended 30 April 2016	560
for the year ended 30 April 2017	6300
for the year ending 30 April 2018	280
Café sales	?
Payments to café suppliers	3796
Rates of club premises	960
General club expenses	910
Café wages	1040
Loan interest and repayment of half of the loan	1590
Purchase of new sports equipment	4000
Proceeds of sale of old sports equipment (book value \$580)	430
At 30 April 2017	
Bank overdraft	2626
Café inventory	216
Subscriptions in arrears	700
Amount owing to café suppliers	393

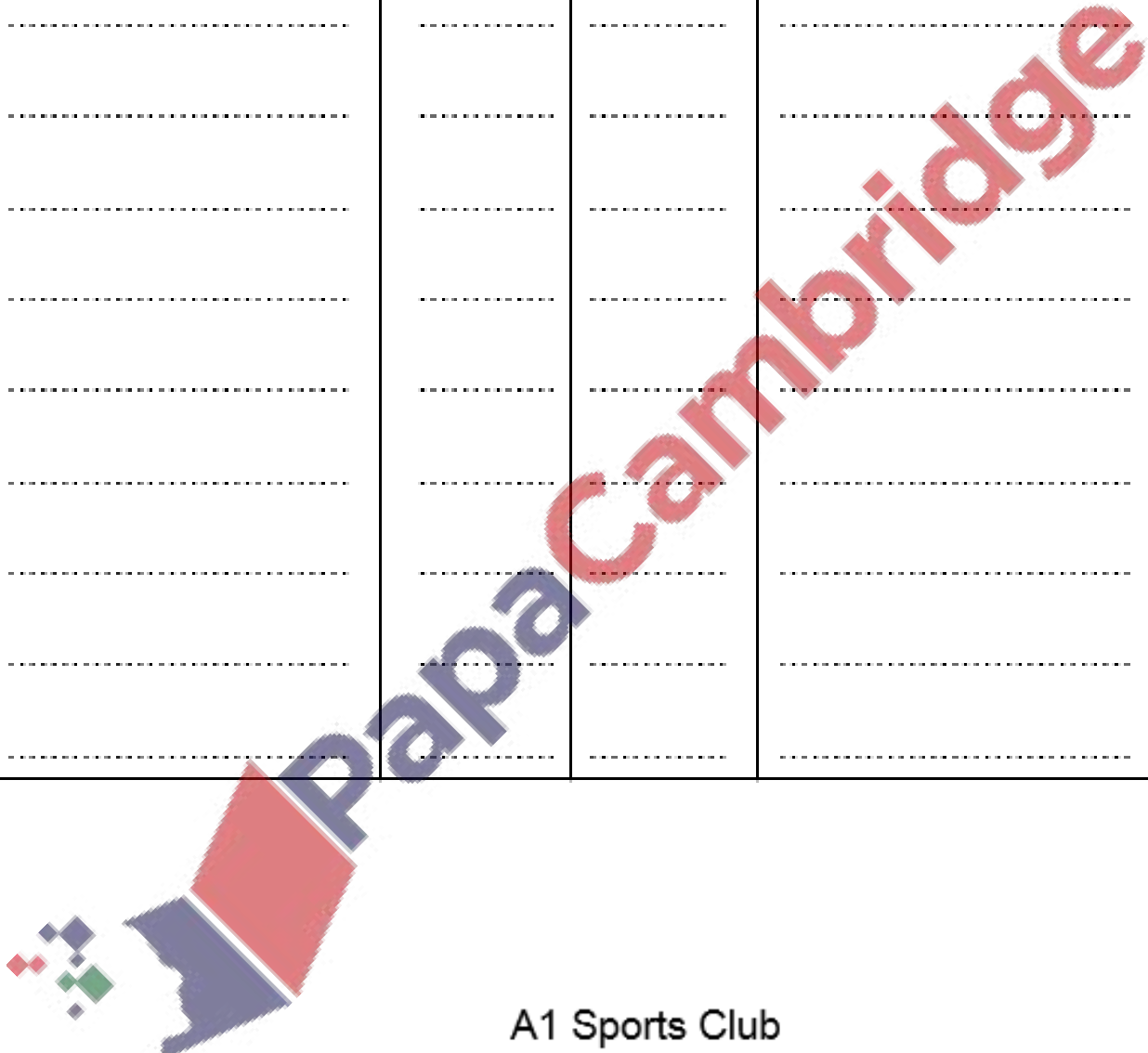
REQUIRED

- (a) Prepare the receipts and payments account for the year ended 30 April 2017. Insert a figure for receipts from café sales.

Balance the account and bring down the balance on 1 May 2017. See next page.

A1 Sports Club
Receipts and Payments Account for the year ended 30 April 2017

Date	Details	\$	Date	Details	\$
.....	2016		
.....	May 1	Balance b/d	3180
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Answer:

A1 Sports Club
Receipts and Payments Account for the year ended 30 April 2017

2017		\$	2016		\$
April 30	Subscriptions	7 140	March 1		3 180
	Sales of equipment	430	2017		
	Café sales	5 280	April 30	Café suppliers	3 796
	Balance c/d	2 626		Rates	960
				General expenses	910
				Café wages	1 040
				Loan Repaid	1 500
				Loan interest	90
				Equipment	4 000
		15 476			15 476
			2017		
			May 1	Balance b/d	2626

- (b) Prepare the café income statement for the year ended 30 April 2017.

A1 Sports Club
Café Income Statement for the year ended 30 April 2017

	\$	\$

Answer:

A1 Sports Club Café Income Statement for the year ended 30 April 2017		
	\$	\$
Revenue		5 280
Cost of Sales		
Opening Inventory	298	
Purchases (3796 – 311 + 393)	3 878	
	4 176	
Closing inventory	216	
	3 960	
Café wages	1 040	5 000
Café profit		280

- (c) State the amount of subscriptions which will appear in the income and expenditure account for the year ended 30 April 2017. Give a reason for your answer.

Amount \$ _____
Reason _____

Answer: \$7000
This is the amount of subscriptions which relates to this financial year

(d) List five items included in the receipts and payments account which will not appear in the income and expenditure account for the year ended 30 April 2017.

- 1 _____
- 2 _____
- 3 _____
- 4 _____
- 5 _____

Answer: *Opening bank balance/closing bank balance*

Purchase of equipment

Proceeds of sale of equipment

Repayment of loan

Café sales

Payments to café suppliers

Café wages

Subscriptions accrued at the start of the year

6 A group of friends set up LMN Chess Club, on 1 January 2016.

The club hosts chess tournaments, and organises trips for members to attend tournaments elsewhere.

The annual subscription is \$100.

A member made an interest-free loan of \$1000 to the club when it started. Before the end of the first year the treasurer was able to repay half of the loan.

The treasurer provided the following additional information.

For the year ended 31 December 2016

	\$
Subscriptions received	4100
Entry fees received for tournaments	1600
Cost of trophies and prizes for tournaments	670
Receipts for coach travel	980
Travel costs	1020
Equipment purchased	2500
Rent paid	2100
Other expenses	450

At 31 December 2016:

- 1 The club owed \$200 in rent.
- 2 The club held an inventory of trophies and prizes costing \$60.
- 3 Four members had paid their subscription for the year ending 31 December 2017 while one member still owed his subscription for 2016.
- 4 Three members owed the club amounts for coach travel, total \$80.
- 5 The equipment was expected to be used steadily for ten years. At the end of this time it would be sold for an expected amount of \$300.

REQUIRED

- (a) Prepare the receipts and payments account for the year ended 31 December 2016. Balance the account and bring down the balance on 1 January 2017.

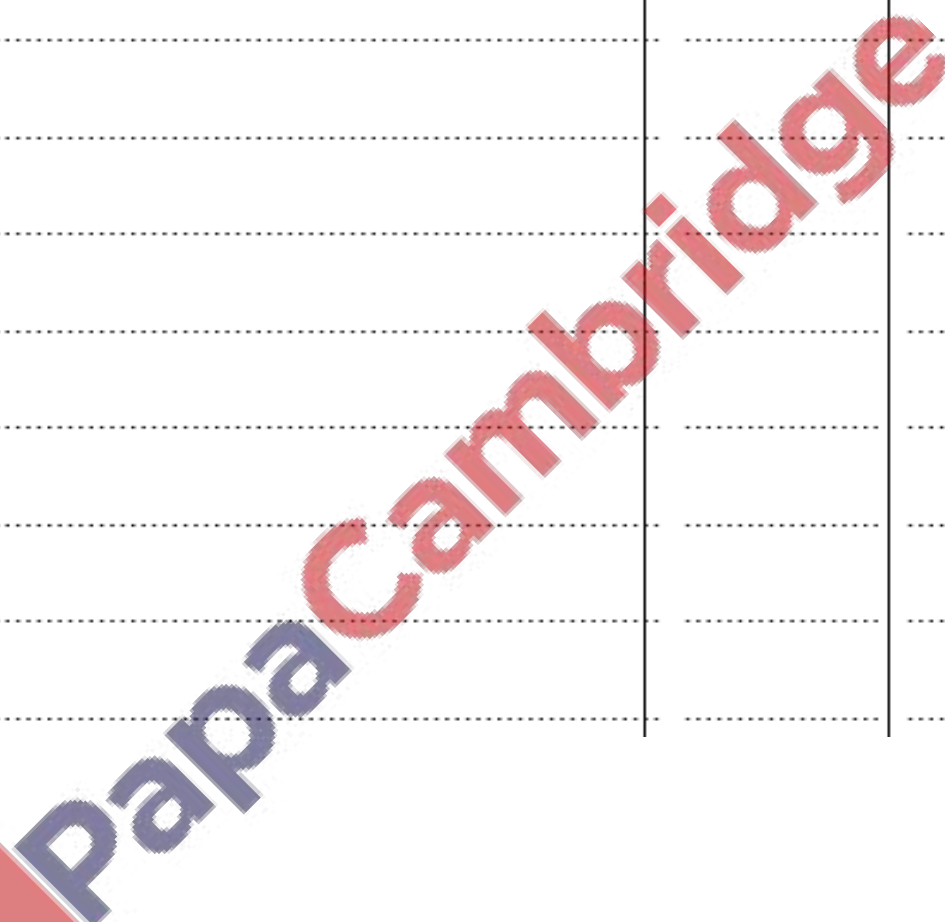
LMN Chess Club
Receipts and Payments Account for the year ended 31 December 2016

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

LMN Chess Club
Income and Expenditure Account for the year ended 31 December 2016

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LMN Chess Club		
Income and Expenditure Account for the year ended 31 December 2016		
	\$	\$
<i>Income</i>		
Subscriptions		3 800
Tournaments [1600 - 610]		990
Surplus on coach travel [980 + 80 - 1020]		40
		<u>4 830</u>
<i>Expenditure</i>		
Depreciation – equipment [2500 - 300 / 10]	220	
Rent [2100 + 200]	2 300	
Other expenses	<u>450</u>	
		<u>2 970</u>
Surplus		<u>1 860</u>

(d) State two reasons why the closing balance in the receipts and payments account is different from the final figure in the income and expenditure account. For each reason give one example taken from the question.

Reason 1 _____

Example _____

Reason 2 _____

Example _____

Answer:

Reason	Example
<i>Only the receipts and payments account contains capital receipts</i>	<i>Loan received</i>
<i>Only the receipts and payments account contains capital expenditure</i>	<i>Equipment Loan repayment</i>
<i>Only the income and expenditure account contains non-cash items</i>	<i>Depreciation</i>
<i>Figures in the income and expenditure account are adjusted for prepayments and accruals</i>	<i>Rent owed Subscriptions in advance Subscriptions in arrears Money owed for coach travel</i>

- 8 The financial year of the AS Sports Club ends on 30 September.

In addition to providing sporting facilities, the club also sells sportswear to members. No inventory is held as all goods are bought and sold to order, on a cash basis.

The treasurer provided the following information. At 1 October 2016:

	\$
Equipment at cost	22 000
Provision for depreciation of equipment	4 400
Subscriptions owing by members	600
Cash at bank	610
Insurance prepaid	60
Bank loan (repayable 2020)	7 000
Accumulated fund	?

The receipts and payments account for the year ended 30 September 2017 was as follows.

Receipts	\$	Payments	\$
Balance 1 October 2016	610	Equipment	8 000
Sale of sportswear	3 510	Purchase of sportswear	2 410
Subscriptions	12 540	Rates and insurance	1 500
Receipts from open day	4 180	Expenses of open day	5 250
Balance 30 September 2017	760	Rent of sports ground	1 800
	<u>21 600</u>	General expenses	<u>2 640</u>
			<u>21 600</u>

At 30 September 2017

- 1 Subscriptions owing by members amounted to \$240 and subscriptions prepaid by members amounted to \$180.
- 2 Loan interest at 5% per annum was outstanding.
- 3 The equipment is depreciated at 20% per annum based on the cost of equipment held at the end of each financial year.

REQUIRED

- (a) Calculate the subscriptions for the year ended 30 September 2017.

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Answer:

	\$	\$
Subscriptions received		12 540
Add Subscriptions outstanding at year end		<u>240</u>
		12 780
Less Subscriptions prepaid at year end	180	
Subscriptions outstanding at start of year	<u>600</u>	<u>780</u>
Subscriptions for the year		<u>12 000</u>

- (b) Prepare the income and expenditure account for the year ended 30 September 2017.

AS Sports Club
Income and Expenditure Account for the year ended 30 September 2017

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Answer:

AS Sports Club
Income and Expenditure Account for the year ended 30 September 2017

	\$	\$	\$
<i>Income</i>			
<i>Subscriptions</i>			12 000
<i>Profit on shop – revenue</i>		3 510	
– less purchases		<u>2 410</u>	<u>1 100</u>
			13 100
 <i>Expenditure</i>			
<i>Rates and insurance</i> (1500 + 60)		1 560	
<i>Open day – expenses</i>	5 250		
less receipts	<u>4 180</u>	1 070	
<i>Rent</i>		1 800	
<i>General expenses</i>		2 640	
<i>Loan interest (5% × 7 000)</i>		350	
<i>Depreciation of Equipment</i> ((22 000 + 8 000) × 20%)		<u>6 000</u>	<u>13 420</u>
<i>Deficit</i>			<u>320</u>

(c) Prepare the statement of financial position at 30 September 2017.

AS Sports Club
Statement of Financial Position at 30 September 2017

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Answer:

AS Sports Club			
Statement of Financial Position at 30 September 2017			
	\$	\$	\$
Assets			
<i>Non-current assets</i>			
	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Book value</i>
<i>Equipment</i>	<u>30 000</u>	<u>10 400</u>	<u>19 600</u>
<i>Current assets</i>			
<i>Other receivables (Subscriptions)</i>			<u>240</u>
<i>Total assets</i>			<u>19 840</u>
Liabilities			
<i>Accumulated fund</i>			
<i>Opening balance</i>			11 870
<i>Less Deficit</i>			<u>320</u>
			<u>11 550</u>
<i>Non-current liabilities</i>			
<i>Bank loan (repayable 2020)</i>			<u>7 000</u>
<i>Current liabilities</i>			
<i>Other payables (loan interest)</i>			350
<i>Subscriptions prepaid</i>			180
<i>Bank</i>			<u>760</u>
			<u>1 290</u>
<i>Total liabilities</i>			<u>19 840</u>

(d) Explain why the outstanding loan interest should not be credited to the loan account.

Answer: *Loan interest is an expense account/any accrued interest is a current liability
The loan is a non-current liability*

9 The following is the subscriptions account of a club.

Subscriptions account					
		\$			\$
2017			2017		
Jan 1	Balance b/d	150	Jan 1	Balance b/d	80
Dec 31	Income and expenditure	3000	Dec 31	Bank	3060
	Balance c/d	50		Balance c/d	60
		<u>3200</u>			<u>3200</u>
2018			2018		
Jan 1	Balance b/d	60	Jan 1	Balance b/d	50

Which statement is correct?

- A Subscriptions in advance at 1 January 2018 were \$50.
- B Subscriptions in arrears at 1 January 2017 were \$80.
- C Subscription income for the year was \$3060.
- D Subscriptions received during the year were \$3000.

Answer: A. Subscriptions in advance at 1 January 2018 were \$50.

10 Which term in club or society accounts means the same as capital?

- A accumulated fund
- B appropriation account
- C balance at bank
- D surplus for the year

Answer: A. accumulated fund

11 The ND Sports Club was formed on 1 January 2017.

As well as providing sporting facilities for members the club also has a café for members and guests. Café supplies are purchased on credit and all café sales are made on cash terms.

The treasurer provided the following information on 31 December 2017.

Receipts during the year	Subscriptions	\$ 14 850
	Receipts from café sales	9 520
	Net income from competition	710
	Interest-free loan from Sport4U	5 000
		<u>30 080</u>
Payments during the year	Sports equipment	6 200
	Café fixtures and fittings	3 500
	Wages – sports coach	6 000
	café assistant	4 000
	General club expenses	540
	Rent and insurance	3 700
	Café suppliers	5 760
	<u>29 700</u>	

Additional information

1 At 31 December 2017

Café inventory was valued at \$970. Café suppliers were owed \$130.
Café assistant's wages accrued amounted to \$160.

2 The payment for rent and insurance included \$1200 for 12 months to 31 January 2018.

- 3 One quarter of the rent and insurance is to be allocated to the café.
- 4 The club has 300 members. The annual subscription is \$50. On 31 December 2017 subscriptions were outstanding from 10 members and 7 members had already paid their subscription for 2018.
- 5 Sports equipment and café fixtures and fittings are to be depreciated by 20% on cost.

REQUIRED

(a) Prepare the café income statement for the year ended 31 December 2017.

ND Sports Club
Café Income Statement for the year ended 31 December 2017

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Answer:

ND Sports Club	
Café Income Statement for the year ended 31 December 2017	
	\$
Revenue (sales)	9 520
Purchases (5760 + 130)	5 890
Closing inventory	970
	4 920
Wages of assistant (4000 + 160)	4 160
Rent and insurance (3700 – 1200/12 x ¼)	900
Depreciation – fixtures and fittings (20% × 3500)	700
Loss for the year	1 160

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

ND Sports Club
Income and Expenditure Account for the year ended 31 December 2017

	\$	\$

Answer:

ND Sports Club	
Income and Expenditure Account for the year ended 31 December 2017	
	\$
Subscriptions $((14\ 850 + 500) - 350)$ <i>(Or 300×50)</i>	15 000
Net income from competition	<u>710</u>
	15 710
Loss on café	1 160
Wages of sports coach	6 000
General club expenses	540
Rent and insurance $(3700 - 1200/12$ <i>x)</i>	2 700
Depreciation – sports equipment $(20\% \times 6200)$	<u>1 240</u>
Surplus for the year	<u>4 070</u>

(c) State one item in the list of receipts and payments which does not appear in the income and expenditure account. Give a reason for your answer.

Item _____

Reason _____

Answer: *Item - Receipts from café sales*

Café suppliers

Wages of café assistant

Interest-free loan

Sports equipment

Café fixtures and fittings

Reason: For any of first three items –

It relates to the café and appears in the café income statement

Reason: For any of the last three items –

It is an asset/liability and appears in the statement of financial position

- (d)** State one item in the income and expenditure account which does not appear in the list of receipts and payments. Give a reason for your answer.

Item _____

Reason _____

Answer: *Depreciation of sports equipment*

Subscriptions accrued

Loss on café

Surplus/deficit

Reason –

The depreciation is a non-monetary expense

No money was received in respect of the subscriptions accrued

The loss on the café was calculated in the income statement

The surplus/deficit was calculated in the income and expenditure account

A member of the club has suggested that any surplus made by the club should be distributed among the members.

REQUIRED

- (e)** Comment on this suggestion.

Answer: *The members of the club have not invested any capital/are not owners/are not shareholders so there can be no dividends/profit share which represent a return on the amount invested.*

The owner of the premises rented by the club has offered to sell them to the club for \$90 000.

A decision has to be made by 31 August 2018.

A member of the committee has suggested increasing subscriptions and holding fund-raising events in order to raise the necessary finance.

REQUIRED

(f) State why the member's suggestions are not suitable methods of raising the necessary finance.

Answer: *These would not raise the required amount within the time limit
Or other suitable reason*

(g) Suggest one way in which the club could raise the necessary finance.

Answer: *Long-term loan
Mortgage
Sponsorship
Grants
Donations
Or other suitable source of long term funds*

12 WB Sports Club has 250 members. The annual subscription is \$20. The club provided the following information.

	\$
Subscriptions received in advance on 1 April 2017	120
Subscriptions received during the year ended 31 March 2018	4740
Subscriptions in arrears on 31 March 2018	140

REQUIRED

(a) Prepare the subscriptions account for the year ended 31 March 2018. Balance the account and bring down the balance on 1 April 2018. See next page.

WB Sports Club
Subscriptions account

Date	Details	\$	Date	Details	\$
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Answer:

WB Sports Club
Subscriptions account

Date	Details	\$	Date	Details	\$
2018			2017		
Mar 31	Income and expenditure	5 000	Apr 1	Balance b/d	120
			2018		
			Mar 31	Bank/cash	4 740
				Balance c/d	140
					<u>5 000</u>
Apr 1	Balance b/d	<u>140</u>			
		5 000			

WB Sports Club also provided the following information.

On 1 April 2017	\$
Balance at bank (as per cash book)	960 debit
During the year ended 31 March 2018	
Rent paid	2000
Entry fees received for gymnastics competition	900
Cost of prizes for gymnastics competition	220
General expenses	682
Insurance paid	430
Donations received	350
Purchase of sports equipment	2760

REQUIRED

(b) Prepare the receipts and payments account for the year ended 31 March 2018. Balance the account and bring down the balance on 1 April 2018.

WB Sports Club
Receipts and Payments Account for the year ended 31 March 2018

Date	Details	\$	Date	Details	\$
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Answer:

WB Sports Club
Receipts and Payments Account for the year ended 31 March 2018

Date	Details	\$	Date	Details	\$
2017			2018		
Apr 1	Balance b/d	960	Mar 31	Rent	2 000
2018				Competition prizes	220
Mar	Subscriptions	4 740		General expenses	682
31	Competition entry fees	900		Insurance	430
	Donations	350		Sports equipment	2 760
		<u>6 950</u>		Balance c/d	858
Apr 1	Balance b/d	858			<u>6 950</u>

WB Sports Club calculated a surplus for the year of \$1568.

The following additional information was provided at 31 March 2018.

	\$
Accumulated fund at 1 April 2017	15 563
Sports equipment at valuation 31 March 2018	15 760
Rent paid in advance	500
General expenses owing	127

REQUIRED

(c) Prepare the statement of financial position of WB Sports Club at 31 March 2018.

WB Sports Club
Statement of Financial Position at 31 March 2018

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Answer:

WB Sports Club Statement of Financial Position at 31 March 2018		
	\$	\$
<i>Non-current assets</i>		
Sports equipment at valuation		15 760
<i>Current assets</i>		
Subscriptions owing	140	
Other receivables	500	
Bank	858	1 498
Total assets	<u>858</u>	<u>17 258</u>
<i>Accumulated fund</i>		
Opening balance	15 563	
Surplus for the year	<u>1 568</u>	17 131
<i>Current liabilities</i>		
Other payables		127
		<u>17 258</u>

(d) State how the accumulated fund of WB Sports Club has arisen.

Answer: *It is the total of all the surpluses made by the club less all the deficits since the start of the club.*

13 The Lodi Sports Club was formed some years ago.

The club has 150 members. The annual subscription is \$100. The club rents a sports centre at a monthly rent of \$300.

A few years ago the club took out a bank loan of \$5000 at 4% per annum interest.

The amounts received and paid during the year ended 31 January 2016 were as follows.

	\$
Subscriptions: for the year ended 31 January 2015 (2 members)	200
for the year ended 31 January 2016 (140 members)	14 000
for the year ending 31 January 2017 (5 members)	500
Rent for the year ended 31 January 2016	3 600
Rent for the year ending 31 January 2017	300
General expenses	1 454
Insurance	1 550
Purchase of new sports equipment	7 200
Proceeds of sale of old sports equipment (book value \$400)	275
Bank interest and repayment of one quarter of the loan	1 400

REQUIRED

(a) Prepare the receipts and payments account for the year ended 31 January 2016. Balance the account and bring down the balance on 1 February 2016. See next page.



Lodi Sports Club

Receipts and Payments Account for the year ended 31 January 2016

Date	Details	\$	Date	Details	\$
.....	2015 Feb 1	Balance b/d	210
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Answer:

Lodi Sports Club
Receipts and Payments Account for the year ended 31 January 2016

2016		\$	2015		\$
Jan 31	Subscriptions	14 700	Feb 1	Balance b/d	210
	Sale of equipment	275	2016		
	Balance c/d	739	Jan 31	Rent	3 900
				General expenses	1 454
				Insurance	1 550
				Equipment	7 200
				Bank loan	1 250
				Bank interest	150
					<u>15 714</u>
		<u>15 714</u>	2016		
			1 Feb	Balance b/d	739

(b) Calculate the total subscriptions which will appear in the income and expenditure account for the year ended 31 January 2016.

.....

.....

Answer: $150 (1) \times \$100 (1) = \$15\,000$
OR $(\$14\,700 - (\$200 + \$500)(1) + \$1000 (1)) = \$15\,000$
OR $\$14\,000 (1) + \$1000 (1) = \$15\,000$

(c) Complete the following table to show the entries in the statement of financial position on 31 January 2016.

	Statement of financial position	
	section	amount (\$)
Bank loan		
Interest on bank loan		
Rent		

Answer:

	Statement of financial position	
	section	amount (\$)
Bank loan	<i>Non-current liabilities</i>	3750
Interest on bank loan	<i>Current liabilities</i>	50
Rent	<i>Current assets</i>	300

14 The Cambridge Club is a football club which also runs a shop for members. It provided the following information.

	\$
At 31 March 2015	
Bank balance	6 100 debit
Subscriptions in arrears	200
Amount due to suppliers for shop goods	350
Inventory of shop	710
Sports equipment at valuation	3 600
During the year ended 31 March 2016	
Subscriptions received	10 100
Receipts from shop sales	3 550
Payments to suppliers for shop goods	2 800
Payment for purchases of new sports equipment	3 920
Rent paid for sports ground	2 400
Wages of football coach paid	2 750
Other operating expenses paid	1 880
At 31 March 2016	
Bank balance	?
Subscriptions in arrears	100
Amount due to suppliers for shop goods	510
Inventory of shop	560
Sports equipment at valuation	5 920

REQUIRED

(a) Calculate the closing balance on the receipts and payments account for the year ended 31 March 2016.

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Answer:

	\$
Opening balance	6 100
Receipts (10 100 + 3550)	13 650
Payments (2800 + 3920 + 2400 + 2750 + 1880)	<u>(13 750)</u>
Closing balance	<u>6 000</u>

(b) Prepare the subscriptions account for the year ended 31 March 2016. Bring down the balance on 1 April 2016.

Cambridge Club
Subscriptions account

Date	Details	\$	Date	Details	\$
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Answer:



Cambridge Club
Subscriptions account

2015		\$	2016		\$
Apr 1	Balance b/d	200	Mar 31	Bank	10 100
Mar 31	Income and expenditure account	<u>10 000</u>		Balance c/d	100
		<u>10 200</u>			<u>10 200</u>
Apr 1	Balance b/d	100			

(c) Calculate the shop profit for the year ended 31 March 2016.

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Answer:

Cambridge Club
Calculation of shop profit for the year ended 31 March 2016

	\$	\$
Sales		3 550
Opening inventory	710 *	
Purchases 2800 (1) – 350 (1) + 510 (1)	2 960	
	3 670	
Closing inventory	<u>560</u> *	<u>3 110</u>
	both	
Profit		440

Accept alternative formats

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

Cambridge Club
Income and Expenditure Account for the year ended 31 March 2016

	\$	\$
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Answer:

Cambridge Club
Income and Expenditure Account for the year ended 31 March 2016

	\$	\$
<i>Subscriptions</i>		10 000
<i>Shop profit</i>		440
		<hr/> 10 440
<i>Less: expenditure</i>		
<i>Rent paid for sports ground</i>	2 400	
<i>Wages of football coach</i>	2 750	
<i>Other operating expenses</i>	1 880	
<i>Depreciation on equipment (3600 + 3920 – 5920)</i>	1 600	8 630
		<hr/> 1 810

The committee of the Cambridge Club were disappointed with the profit earned by the shop.

REQUIRED

(e) Suggest two ways in which the shop profit could be increased.

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.....

.....

Answer: *Increase the selling price*
Buy cheaper goods
Other valid points acceptable

15 The financial year of the Hillcrest Athletics Club ends on 30 April.

In addition to providing training facilities for members, the club also runs a café for members and visitors.

The treasurer provided the following information.

	At 1 May 2015	At 30 April 2016
	\$	\$
Subscriptions prepaid	1045	-
Subscriptions accrued	760	285
Rent, rates and insurance prepaid	155	180
Café inventory	790	850
Café suppliers	1292	1137

During the year ended 30 April 2016:

Amounts received	\$	Amounts paid	\$
Subscriptions	16 910	Café suppliers	7 998
Café sales	10 430	Rent, rates and insurance	4 860
Proceeds of sale of old equipment	1 059	New equipment	16 300
		General expenses	14 794

During the year, all the equipment was sold and was replaced by new equipment. At the date of sale, the net book value of equipment was \$956.

Equipment is depreciated by 15% per annum on the cost of equipment held at the end of each year. No depreciation is charged in the year of disposal.

REQUIRED

(a) Prepare the income statement for the café for the year ended 30 April 2016.

Hillcrest Athletics Club
Café Income Statement for the year ended 30 April 2016

	\$	\$
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Answer:

Hillcrest Athletics Club
Café Income Statement for the year ended 30 April 2016

	\$	\$
<i>Revenue</i>		10 430
<i>Less Cost of sales</i>		
<i>Opening inventory</i>	790	
<i>Purchases (7998 + 1137 – 1292)</i>	<u>7 843</u>	
	8 633	
<i>Less Closing inventory</i>	<u>850</u>	<u>7 783</u>
<i>Profit on café</i>		<u>2647</u>

(b) Calculate the subscriptions for the year ended 30 April 2016.

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Answer:

	\$
<i>Subscriptions received</i>	16910
<i>Add Opening prepayment</i>	<u>1045</u>
	17955
<i>Add Closing accrual</i>	<u>285</u>
	18240
<i>Less Opening accrual</i>	<u>760</u>
<i>Subscriptions for the year</i>	<u>17480</u>

Alternative presentation acceptable

(c) Prepare the income and expenditure account for the year ended 30 April 2016.

Hillcrest Athletics Club
Income and Expenditure Account for the year ended 30 April 2016

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Answer:

Hillcrest Athletics Club
Income and Expenditure Account for the year ended 30 April 2016

		\$	\$
Income	Subscriptions		17 480
	Café profit		2 647
	Profit on sale of equipment (1059 – 956)		<u>103</u>
			20 230
Expenditure	Rent, rates & insurance (4860 + 155 – 180)	4 835	
	General expenses	14 794	
	Depreciation – equipment	<u>2 445</u>	<u>22074</u>
Deficit			<u>1 844</u>

- 16 A club has 200 members paying an annual subscription of \$50. It provided the following information.

	\$
subscriptions received	9800
new equipment purchased	1120
depreciation of equipment	850
other running costs	8280

What was the surplus for the year?

- A \$400
 B \$600
 C \$670
 D \$870

Answer: D. \$870

- 17 The Chess Club also runs a shop for its members. Its receipts and payments account for the year ended 31 December 2015 is as follows.

Chess Club
 Receipts and Payments Account for the year ended 31 December 2015

	\$		\$
Balance b/d	4 100	Rent	4 800
Subscriptions	17 700	Purchases	5 700
Shop sales	6 700	Wages – shop	1 200
		Wages – club	8 400
		Club equipment	3 800
		Club expenses	4 300
		Balance c/d	300
	<u>28 500</u>		<u>28 500</u>

Other information is as follows.

	1 January 2015	31 December 2015
	\$	\$
Subscriptions in arrears	550	950
Club equipment at valuation	3100	5150
Shop inventory	580	310
Amounts owed to shop suppliers	170	350

REQUIRED

- (a) Prepare the shop income statement for the year ended 31 December 2015. See next page.

Chess Club
Income Statement for the year ended 31 December 2015

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Answer:

Chess Club		\$	\$
Income Statement for the year ended 31 December 2015			
<i>Shop sales</i>		\$	6 700
<i>Inventory at 1 January 2015</i>	580		
<i>Purchases</i>			
<i>5700 + 350 - 170</i>	5 880		
	6 460		
<i>Inventory at 31 December 2015</i>	310		
	6 150		
<i>Cost of sales</i>			6 150
<i>Wages</i>			550
<i>Loss for the year</i>			1 200
			650

- (b) Prepare the club's income and expenditure account for the year ended 31 December 2015.

Chess Club
Income and Expenditure Account for the year ended 31 December 2015

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Answer:

Chess Club
Income and Expenditure Account for the year ended 31 December 2015

	\$	\$
<i>Subscriptions</i>		
<i>17 700 + 950 - 550</i>		<i>18 100</i>
<i>Less expenditure</i>		
<i>Loss for the year</i>	<i>650</i>	
<i>Depreciation of equipment</i>		
<i>3100 + 3800 - 5150</i>	<i>1 750</i>	
<i>Rent</i>	<i>4 800</i>	
<i>Wages</i>	<i>8 400</i>	
<i>Sundry expenses</i>	<i>4 300</i>	
	<hr/>	
		<i>19 900</i>
<i>Deficit</i>		<u><i>1 800</i></u>

- (c) Calculate, to two decimal places, the mark-up being applied on the sale of goods in the shop.

.....
.....

Answer: $\frac{550}{6150} \times \frac{100}{1} = 8.94\%$

A member of the committee has suggested hiring a computerised system for use in the shop. This would cost \$500 a year. This would enable the shop staff to ensure that all goods were sold at a standard mark-up of 40%. If this was implemented, staff would no longer be paid a set wage but instead earn a commission of 20% of sales value.

REQUIRED

(d) Calculate the profit or loss which would be earned in the shop if the committee went ahead with this suggestion. Assume sales volume is unchanged.

**Chess Club
Statement of revised profit**

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Answer:

**Chess Club
Statement of revised profit**

	\$	\$
<i>Revenue</i>		8 610
<i>Cost of sales</i>		<u>6 150</u>
<i>Gross profit</i>		2 460
<i>Commission</i>	1 722	
<i>Computer costs</i>	<u>500</u>	
 <i>Profit for the year</i>		 <u><u>2 222</u></u> <u>238</u>

OR

	\$	\$
Increase in revenue/gross profit	1 910	
Original wages	<u>1 200</u>	3 110
Commission	1 722	
Computer costs	500	
Less original loss	<u>650</u>	<u>2 872</u>
Profit for the year		<u>238</u>

(e) Suggest two other ways in which the committee might try to improve the financial position of the club.

1

2

Answer: Increase subscription rate
Increase membership
Increase selling price in shop
Reduce cost of sales in shop
Reduce expenses in shop
Sell off unused equipment
Obtain a loan
Start fundraising
Seek donations
Sponsorship
Or other acceptable suggestions

(f) Explain why club members are not entitled to drawings.

.....

Answer: Members have not invested capital in the organisation and therefore cannot earn a return on their investment.
Any surplus is retained in the organisation.

18 The Bolton Road Music Club was formed on 1 September 2015. The club has 60 members and the annual subscription is \$100. The club provides musical instruments for members to use. In addition the club also has a shop selling CDs.

The treasurer provided the following information for the year ended 31 August 2016.

The treasurer provided the following information for the year ended 31 August 2016.

Amounts received	\$	Amounts paid	\$
Subscriptions	6 300	Purchases of CDs for shop	12 422
Revenue from shop	15 520	Wages of shop assistant	1 850
Loan from Music4all received on 1 March 2016	20 000	Insurance	1 200
		Rent and rates	3 300
		Purchase of musical instruments	4 800
		Repairs to musical instruments	197
		General expenses of club	2 293

At 31 August 2016

- 1 The shop suppliers were owed \$1112.
- 2 Shop inventory was valued at \$1964.
- 3 Five members had paid their subscription for the following financial year.
- 4 Two members had not paid their subscription for the current financial year.
- 5 10% of the insurance relates to the shop.
- 6 Rent and rates accrued amounted to \$300. Half of the rent and rates relates to the shop.
- 7 A loan of \$100 to the shop assistant is included in the wages.
- 8 Interest of 4% per annum was accrued on the loan from Music4all.
- 9 Musical instruments are to be depreciated at 15% per annum on cost.

REQUIRED

(a) State the meaning of the following terms. Subscriptions

.....

Accumulated fund

.....

Receipts and payments account

.....

(c) Prepare the income and expenditure account for the year ended 31 August 2016.

Bolton Road Music Club
Income and Expenditure Account for the year ended 31 August 2016

	\$	\$
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Answer:

Bolton Road Music Club		
Income and Expenditure Account for the year ended 31 August 2016		
	\$	\$
Income		
Subscriptions (6300 + 200 - 500)		6 000
Profit on shop		<u>280</u>
		6 280
Expenditure		
Insurance (1200 × 90%)	1 080	
Rent and rates (50% × (3300 + 300))	1 800	
Repairs to instruments	197	
General expenses	2 293	
Loan interest (4% × 20 000 × 6 months)	400	
Depreciation of instruments (15% × 4800)	<u>720</u>	
Deficit		<u>6 490</u> <u>210</u>