Club Accounts

2011 Question 6

Anyone familiar with Farm Accounts or Service Firms (notes for both topics are back on the webpage you found this on), will have no trouble with Club Accounts. Essentially all three of these topics are asking us to do the same things…

- Work out what the club/farm/service business was worth at *the start* of the year.
- Work out the profit they made *during* the year.
- Show what they owned and owed (i.e., A Balance Sheet) at *the end* of the year.

So, let's get started with 2011 Q6. In part (a) we're asked to show the club's accumulated fund. This is just a fancy accounting way of saying "what was the club worth at the start of the year". To do this we simply add their assets on January 1st and minus their liabilities on January 1st. The good news is that almost all of this is done for us. If you look at the very top of the question, you'll see it says, "included among the assets and liabilities on the 1/1…". So, we just split these into assets and liabilities and then we're almost done:

| **Assets.** | **€** | **Liabilities.** | **€** |
|---|---|---|---|
| Clubhouse & Courts | 250,000 | Bar Creditors | 8,400 |
| Equipment | 75,000 | Life Membership | 24,000 |
| Bar Stock | 15,000 | Levy Reserve Fund | 20,000 |
| Bar Debtors | 1,280 | | |
| Wages Prepaid | 400 | | |
| Subscriptions Due | 500 | | |

There are probably a few things that need to be explained here. First of all, don't forget that an asset is something we own or something that is owed to us. That's why wages prepaid (someone now owes us some work) and subscriptions due (someone owes us their memberships fees) are both assets.

Equally, the bottom two liabilities might be a little confusing. Life membership is always a liability in a club because it means we have promised someone free membership to the club for the rest of their lives (i.e., *we now owe them* membership). A Levy Reserve Fund is also a liability because it is essentially money that belongs to the members. A 'Levy' is collected from members in a club on top of their normal subscriptions (membership fees). The point of a levy is to build some savings to pay for a specific project (like new courts in a tennis club or new greens in a golf club). The fund is considered a liability because the club is obliged either to spend it on the project they collected it for, or to give it back to the members. Either way it's not the club's money and so is a liability. If that's ok with you (or if you're at least willing to take my word for it), we're nearly finished part (a) of the question. We just need to work through a few sneaky things first…

You might remember that the very top of the question said, "**Included** amongst the assets and liabilities…". In other words, the assets and liabilities in that opening paragraph aren't the only ones and there were other things that the club either owned or owed at the start of the year. There are in fact five of these. I'll explain them below but before you panic, the good news is that the same five things appear in almost every question (so there's no need to worry about a huge list of things that might appear here).

<u>Assets.</u>

Bank:
In the big 'T' account of receipts and payments for the year (which appears right in the middle of the question) you'll see an opening balance on the left-hand side of this bank account of €1,140. This is telling us that we had €1,140 in the bank at the start of the year so that would be an asset on January 1st.

Investments:
The next sneaky asset is Investments. On the left-hand side of the 'T' account you'll see "Interest from 4% Investments €1,500". Now the only way we could have received interest on investments is if we actually had investments (that should be pretty logical), but they haven't told us how much these investments are worth because they want us to work it out. Luckily this is fairly easy. If €1,500 is the interest on our "4% Investments" the big question is whether this was in fact all of the interest we should have received or if there is any more still due. Look down at note (vi) at the bottom of the question and you'll see that there is €500 investment income due to us at the end of the year. So, we already received €1,500 and are due another €500, which means that the total investment income for the year (or 4% of the Investments) is €2,000. If €2,000 is 4% of the investments, then the investments must be €50,000. Easy!

Levy Due:
The last asset hidden in the question is Levy Due. Wait! Hopefully some of you will find that weird because I spent almost an entire paragraph a few minutes ago telling you that 'Levy Reserve Fund' is a liability not an asset. This unfortunately is one of those slightly odd things in accounting. Basically, when a club decides to collect a levy for a specific project the rule is:

- Any amounts we have collected from members are considered a liability (the 'levy reserve fund').

- Any amounts still due from any members are considered an asset (the 'levy due'). Once the members pay these levies, we'll then record them as liabilities.

I know it's odd but to be honest it's not that hard to remember so let's just go with it! More importantly, how do we know how much (if any) of the levy was due to us on the 1st of January? The answer is down in note (v) at the bottom of the question. This note actually contains a few bits of important info but for what we're doing now it's only the last line that's relevant. We're told that the membership fees (subscriptions) paid during this year included "a levy of €100 on 8 members for 2009".

The date is really crucial here because don't forget in part (a) of the question we're trying to show what the club owned and owed on the <u>1st January 2010</u>. If the subscriptions received this year included some levy from <u>2009</u> then this money would have been due to us (i.e., an asset) on January 1st 2010. The €800 (8 people x €100) is an asset and is the one that loads of people wouldn't spot – make a note of it and keep an eye out for it in every club account question!

<u>Liabilities.</u>

Loan:
This is a bit like the investments situation above in that by looking at the 'T' Account in the middle of the question we can see that the club had a loan at the beginning of the year. How do we know this? Well basically if you look at the right-hand side of the 'T' Account you'll see it says that on the 30/9 we repaid a €30,000 loan with <u>15 months interest</u>. In other words, we had this loan for 15 months and therefore must have had it on the first of January (i.e., 9 months previously). Remember that the whole point of part (a) of the question is to work out what the club owned and owed at the very start of the year so that loan of €30,000 would have been a liability on January 1st.

Loan Interest:
The last thing we need to do for part (a) is work out the loan interest we would have owed on January 1st and this is actually the bit that a lot of people get wrong. Ok so hopefully you remember from a minute ago that we definitely had a loan of €30,000 at the very start of the year. But if you look at the 'T' account again it clearly says that we repaid €33,960 when we paid the loan off at the end of September. "Easy" you think, that must mean the interest is €3,960. Wrong! That extra €3,960 on top of the loan is the total interest the club had to pay for the 15 months they had the loan. But don't forget that what we actually want to know for part (a) of the question is what interest they owed *at the very start of the year* (not at the end of September). So, if €3,960 is 15 months interest and 9 months of this happened *after* January 1st (because we're told they paid the loan off on the 30th September), then we just need to subtract this 9 months of interest from the €3,960 to see how much we would have owed on January 1st.

€3,960 divided by 15 months = €264 (€264 * 9 months = €2,376)

Therefore, the interest owed on January 1st: €3,960 - €2,376 = €1,584

And now we have the answer to part (a)…

| **Assets.** | **€** | **Liabilities.** | **€** |
|---|---|---|---|
| Clubhouse & Courts | 250,000 | Bar Creditors | 8,400 |
| Equipment | 75,000 | Life Membership | 24,000 |
| Bar Stock | 15,000 | Levy Reserve Fund | 20,000 |
| Bar Debtors | 1,280 | Loan | 30,000 |
| Wages Prepaid | 400 | Loan Interest | 1,584 |
| Subscriptions Due | 500 | | 83,984 |
| Bank | 1,140 | | |
| Investments | 50,000 | | |
| Levy Due | 800 | | |
| | 394,120 | | |

Assets – Liabilities (Accumulated Fund) = €310,136

(b) Income and Expenditure Account for the year.

In part (b) we are being asked to calculate whether the club made a profit or a loss during the year. Most of the information we will need to do this is in the big 'T' Account right in the middle of the question, but there will be some other things we'll use. To get us started we're going to do something that might seem a bit weird – Basically I'm going to work out the profit or loss on the Club Bar. I know the question hasn't specifically asked us to do this but if we don't, it will make it pretty much impossible to do what we *have* been asked to do. It's just one of those things that you wouldn't have known to do, but hopefully you'll remember in future – If you have done the 'Farm Accounts' or 'Club Accounts' topics it might ring a bell with you that you do the same thing in these (working out profit on 'Sheep', 'Milk' or things like that).

Anyway, here's how to work out the Bar profit or loss for this question…

Bar Trading Account 31/12/2010

| | € | € | € |
|---|---|---|---|
| Bar Sales | | | 73020 |
| Opening Stock | | 15000 | |
| Bar Purchases | | 38700 | |
| Closing Stock | | -13300 | 40400 |
| Bar Profit | | | 32620 |

Right, so where do all these figures come from? Well, the opening and closing stock figures are easy – You'll find the opening stock for the bar clearly at the top of the question (in the paragraph of assets and liabilities at the *start* of the year) and the closing stock is down in the notes at the bottom of the question (in the list of information for the *end* of the year). So, the only figures we have to actually work out are the purchases and sales.

To get the Sales figure for example we take the 'Bar Receipts' figure from the left-hand side of the big 'T' Account: €74,000. This is telling us that during the year we took €74,000 into the bar. But if you look at the top of the question (the opening balances of assets and liabilities) you'll see that one of them says 'Bar Debtors €1,280'. This means that before the year began, we were already owed €1,280 by people for stuff they bought from the bar. In other words, the €74,000 we took into the bar this year includes €1,280 for things we sold last year – therefore we shouldn't include this amount in this year's sales total.

The rule then is that when you are working out sales (or purchases) you always need to subtract any amounts owed before the year even began (i.e., at the start of the year) and add any amounts owed at the end of the year (because when anything is owed at the *end* of the year, we can assume it is for something that happened *during* the year and so should be included in the accounts).

So, our Sales figure is:

| | |
|---|---|
| €74,000 | from the left of the 'T' Account |
| (€1,280) | Debtors at the start of the year |
| €300 | Debtors at the end of the year |
| €73,020 | |

And our Purchases figure is:

| | |
|---|---|
| €38,500 | from the right of the 'T' Account |
| (€8,400) | Creditors at the start of the year |
| (€8,600) | Creditors at the end of the year |
| €38,700 | |

How do I know to use the Debtors figures when I'm working out sales and the Creditors figures when I'm working out purchases? Remember, that Debtors are the good guys (Debtors are Deadly, Creditors are Crap!), so Debtors are always connected to Sales (i.e., People giving us money) and Creditors are always connected to Purchases (i.e., us giving other people money).

Ok, so because we know the bar profit is €32,620 we can now actually answer part (b) of the question and work out the overall profit or loss for the club…

To do this we need to total the *income* for this year (which is pretty much all the stuff on the *left*-hand side of the 'T' Account in the question) and subtract all the *expenditure* for the year (which is pretty much all the stuff from the *right* of the 'T' Account). Before doing that though, it's vital to explain the most important part of this whole topic (and also the most important part of the 'Club Accounts' and 'Service Firms' topics as well). Basically, when dealing with either income or expenditure the following rules apply…

If something is…

| | |
|---|---|
| Due on the 1/1 | Subtract it. |
| Prepaid on the 1/1 | Add it. |
| Due on the 31/12 | Add it. |
| Prepaid on the 31/12 | Subtract it. |

And…

| | |
|---|---|
| Opening Stock | Add it. |
| Closing Stock | Subtract it. |

This shouldn't be that hard to remember. Just learn one of them (e.g., Due 1/1: Minus) and then you'll know that something *Prepaid* on the 1/1 is the opposite (i.e., Add). And then you can bear in mind that the end of the year is just the reverse. Easy!

You'll see why that's all such a big deal in the next few minutes. Ok, let's go – Here's the Income bit of the Income and Expenditure Account…

Income and Expenditure Account 31/12/10

| Income | € | € |
|---|---|---|
| Bar Profit | 32620 | |
| Interest from 4% Investments | 2000 | |
| Subscriptions | 56400 | |
| Sponsorship | 7500 | |
| Life Membership W/O | 6000 | |
| | 104520 | 104520 |

Right, so where does everything come from?

The Bar Profit is just the answer to the sum we did a little earlier. By doing this it means we can put the answer in once and then don't need to worry about putting anything else to do with the bar in again (like bar purchases, bar debtors, etc.).

After we put in the Bar Profit, we then go down through the left-hand side of the 'T' Account in the question and take these items of income one by one.

The top item on the left of the 'T' Account is 'Bank Current Account' and you'll notice that I haven't put that into the Income and Expenditure answer above. That's because the Bank figure is the opening balance at the start of the year (i.e., what we already had at the start of the year) and so isn't income we received *during* the year. For this reason, it doesn't go into the Income and Expenditure Account.

Continuing on down the left-hand side of the 'T' Account, the next figure you'll see is 'Interest from 4% Investments' which is definitely income from during this year, so it goes into our Income and Expenditure Account. You might notice though that the figure I've put into the income and expenditure account above (€2,000) is different from the one in the 'T' Account in the question (€1,500). This is because of the information in the big box above and it is something that will affect loads of the rest of the figures we put into our answer. Basically, before you put any figure from the 'T' Account into our Income and Expenditure answer we need to check and see are there any amounts due or prepaid (either at the start or the end of the year). If so, we need to make the relevant changes before we put the figure into our answer.

In the case of Investment Income, there is nothing due or prepaid at the start of the year (look at the opening balances at the top of the question sheet and you won't see any mention of it) but there is something relevant at *the end of the year*. If you look at the bottom of the question sheet, you'll see "Investment interest due on 31/12/2010 was €500". So, if you remember what was in the big box above, you'll know that when something is due at the end of the year, we need to ADD IT. That's why investment income in our answer is €2,000. €1,500 (from the 'T' Account) plus €500 (due at the end of the year).

Right, well so far in our attempt to answer part (b) of the question we've dealt with the first two items from the left-hand side of the 'T' Account in the question. Remember that what we're trying to do is record all the Income and Expenditure for the club for this year and this basically involves transferring things from the left and right of the 'T' Account in the question. So, if we keep going down the left-hand side of the 'T' Account you'll see the next item is "Bar Receipts €74,000". Hopefully you'll remember that we went to the bother of working out the Bar Profit earlier on and because of that, we can now ignore anything to do with the bar for the rest of the Income and Expenditure Account (because all relevant figures are included in the profit answer that we've put into the Income and Expenditure Account already).

So that brings us to the next figure on the left of the 'T' Account: "Catering Receipts €12,700". Now this is definitely income, but you might wonder why I didn't put it into the Income and Expenditure Account. Essentially you definitely can and you'd be right to do so, but I just felt like showing off slightly. If you look at the right-hand side of the 'T' Account for a second, you'll see "Catering Costs €15,800". This is the case in all of these questions – i.e. A figure for Catering Receipts on the left, a figure for catering Costs on the right, and no mention of Catering at the start or end of the year (top or bottom of the question). So, you can therefore put catering receipts and costs in separately into your answer if you like (the first as income and the second as expenditure) or you can take one from the other and record the answer once as either a profit or loss. In this case they made a loss on Catering of €3,100 (€12,700 - €15,800) so I'm just going to put that in once as an item of expenditure.

Right, so now we're onto the next item of income on the left of the 'T' Account – "Subscriptions €84,000". Before we put this into the Income and Expenditure Account, we need to get into the habit of checking the information at the top of the question (things due and prepaid at the *start* of the year) and the bottom of the question (things due and prepaid at the *end* of the year). In this case you'll see a mention of "Subscriptions Due €500" at the start of the year – Can you remember what you're meant to do with things Due on the 1/1?

If you've been paying attention, you'll know that we need to subtract this €500.

Next, we look for any mention of subscriptions at the bottom of the question. Have a glance at note (v) and you'll see something that looks pretty extreme (i.e., Four lines of things connected somehow to subscriptions) but it's actually really easy. Basically, we're being told that the figure for subscriptions in the 'T' Account includes this list of stuff – none of which are subscriptions for this year. All we do therefore is subtract all of them. So, the figure for subscriptions in our Income and Expenditure Account answer is…

| | |
|---|---|
| €84,000 | From the 'T' Account |
| (€500) | Due 1/1 |
| (€6,000) | Two Life Memberships** |
| (€300) | Subscriptions for next year |
| (€20,000) | Levy of €100 on 200 Members |
| (€800) | Levy of €100 on 8 Members |
| €56,400 | |

** How do I know that the life memberships are €3,000 each? When it mentions life memberships in note (v) it says that the two life memberships bring 'the total up to ten'. Have a look at the very top of the question now where the original life memberships are mentioned (€24,000). If the new ones 'bring the total up to ten' then there must have been eight at the start of the year. Eight life memberships €24,000, therefore each one is €3,000. Easy!

Don't forget we're attempting to answer Part (b) of the question (The Income and Expenditure Account). The first stage in this is to list all our income for the year and as I explained earlier, the best way to do that is to look at the big 'T' Account in the middle of the question. On the left-hand side of that 'T' Account you'll find the money we received during the year and this is what we've been going through to prepare our Income and Expenditure answer. I told you the answer for all our income is what's in the box below and we've explained where the first three figures came from. So, let's have a look at where the last two items in this list are from…

Income and Expenditure Account 31/12/10

| Income | € | € |
|---|---|---|
| Bar Profit | 32620 | |
| Interest from 4% Investments | 2000 | |
| Subscriptions | 56400 | |
| Sponsorship | 7500 | |
| Life Membership W/O | 6000 | |
| | 104520 | 104520 |

Sponsorship: This comes straight from the 'T' Account (because there's no mention of sponsorship either at the top or bottom of the question – i.e. There's nothing due or prepaid at the start or end of the year).

Life Membership W/O: This one probably looks very weird to you and it would be totally understandable if you hadn't a clue where it came from. The story is that 'Life Membership' for a club is a liability – the club have decided to give someone membership for the rest of their lives, so we essentially owe them something (i.e., their membership). Even though life membership is something we owe, the good thing about it is that it should get smaller every year (because the people we've given life membership to are getting closer to death each year – so as each year passes this liability is getting less and less). When the question tells us to 'Write-Off Life Membership' therefore we should record the amount as a gain.

If it helps, it's pretty much the opposite of 'Depreciation'. If you think about it, 'Depreciation' is where we have a good thing (an Asset) that's losing value, so we record it as an expense. In 'Life Membership Write-Off' we have a bad thing (a Liability) that's losing value, so we record that as a gain.

In this question we're told to write off the life membership over five years (it's in note (vii) at the very bottom of the question). So, we need to get the total amount of life memberships and divide them by 5. The total life memberships in this question are €30,000 (that's the €24,000 we had at the start of the year plus the two extra ones we gave out in note (v)). €30,000 divided by 5 is obviously €6,000.

And that's the Income part of the Income and Expenditure Account done.

Now we need to list the Expenditure…

Income and Expenditure Account 31/12/10

| Income | € | € |
|---|---|---|
| Bar Profit | 32620 | |
| Interest from 4% Investments | 2000 | |
| Subscriptions | 56400 | |
| Sponsorship | 7500 | |
| Life Membership W/O | 6000 | 104520 |
| | | |
| Expenditure | | |
| Catering Loss | 3100 | |
| Loss On Sale of Equipment | 1500 | |
| Sundry Expenses | 24400 | |
| Coaching Lessons | 3500 | |
| Travel Expenses | 10000 | |
| Loan Interest | 2376 | |
| Depreciation on Equipment | 19750 | |
| Depreciation on Clubhouse | 5000 | 69626 |
| | | |
| Surplus of Income | | 34894 |



Where did those expenditure figures come from? Well mainly we're now looking at the *right*-hand side of the big 'T' Account in the question (the things we've spent money on this year). The good news is that Coaching Lessons and Travel Expenses both come straight from here so there's nothing to work out for them (because if you look at the top and bottom of the question, you'll see that there's no mention of anything being due or prepaid for either of these things at either the start or end of the year). To explain the other items of expenditure then…

Catering Loss: Do you remember at the very start of the Income section I said that I would be ignoring the 'Catering Receipts €12,700' and I didn't record these in the Income section of my answer? The reason for this is that there is always a 'Catering Costs' entry on the right of the 'T' Account, so we can just take one from the other and then enter the answer as either Income (if we made a catering profit) or Expenditure (if we made a catering loss). In this question the receipts were €12,700 and the costs were €15,800 so we made a loss of €3,100.

Loss on Sale of Equipment: You might also have noticed a few minutes ago when we were going down through the left-hand side of the 'T' Account that I completely ignored the last item 'Sale of Equipment'. The reason for this was that we are currently doing an Income and Expenditure Account, which aims to work out the profit or loss we made on the regular day-to-day activities of the club. The rule therefore is that if we buy or sell a fixed asset (a van, building, equipment, etc.) these things should not be recorded in our Income and Expenditure Account (and instead should be either added or subtracted in the Fixed Assets on the Balance Sheet). The only connected item that *might* appear in the Income and Expenditure Account is any profit or loss we make if we sell an asset (i.e., Not the money we got from the sale but just any profit or loss we made if we sold the item for more or less than it was worth). In this question therefore we sold the equipment for €2,500 and it had cost us €4,000 so we made a loss of €1,500.

Sundry Expenses: On the right of the 'T' Account you'll see Sundry Expenses of €24,000 but you'll notice in the answer above that I've written €24,400! This is because of the 'Wages Prepaid €400' in the opening balances at the start of the year. *Remember that if something is prepaid at the start of the year you need to add it on*. The bigger question is probably how did I know that these two items were connected at all? Well essentially the word 'sundry' just means that loads of random expenses have all been added up to make this one figure. Since there isn't a separate mention of wages on the right of the 'T' Account (and therefore no obvious figure that we could add the prepaid bit to), we're expected to know that we should then just add it to the 'Sundry Expenses'.

Loan Interest: This is a great one! Ok, so the right-hand side of the 'T' Account tells us that during the year we paid off a loan of €30,000 with total interest of €3,960 (i.e., a total of €33,960). Now here's the big thing – Have you any memory of how we worked out the Loan Interest in part (a)? (If you scroll back up, you'll find it on the bottom of the third page and the top of the fourth page of this answer). In that we worked out that €1,584 of the €3,960 loan interest was owed by us on January 1st (i.e., before this year even started). What we need to record in this section is the amount of loan interest *for this year*. So, all we do is take the total loan interest of €3,960 and minus from that the portion owed before the year even began (€1,584) to get the answer of €2,376. The hard work on loan interest is therefore done in part (a) – all we do in the Income and Expenditure Account is record the difference between the total and the bit we put into part (a).

Anyone wondering why the loan itself (€30,000) isn't going into our Income and Expenditure Account? Hopefully you've spotted that the Income and Expenditure Account is basically the same as the Gains and Expenses in a Trading and Profit and Loss Account – In other words, we are recording day-to-day money that has come in or out of the club. For this reason, the purchase or sale of an asset should never be recorded here (for reasons I explained earlier) and equally the repayment of a loan doesn't get put into our Income and Expenditure Account answer either. The last thing you need to keep an eye out for (and remember not to put it into the Income and Expenditure Account) are 'Prize Bonds'. The reason we don't put these in is because they are an asset and therefore when you buy an asset remember – it doesn't go in here!

Depreciation on Equipment: We're nearly at the end, with just a couple of items of depreciation to explain. Note (ii) at the bottom of the question tells us to depreciate equipment *owned on the 31/12* at the rate of 25%. The bit about the end of the year is simply to remind you that we had €75,000 worth of equipment at the start of the year (see the opening balances at the top of the page) but that we bought more equipment of €8,000 during the year (see the right-hand side of the 'T' Account and also sold equipment which had cost €4,000 during the year (see the left-hand side of the 'T' Account). So, the cost of the equipment we owned at the end of the year is €75,000 + €8,000 - €4,000 = €79,000. If depreciation is 25% of this, then the answer is €19,750.

Depreciation on Clubhouse and Courts: Note (iii) tells us to depreciate these by 2% of cost. The clubhouse and courts we had at the start of the year were €250,000 and there is no mention on either the left- or right-hand side of the 'T' Account of any purchase or sale of these. Since the amount doesn't change then during the year, the depreciation is just 2% of €250,000: €5,000.

And that's how we get the answer to the Expenditure part of the Income and Expenditure Account! The good news is that that's the hardest part of the question. Now we just need to do a short Balance Sheet and we'll be done.

(C) The Balance Sheet.

Here's how the first section should look…

| **Fixed Assets.** | € | € | € |
|---|---|---|---|
| Clubhouse and Courts | 250000 | 5000 | 245000 |
| Equipment | 79000 | 19750 | 59250 |
| | 329000 | 24750 | 304250 |
| Investments | | | |
| 4% Government Investments | | | 50000 |
| | | | 354250 |

Hopefully this at least rings a bell – The clubhouse and courts are the €250,000 they were worth at the start of the year minus the €5,000 depreciation we worked out when we did the expenditure in part (b) of the question.

The equipment is the €75,000 of equipment we had at the start of the year *minus* the €4,000 we sold during the year and *plus* the €8,000 we bought during the year (The sale and purchase are on the left and right of the big 'T' Account if you're looking for them). So that should explain the €79,000 you'll see in the Fixed Assets above, and all we need to do is then subtract the €19,750 depreciation that we worked out in part (b) of the question.

Finally, the investments figure of €50,000 comes all the way from part (a) of the question. When we were working out the assets and liabilities for the beginning of the year, we calculated that there were €50,000 worth of investments. There's been no mention that any of these have been sold so we still have them at the end of the year. (On a small point, you'll note above that Investments are recorded separately from the other fixed assets – It's a long story but try and remember to do this because there may be a mark going for it).

Current Assets:

| **Current Assets.** | |
|---|---|
| Closing Stock | 13300 |
| Debtors | 300 |
| Bank | 45180 |
| Investment Interest Due | 500 |
| Prize Bonds | 4400 |
| | 63680 |

The current assets section contains five figures and we've pretty much mentioned all of them already. The closing stock and debtors figures both simply come from the notes at the bottom of the question, where we are being told about the various balances at the end of the year (see note (i) and (iv) for each of them). Equally, the bank figure is very easy – It's just the closing balance from the big 'T' account in the middle of the question.

The bottom two figures in our list of current assets are therefore the only that involve any explanation. The figure for prize bonds you might remember was on the left of the 'T' account and we didn't record it as an expense in our answer to part (b) of the question. The explanation at that stage was that when you buy an asset it should be recorded as an asset and not as an item of expense. So, we didn't put it into our expenses and instead are putting it in here as an asset – Easy!

Lastly, the investment interest due figure of €500 is also connected to something we did earlier. If you remember from the fixed assets section a few minutes ago, we have 4% investments worth €50,000. So, we should get investment income every year of €2,000 (4% of €50,000). Now if you look at the left-hand side of the big 'T' Account in the question you'll see that we received €1,500 of this during the year and therefore are still due €500 at the end of the year. (They've even been nice to us in the question by the way and if you look down at the notes at the bottom, it clearly says Investment Interest Due is €500).

Current Liabilities:

| | |
|---|---|
| **Current Liabilities.** | |
| Creditors | 8600 |
| Subscriptions Prepaid | 300 |
| | 8900 |

Just two figures in the current liabilities – the creditors come from note (iv) at the bottom of the question. These notes are basically telling us what the club owned and owed at the end of the year and thankfully the creditors figure is pretty clearly in here.

The other current liability is a little more hidden. In note (v) at the bottom of the question we're told that this year's subscriptions include some other amounts – the second of these things is subscriptions for next year (2011) of €300. Since some of our members have therefore paid us in advance for next year, we need to include this as a liability at the end of the year (because we know owe them membership).

Financed By:

| | |
|---|---|
| **Financed By.** | |
| Life Membership | 24000 |
| Accumulated Fund 1/1 | 310136 |
| Excess of Income | 34894 |
| Levy Fund | 40000 |
| | 409030 |

Finally, we have the very last part of our answer – the Financed By section. The middle two figures in here (Accumulated Fund and Excess of Income) are just the answers to parts (a) and (b) of the question respectively.

The life membership figure is the total amount of life memberships we've given out (€24,000 from the opening balances plus the two new ones we gave out in note (v), bringing the total to €30,000), minus the life membership write-off of €6,000 that we mentioned in the income section of part (b).

And lastly, the Levy Fund is the original fund of €20,000 from the opening balances plus the €20,000 'Levy for 2010 of €100 each on 200 members' from note (v) at the bottom of the question.

NB: You might wonder why I ignored the 'Levy of €100 on 8 members for 2009' when I worked out the Levy Fund above? The reason is to do with the years – we are doing the accounts for 2010 so that levy of €800 (€100 x 8) for 2009 should have been paid by the members *last year* and therefore doesn't feature in this year's accounts (while the one I *did* put in related to this year (2010). So now the final Balance Sheet looks like…

| | | | |
|---|---|---|---|
| **Fixed Assets.** | € | € | € |
| Clubhouse and Courts | 250000 | 5000 | 245000 |
| Equipment | 79000 | 19750 | 59250 |
| | 329000 | 24750 | 304250 |
| Investments | | | |
| 4% Government Investments | | | 50000 |
| | | | 354250 |
| | | | |
| **Current Assets.** | | | |
| Closing Stock | | 13300 | |
| Debtors | | 300 | |
| Bank | | 45180 | |
| Investment Interest Due | | 500 | |
| Prize Bonds | | 4400 | |
| | | 63680 | |
| | | | |
| **Current Liabilities.** | | | |
| Creditors | 8600 | | |
| Subscriptions Prepaid | 300 | | |
| | 8900 | 8900 | |
| | | 54780 | 54780 |
| | | | 409030 |

**Financed By.**

| | |
|---|---|
| Life Membership | 24000 |
| Accumulated Fund 1/1 | 310136 |
| Excess of Income | 34894 |
| Levy Fund | 40000 |
| | 409030 |