

(a)

30

Accumulated Fund at 1 January 2003

Assets	€	€
Clubhouse and Course	740,000 ①	
Bar stock	3,800 ①	
Equipment	28,600 ①	
Bar debtors	155 ①	
6% Government Investments	40,000 ②	
Interest on Investments	150 ②	
Levy due	1,600 ③	
Bank Current Account	<u>4,440 ③</u>	818,745
Less Liabilities		
Life Membership	36,000 ②	
Creditors	2,450 ①	
Subscriptions prepaid	1,800 ②	
Levy Reserve Fund	60,000 ②	
Wages due	2,400 ①	
Loan	30,000 ②	
Loan interest due	<u>900 ③</u>	133,550
Accumulated fund/ Capital at 1 January 2003 ①		<u>685,195 ②</u>

(b)

35

Income and Expenditure Account for the year ended 31 December 2003

Income		€	€
Bar profit	W 1	32,295 ⑥	
Investment income	W 2	2,400 ③	
Subscriptions	W 3	180,000 ⑥	
Life membership	W 4	4,000 ③	
Entrance fees		17,000 ①	
Annual sponsorship		33,000 ①	
Profit from catering		<u>2,190 ②</u>	270,885
Less Expenditure			
Sundry expenses	(185,600 - 2,400)	183,200 ③	
Loan interest		3,600 ②	
Depreciation – Equipment		14,620 ②	
Depreciation – Clubhouse & Courts		14,800 ②	
Coaching Lessons		<u>4,650 ①</u>	220,870
Surplus of income over expenditure for year			<u>50,015 ③</u>

QUESTION 6 – solution - continued

20

(c)

Balance Sheet as at 31/12/2003

	Cost €	Dep to date €	NBV €
Fixed Assets			
Clubhouse & Courts	740,000 ①	14,800 ①	725,200
Equipment	<u>73,100 ②</u>	<u>14,620 ①</u>	<u>58,480</u>
	<u>813,100</u>	<u>29,420</u>	783,680
Investments			
6% Government investments		40,000 ①	
Building Society		<u>70,000 ①</u>	<u>110,000</u>
			893,680
Current Assets			
Bar stock		4,300 ①	
Bar debtors		110 ①	
Investment income due		1,100 ③	
Bank		<u>5,190 ①</u>	
		10,700	
Less Creditors: amounts falling due within 1 year			
Subscriptions prepaid	2,400 ①		
Bar creditors	<u>2,770 ①</u>	<u>5,170</u>	
Working Capital			<u>5,530</u>
Total Net Assets			<u>899,210</u>
Financed by			
Creditors: amounts falling due after more than 1 year			
Life membership			44,000 ②
Levy reserve Fund			120,000 ②
Accumulated fund			
Balance at 1 January 2003	685,195 ①		
Add excess of income for year	<u>50,015</u>		<u>735,210</u>
Capital employed			<u>899,210</u>

(d)

15

A reduction in subscriptions of 20% for 2004 would involve a reduction in club income of €36,000. ⑥

Although the club is financially sound as it has €5,190 in the bank, €70,000 in the building society, ⑥ investments worth €40,000 and has paid off a loan of €30,000 these funds are set aside for future capital expenditure.

The club's surplus of income for the year 2003 of €50,015 would seem to indicate that the club is ③ capable of bearing a reduction of 20%. However almost all of this surplus is provided by entrance fees of €17,000 and sponsorship of €33,000 and this income can not be guaranteed in future years.

It can be argued that a reduction in membership fees could attract more members and thus bring in ③ entrance fees as well as increase bar profit. However 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.

Workings

1	Bar Profit -Bar Trading Account for year ended 31/12/2003		
		€	€
	Sales (112,660 - 155 + 110)		112,615
	Less Cost of goods sold		
	Stock at 1 January 2003	3,800	
	Add purchases (80,500 + 2,770 - 2,450)	80,820	
	Less Stock 31 December 2003	(4,300)	<u>80,320</u>
	Bar profit		<u>32,295</u>
2	Investment Income	€	
	Income Received	1,450	
	Less Income due 1/1/2003	(150)	
	Add Income due 31/12/2003	<u>1,100</u>	
	Income and expenditure account		<u>2,400</u>
3	Subscriptions	€	
	Subscriptions received	254,200	
	Add subscriptions prepaid at 1/1/2003	1,800	
	Less subscriptions prepaid at 31/12/2003	(2,400)	
	Less Levy for 2003	(60,000)	
	Less Levy for 2002	(1,600)	
	Less 2 life memberships	(12,000)	
	Income and Expenditure Account		<u>180,000</u>
4	Life Membership 1/1/2003	36,000	
	Add membership received	12,000	
	Less amount transferred to I & E account	(4,000)	
	Balance 31/12/2003		<u>44,000</u>
5	Profit on Catering - catering receipts	6,650	
	Catering costs	<u>4,460</u>	
	Income and expenditure account		<u>2,190</u>