

**Question 7 - Solution**

**30**

(a)

**Accumulated Fund at 1 January 2001**

	€	€
<b>Assets</b>		
Clubhouse and Courts	520,000 ①	
Equipment	11,200 ①	
Bar stock	2,100 ①	
Bar debtors	90 ①	
Bank Current Account	3,950 ③	
Government Investments	25,000 ②	
Levy due	1,200 ③	
Interest on Investments	<u>500 ②</u>	564,040
<b>Less Liabilities</b>		
Life Membership	24,000 ②	
Levy Reserve Fund	20,000 ②	
Subscriptions prepaid	600 ②	
Creditors	1,250 ①	
Wages due	900 ①	
Loan	12,000 ②	
Loan interest due	<u>300 ③</u>	<u>59,050</u>
<b>Accumulated fund at 1 January 2001 ①</b>		<b>② 504,990</b>

**35**

(b)

**Income and Expenditure Account for the year ended 31 December 2001**

		€	€
<b>Income</b>			
Bar profit	W 1	32,460 ⑥	
Investment income	W 2	2,000 ③	
Subscriptions	W 3	66,500 ⑥	
Life membership	W 4	3,200 ③	
Entrance fees		16,000 ①	
Annual sponsorship		36,000 ①	
Profit from catering		<u>2,770 ②</u>	158,930
<b>Less Expenditure</b>			
Sundry expenses		82,720 ③	
Loan interest		1,200 ②	
Depreciation – Equipment		4,740 ②	
Depreciation – Clubhouse & Courts		10,400 ②	
Coaching Lessons		<u>4,650 ①</u>	<u>103,710</u>
<b>Surplus of income over expenditure for year</b>			<b>③ 55,220</b>

## Workings

<b>1</b>	<b>Bar Profit -Bar Trading Account for year ended 31/12/2001</b>	<b>€</b>	<b>€</b>
	Sales (104,440 - 90 + 140)		104,490
	Less Cost of goods sold		
	Stock at 1 January 2001	2,100	
	Add purchases (71,500 + 1,980 - 1,250)	72,230	
	Less Stock 31 December 2001	<u>(2,300)</u>	<u>72,030</u>
	Bar profit		<u>32,460</u>
<b>2</b>	<b>Investment Income</b>	<b>€</b>	
	Income Received	1,500	
	Less Income due 1/1/2001	(500)	
	Add Income due 31/12/2001	<u>1,000</u>	
	Income and expenditure account		<u>2,000</u>
<b>3</b>	<b>Subscriptions</b>	<b>€</b>	
	Subscriptions received	96,600	
	Add subscriptions prepaid at 1/1/2001	600	
	Less subscriptions prepaid at 31/12/2001	(1,500)	
	Less Levy for 2002	(20,000)	
	Less Levy for 2000	(1,200)	
	Less 2 life memberships	<u>(8,000)</u>	
	Income and Expenditure Account		<u>66,500</u>
<b>4</b>	<b>Life Membership 1/1/2001</b>	24,000	
	Add membership received	8,000	
	Less amount transferred to I & E account	<u>(3,200)</u>	
	Balance 31/12/2001		<u>28,800</u>
<b>5</b>	<b>Profit on Catering - catering receipts</b>	5,250	
	Catering costs	<u>2,480</u>	
	Income and expenditure account		<u>2,770</u>

(c)

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## Balance Sheet as at 31/12/2001

	Cost Dep to date		NBV
	€	€	€
<b>Fixed Assets</b>			
Clubhouse & Courts	520,000 ①	10,400 ①	509,600
Equipment	<u>23,700 ②</u>	<u>4,740 ①</u>	<u>18,960</u>
	<u>543,700</u>	<u>15,140</u>	528,560
<b>Investments</b>			
8% Government investments		25,000 ①	
Building Society		<u>45,000 ①</u>	<u>70,000</u>
			598,560
<b>Current Assets</b>			
Bar stock		2,300 ①	
Bar debtors		140 ①	
Investment Interest due		1,000 ③	
Bank		<u>30,490 ①</u>	
		33,930	
<b>Less Creditors: amounts falling due within 1 year</b>			
Subscriptions prepaid	1,500 ①		
Bar creditors	<u>1,980 ①</u>	<u>3,480</u>	
Working Capital			<u>30,450</u>
Total Net Assets			<u>629,010</u>
<b>Financed by</b>			
<b>Creditors: amounts falling due after more than 1 year</b>			
Life membership	W 4		28,800 ②
Levy reserve Fund			40,000 ②
Accumulated fund			
Balance at 1 January 2001		504,990 ①	
Add excess of income for year		<u>55,220</u>	<u>560,210</u>
Capital employed			<u>629,010</u>

(d)

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A reduction in subscriptions of 10% for 2002 would involve a reduction in club income of €6,650. ⑥

The club is capable of bearing such a decrease based on the surplus of income for the year 2001. However almost all of this surplus is provided by entrance fees of €16,000 and sponsorship of €36,000. ③

The treasurer might refer to the proposed capital expenditure on the club in the near future. ③

It should be pointed out that although the club has a healthy bank balance of €30,490 and investments of €70,000, these funds are not of a recurring nature and even the sponsorship may not be guaranteed in future years. ③

It would not be prudent to reduce subscription fees at present and instead it would be advisable to retain the present level of fees and use these fees to provide improved facilities for the members and thus attract more members.