

Club Accounts

Introduction

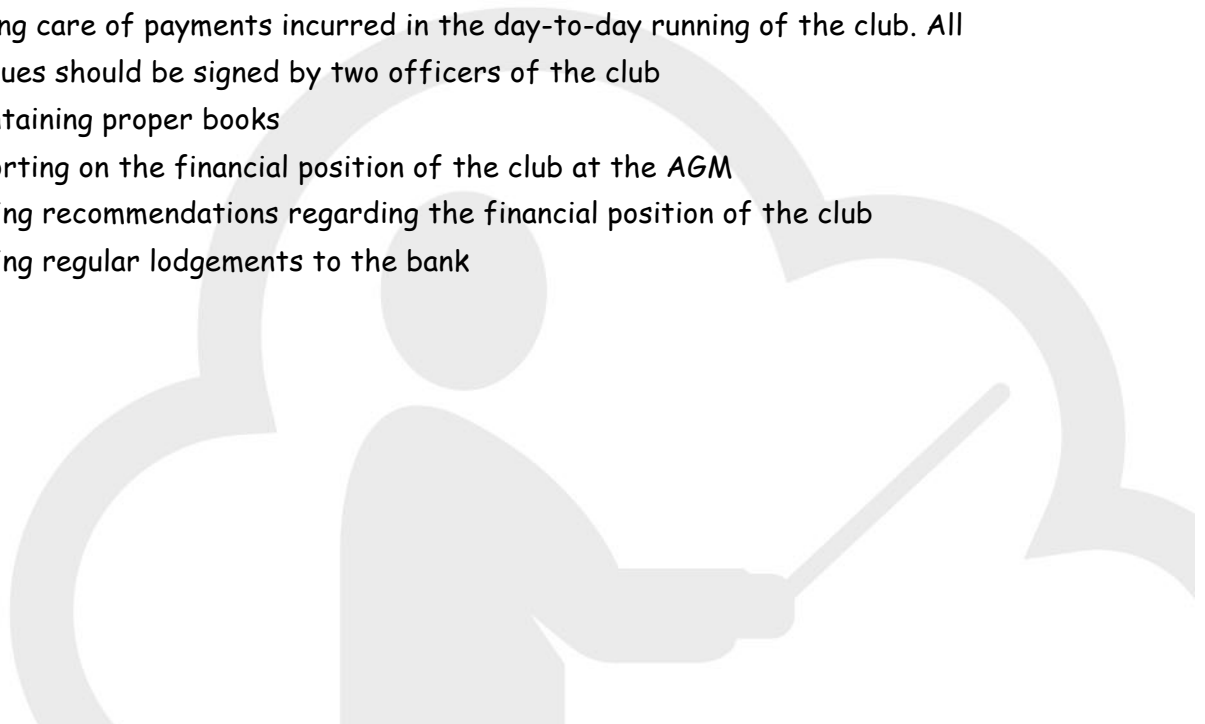
All clubs present accounts to their members. These may include a bank account, a trading account, an income and expenditure account and a balance sheet. The amount of detail that is presented will depend on the size of the club; a small club will not present as much detail as a larger club. Clubs are established for the benefit of the members and are not set up to make a profit. During the clubs AGM it's the treasurer who presents the accounts to the members.

Clubs income is in the form of subscriptions and from fundraising activities in contrast to trading firms who create their income from buying and selling. These firms because of their nature require different accounts than trading firms.

Club Treasurer

The treasurer has the overall responsibility for the clubs finance. The role of the treasurer includes the following;

- Collecting all money due to the club e.g. subscriptions
- Taking care of payments incurred in the day-to-day running of the club. All cheques should be signed by two officers of the club
- Maintaining proper books
- Reporting on the financial position of the club at the AGM
- Making recommendations regarding the financial position of the club
- Making regular lodgements to the bank



To help this work of a treasurer the following financial records are kept:

- An analysed receipts and payments book
- An analysed cheque payments book
- Accounts for the main assets and liabilities of the club

Analysed receipts and payments book

This is a book used to record the day-to-day receipts' and payments of the organisation. That is, the receipts of money/cash and payments of money/cash.

Receipts and payments account

This account is a summary of the organisations daily receipts and payments of cash for the period covered by the account. The entries in this account come from the totals of the analysis columns in the receipts and payments book.

Disadvantages/Limitations of receipts and payments accounts

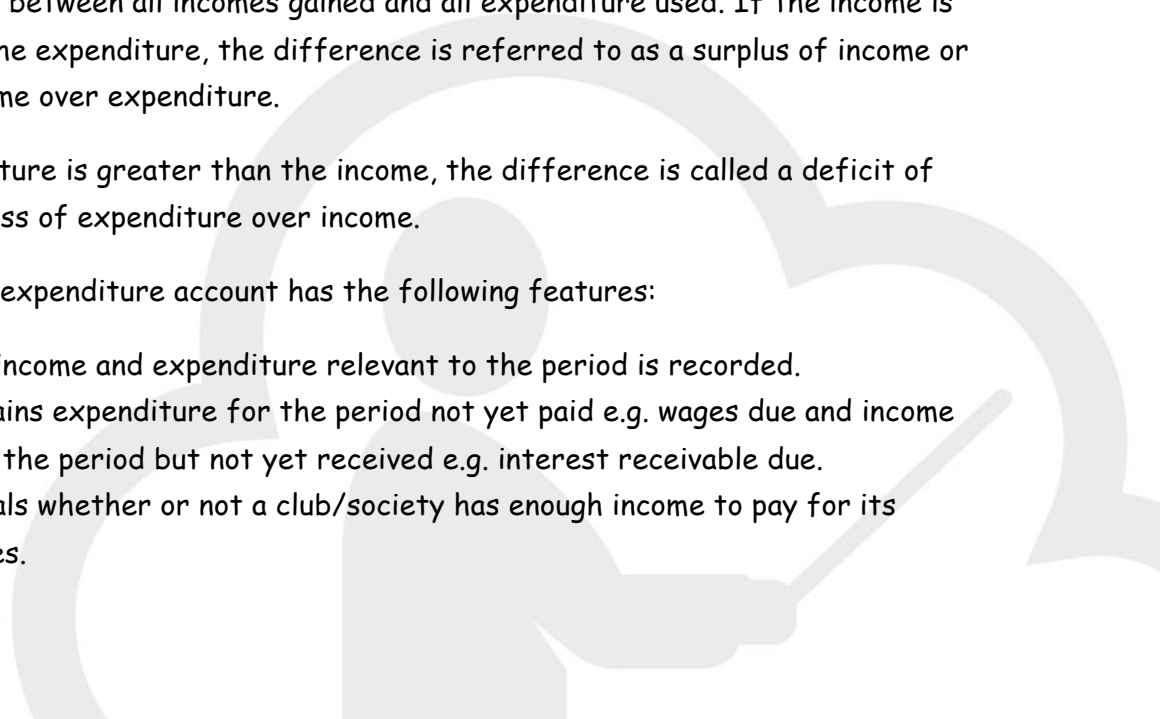
- It does not show the true financial position
- Amounts due but unpaid at end of period are not included
- Amounts paid in advance to the club are recorded as current receipts. For example, with life membership fees it does not take prepayments into account.
- Expenses paid covering more than one financial period are not apportioned
- It does not distinguish between capital and revenue
- It does not show whether there is enough income to cover expenditure

Income expenditure account

The income and expenditure account is similar to the profit and loss account. It shows the difference between all incomes gained and all expenditure used. If the income is greater than the expenditure, the difference is referred to as a surplus of income or excess of income over expenditure.

If the expenditure is greater than the income, the difference is called a deficit of income or excess of expenditure over income.

An income and expenditure account has the following features:

- All the income and expenditure relevant to the period is recorded.
 - It contains expenditure for the period not yet paid e.g. wages due and income due for the period but not yet received e.g. interest receivable due.
 - It reveals whether or not a club/society has enough income to pay for its activities.
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An income and expenditure account reveals the true financial performance of the club over a period of time, showing a surplus or a deficit.

Accumulated fund

The accumulated fund corresponds to the capital account of a trading concern. It is a statement showing the list of liabilities deducted from the list of assets on the first day of a financial period. Assets such as prepayments and income due as well as liabilities such as accruals must be included.

Special purpose profit and loss account

Sometimes non-profit-making organisations prepare a profit and loss account for activities that are carried out to make a profit. Such activities might include running a lottery, bingo or dances. All expenses and revenues related to the particular activity are entered in the special profit and loss account and the profit is then transferred to the income and expenditure account.



Special Club Receipts

Life membership

Life membership subscription entitles a member to use the facilities of a club for the remainder of their life. Money received for life membership is credited to a life membership account and is transferred in instalments to the income and expenditure account over a number of years. The balance in this account at the end of any year is treated as a long-term liability.

Entrance fees (new members)

Entrance fees may be payable by new members in the first year of membership in addition to the subscription for the year. These fees are normally treated as an income in the year of receipt. However, some clubs have a policy of treating them as capital receipts and as a result treat them as an increase of the accumulated fund in the balance sheet.

Levies

A levy is a special payment made to a club by its members to fund a special project such as an extension. This payment must be credited to a levy reserve fund account as it is a capital receipt. It could take the form of a once-off payment or could be payable for some years. The balance in the levy reserve fund is shown in the balance sheet as a reserve after the accumulated fund.

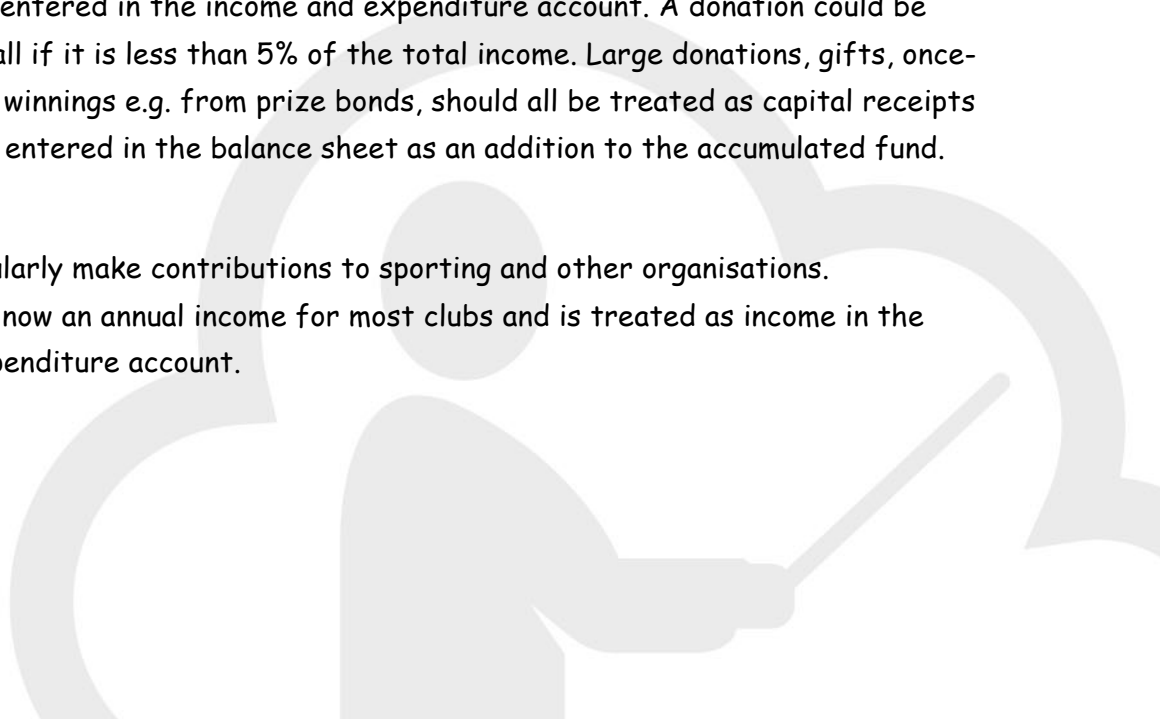
Donation, gifts, winnings and annual grants

Small donations, gifts and annual grants should all be treated as income within the year of receipt and entered in the income and expenditure account. A donation could be considered small if it is less than 5% of the total income. Large donations, gifts, once-off grants and winnings e.g. from prize bonds, should all be treated as capital receipts and as a result entered in the balance sheet as an addition to the accumulated fund.

Sponsorship

Company's regularly make contributions to sporting and other organisations.

Sponsorship is now an annual income for most clubs and is treated as income in the income and expenditure account.



Remember

The treasurer

- Collects all money due to the club
- Takes care of payments incurred in the day-to day running of the club
- Maintains proper books
- Reports on the financial position of the club at the AGM

Difference between a Receipts and Payments account and an Income and Expenditure account

- A receipts and payments account is the same as a bank account
- An income and expenditure account is the same as a profit and loss account

Why is the balance in the Receipts and Payments account different from the balance in the Income and Expenditure account?

- The purchase and sale of fixed assets affect the receipt and payments account only
- Capital introduced affects the receipts and payments account only
- Non-cash items such as depreciation, profit or loss on disposal of an asset and provision for bad debts affect the income and expenditure account only

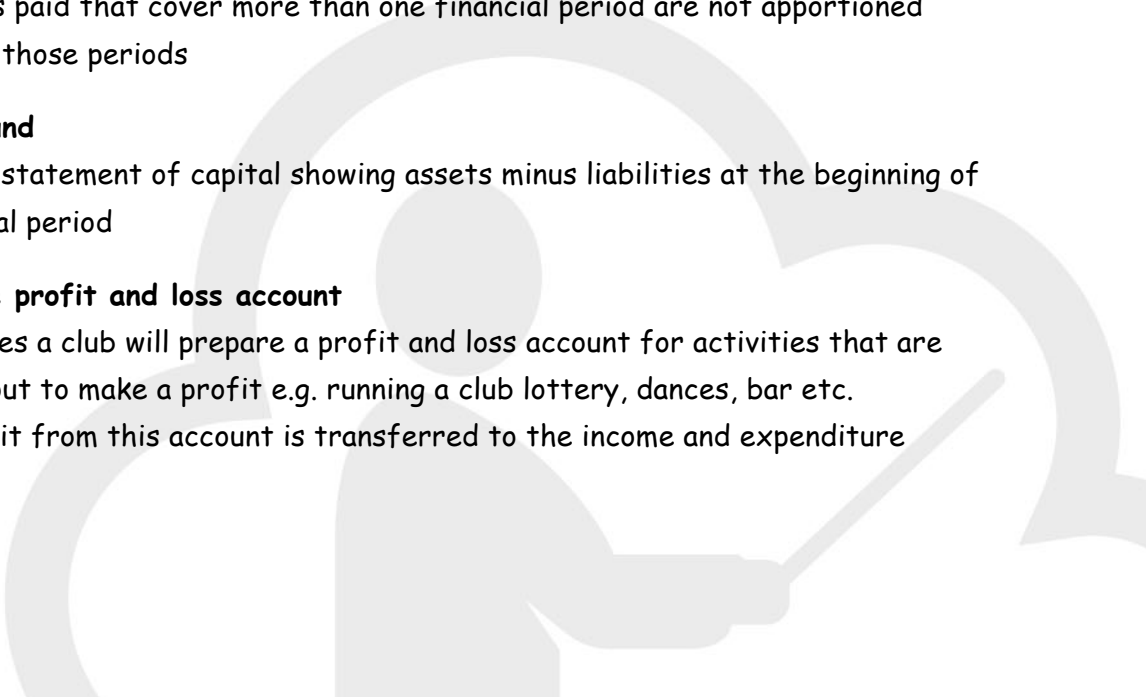
Limitations of a Receipts and Payments account

- It does not show the true financial position
- It does not distinguish between capital and revenue in income and expenditure
- Amounts due and unpaid are not included
- Expenses paid that cover more than one financial period are not apportioned between those periods

Accumulated fund

- This is a statement of capital showing assets minus liabilities at the beginning of a financial period

Special purpose profit and loss account

- Sometimes a club will prepare a profit and loss account for activities that are carried out to make a profit e.g. running a club lottery, dances, bar etc.
 - The profit from this account is transferred to the income and expenditure account
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Life membership

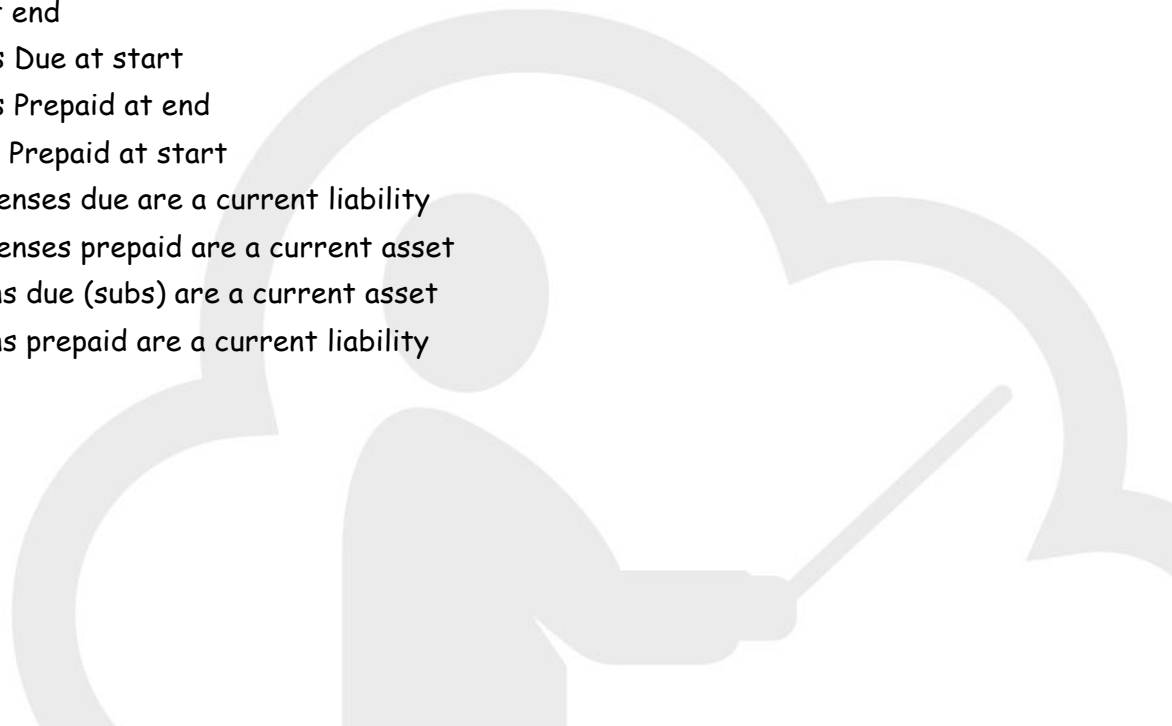
- Money received for life membership is credited to a life membership account
- Life membership is transferred to the income and expenditure account over a number of years
- The balance in the account is entered as a long-term liability in the balance sheet at the end of the year

Levies

- A levy is a special payment made to the club by the members in order to fund a special project, e.g. a new extension
- Levies are credited to a levy reserve fund account as they are capital receipts
- The balance in this account is shown as a reserve in the balance sheet at the end of the year

Bookkeeping

- A receipts and payments account is the same as a bank account. The balance in this account is either a current asset (dr) or a current liability (cr)
- A bar trading account is usually done before the income and expenditure account
 - Bar creditors are extra purchases (add creditors at end, minus creditors at start)
 - Bar debtors are extra sales (add debtors at end, minus debtors at start)
- An income and expenditure account is the same as a profit and loss account. Incomes are on the debit side and payments are on the credit side of the receipts and payments account
- Add Due at end
 - Less Due at start
 - Less Prepaid at end
 - Add Prepaid at start
 - Expenses due are a current liability
 - Expenses prepaid are a current asset
 - Gains due (subs) are a current asset
 - Gains prepaid are a current liability



- The purchase and sale of fixed assets do not go into the income and expenditure account
- Accumulated fund is capital. To get it: add all assets and subtract liabilities at the beginning of the year
- Levies due at the beginning of the year are an asset, as they are owed to the club. Levy reserve fund is a liability and goes into the "financed by" section of the balance sheet
- Life membership is a long-term liability. Life membership written off is an income
- Prize bonds are a current asset
- Small donations, gifts, annual grants and annual sponsorship should be treated as a income in the income and expenditure account. A donation could be considered small if it is less than 5% of the total income
- Large donations, gifts and once off grants should be treated as capital receipts and should be added to accumulated fund in the balance sheet

Let's take a look at a question

Q12.1

Included in the assets and liabilities of the Blackrock Rowing Club on 1/1/2012 were the following: clubhouse €400,000, bar stock €2,000, equipment €20,000, bar creditors €3,000, subscriptions due €500, government investments €40,000, expenses prepaid €200.

The club treasurer has supplied the following account of the club's activities during the year ended 31/12/2012.

Receipts	€	Payments	€
Bank balance, 1/1/2012	3,000	Bar purchases	25,000
Interest	500	General expenses	16,000
Bar sales	50,000	Dance costs	3,000
Dance receipts	4,700	Purchase of equipment	5,000
Subscriptions	6,200	Bar creditors	1,000
Donations	2,000	Balance 31/12/2012	16,400
	66,400		66,400

You are given the following information:

- Bar stock at 31/12/2012, €3,500
- Clubhouse and course to be depreciated by 2% of cost
- Equipment owned on 31/12/2012 is to be depreciated by 20% of cost
- Bar creditors on 31/12/2012, €1,200
- Subscriptions prepaid, €200

You are asked to:

- Show the clubs accumulated fund (capital) on 1/1/2012
- Show the income and expenditure account for the year ended 31/12/2012
- Show the clubs balance sheet on 31/12/2012

Accumulated Fund		
Assets	€ 400,000.00	
Clubhouse	€ 20,000.00	
Equipment	€ 2,000.00	
Bar stock	€ 40,000.00	
Investments	€ 500.00	
Bank		€ 465,700.00
Liabilities		
Bar creditors		€ 3,000.00
Accumulated fund		€ 462,700.00

Income and Expenditure for the year ended 31/12/12			
Income			
Bar profit	W1	€ 27,300.00	
Subscriptions	W2	€ 5,500.00	
Profit on dance	W3	€ 1,700.00	
Interest		€ 500.00	
Donations		€ 2,000.00	€ 37,000.00
Less Expenditure			
General expenses	W4	€ 16,200.00	
Depreciation - equipment	W5	€ 5,000.00	
Depreciation - clubhouse		€ 8,000.00	€ 29,200.00
Surplus of income over expenditure for year			€ 7,800.00

Balance Sheet as at 31/12/2012			
Fixed Assets	Cost	Dep.	Book Value
Clubhouse and course	€ 400,000.00	€ 8,000.00	€ 392,000.00
Equipment	€ 25,000.00	€ 5,000.00	€ 20,000.00
	€ 425,000.00	€ 13,000.00	€ 412,000.00
Investments			
Government's investments			€ 40,000.00
			€ 452,000.00
Current Assets			
Bar stock		€ 3,500.00	
Bank		€ 16,400.00	
		€ 19,900.00	
Less Creditors: amounts falling due within one year			
Subs prepaid	€ 200.00		
Bar creditors	€ 1,200.00	€ 1,400.00	
Working Capital			€ 18,500.00
Total Net Assets			€ 470,500.00
Financed By			
Creditors: amounts falling due after more than one year			
Accumulated fund			€ 462,700.00
Add excess income over expenditure			€ 7,800.00
Capital Employed			€ 470,500.00



Workings		
Working 1		
Bar sales		€ 50,000.00
Opening stock	€ 2,000.00	
Bar purchases (25,000 - 3,000 + 1,200 + 1,000)	€ 24,200.00	
	€ 26,200.00	
Less closing stock	€ 3,500.00	€ 22,700.00
Bar profit		€ 27,300.00
Working 2		
Subscriptions	€ 6,200.00	
due, 1/1/2012	€ 500.00	
prepaid, 31/12/2012	€ 200.00	
I/E	€ 5,500.00	
Working 3		
Equipment, 1/1/2012	€ 20,000.00	
Add purchases	€ 5,000.00	
	€ 25,000.00	
Less depreciation 20%	€ 5,000.00	
B/S	€ 20,000.00	
Working 4		
General Expenses	€ 16,000.00	
Add expenses prepaid	€ 200.00	
I/E	€ 16,200.00	
Working 5		
Dance receipts	€ 4,700.00	
Less dance costs	€ 3,000.00	
I/E	€ 1,700.00	

Homework

Q 12.2

Included in the assets and liabilities of Mullin GAA Club on 1/1/2012 were the following: clubhouse and gym €300,000, equipment (cost) €40,000, bar stock €4,000, bar debtors €1,500, bar creditors €6,000, life membership €30,000, levy reserve fund €30,000, wages due €1,000, subscriptions received in advance €1,200, 5% investment €150,000, investment interest due €500.

The club treasurer has supplied the following account of the clubs activities during the year ended 31/12/2013.

Receipts	€	Payments	€
Balance	12,000	Bar purchases	30,000
5% Gov. investment interest	1,500	General expenses	12,000
Entrance fees	4,000	Equipment	12,000
Sponsorship	14,000	Repayment of 40k loan On 31/06/2012 with 2 years interest	50,000
Subscriptions	48,600	Transfer to CU 31/12/13	20,000
Bar receipts	45,000	Catering Expenses	8,000
Catering	12,000	Balance	5,100
	<u>137,100</u>		<u>137,100</u>
Balance	5,100		

Additional information given by the treasurer on 31/12/2013 was as follows:

- 20% depreciation applied to all equipment owned at cost value on 31/12/2013
- The clubhouse bar had stock on 31/12/2013 of €5,000
- Bar debtors and creditors on 31/12/2013 were €400 and €600 respectively
- Life membership was to be written off over an 8-year period commencing in 2013
- Subscriptions include:
 - Levy of €150 on 100 members for 2012
 - One life membership, bringing total life membership up to 16
 - Levy of €150 on 200 members for 2013
 - Subscriptions paid in advance for 2014 amounted to €1,000

You are asked to:

- a) Show the club's Accumulated Fund on 1/1/2013
- b) Show the Income and Expenditure Account for the year ended 31/12/2013



Accumulated Fund for Mullin GAA Club as at 1/1/2013		
Assets		
Clubhouse and Gym	€ 300,000.00	
Equipment	€ 40,000.00	
Bar stock	€ 4,000.00	
Bar debtors	€ 1,500.00	
5% Gov. Investments	€ 150,000.00	
Investments interest due	€ 500.00	
Levy due (150x100)	€ 15,000.00	
Bank	€ 12,000.00	€ 523,000.00
Liabilities		
Life membership	€ 30,000.00	
Levy reserve fund	€ 30,000.00	
Subscriptions prepaid	€ 1,200.00	
Bar creditors	€ 6,000.00	
Wages due	€ 1,000.00	
Loan	€ 40,000.00	
Loan interest (10,000x18/24)	€ 7,500.00	€ 115,700.00
Accumulated Fund as at 1/1/2013		€ 407,300.00

Bar Trading Account		
Bar receipts (45,000-1,500+400)		€ 43,900.00
Less Cost of Sales		
Opening stock	€ 4,000.00	
Purchases (30,000-6,000+600)	€ 24,600.00	
Closing stock	€ 5,000.00	
Cost of Goods Sold		€ 23,600.00
Gross profit		€ 20,300.00

Income and Expenditure Account for year ended 31/12/2013			
Income			
Bar profit		€ 20,300.00	
Subscriptions (48,600-15,000- 2,000-30,000-1,000+1,200)		€ 1,800.00	
Investment interest (5% of 150k)		€ 7,500.00	
Entrance fees		€ 4,000.00	
Life membership (32,000/8 years)		€ 4,000.00	
Annual sponsorship		€ 14,000.00	
Catering profit (12,000-8,000)		€ 4,000.00	€ 55,600.00
Less Expenditure			
General expenses (12,000-1,000)	€ 11,000.00		
Loan interest (10,000 x 6/24)	€ 2,500.00		
Depreciation on equipment (52,000 @20%)	€ 10,400.00		€ 23,900.00
Excess Income Over Expenditure			€ 31,700.00

