



**SENIOR CYCLE
ACCOUNTING**

**OCTOBER MID-TERM
LC ACCOUNTING CRASH COURSE**

**FINAL ACCOUNTS FOR A
CLUB**

SESSION BOOKLET



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CLUB

ACCOUNT

BASICS

Clubs & Societies

- Purpose: benefit members, not profit.
- Main income: subscriptions, plus sponsorships & fundraising.
- Officers: Chairperson, Secretary, Treasurer (appointed yearly at AGM).

AGM (Annual General Meeting):

- Treasurer & chairperson present annual report.
- Officers appointed/reappointed.
- Other matters discussed & decisions made.

Treasurer – Key Roles

- Collect subscriptions & funds.
- Make payments & bank lodgements.
- Keep financial records.
- Prepare & present annual report at AGM.
- Advise members on finances & future spending plans.

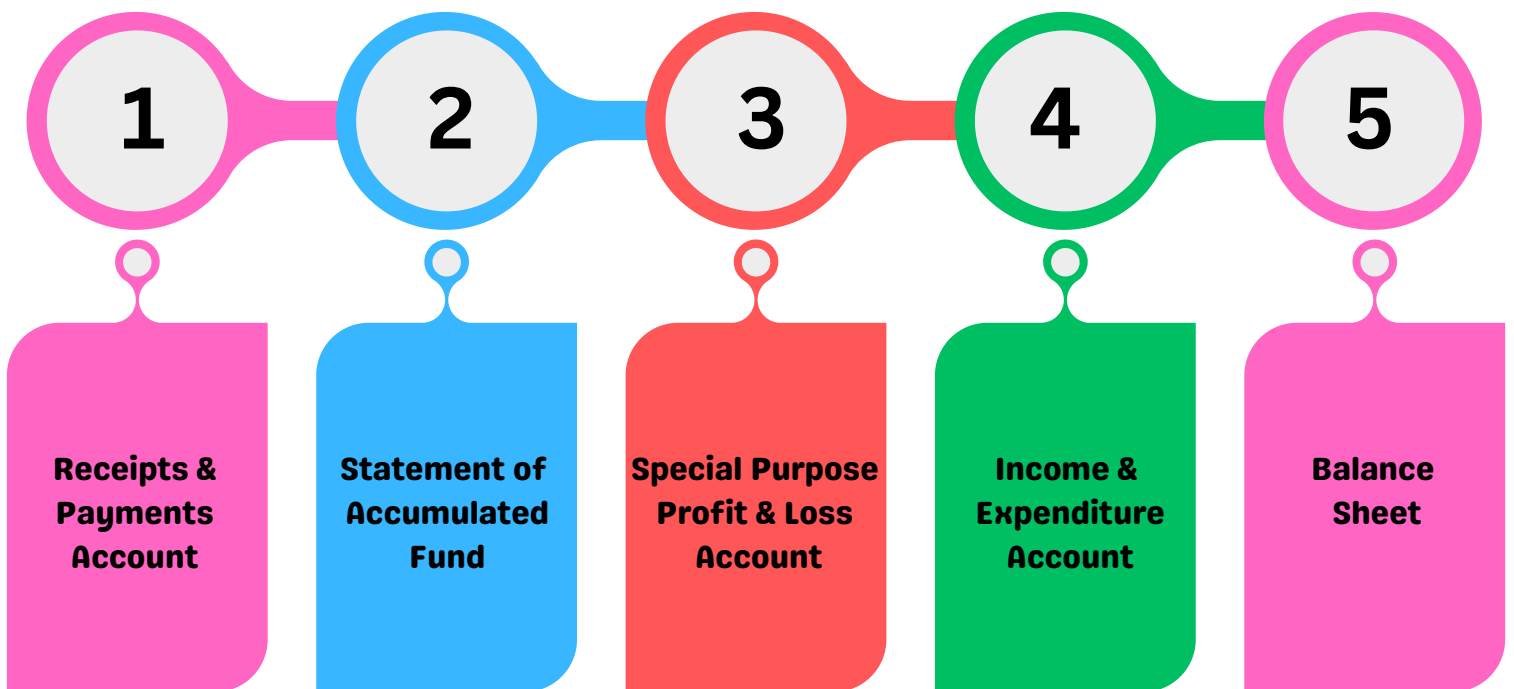


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CLUB

ACCOUNT

STATEMENTS



COMMON

WORKINGS

3

In club account questions, certain adjustments appear frequently.

While adjustments for other accounts (such as accruals, prepayments, depreciation of assets, and profit or loss on asset sales) are also important, club accounts have some additional considerations.

These include:

- 1. Investments and investment income**
- 2. Levy reserve fund**
- 3. Loans and loan interest**
- 4. Life membership fees**
- 5. Subscriptions**



Adjustment 1 – Investments and Investment Interest

How it is treated in the accounts

Investments are shown as assets in both the accumulated fund statement and the balance sheet. Investment interest receivable is recorded as income in the income and expenditure account. Investment interest due at the start of the year is treated as an asset in the accumulated fund. Investment interest due at the end of the year is shown as a current asset in the balance sheet.

Example

On 01/01/2023, a club held investments of €25,000 at 12%.

At that date, investment interest of €600 was still due.

During the year, the club actually received €2,000 in investment interest.

Solution

Receivable: $€25,000 \times 12\% = €3,000 \rightarrow$ (Income in income & expenditure account)

Less: Amount due on 01/01/2023 = €600 $\rightarrow$ (Asset in accumulated fund)

Received during 2023 = €2,400

Amount still due on 31/12/2023 $(€3,000 - €2,400) = €600 \rightarrow$ (Current asset in balance sheet)

<u>Details</u>	€	<u>Details</u>	€

<u>Details</u>	€	<u>Details</u>	€

<u>Details</u>	€	<u>Details</u>	€

<u>Details</u>	€	<u>Details</u>	€



Note:

If investments are not included in the opening balances, the receivable interest must be calculated using the income received and the percentages provided.

Adjustment 2 – Levy Reserve Fund

How it is treated in the accounts

The levy reserve fund at year-end must include both the opening balance and the current year's levy.

Any levy collected is not treated as normal subscription income but added to the levy reserve.

Example

On 01/01/2023, a club's levy reserve fund stood at €24,000.

During the year, subscriptions received amounted to €104,000. Included in this was a levy for 2023 of €500 per member for 48 members.

Solution

- Levy reserve fund 01/01/2023 → €24,000 (Liability in accumulated fund)
- This year's levy: €500 × 48 = €24,000
- Levy reserve fund 31/12/2023 = €24,000 + €24,000 = €48,000 (Liability in balance sheet)

Adjustment to subscriptions:

€104,000 – €24,000 = €80,000 (Income in income & expenditure account)

<u>Details</u>	<u>€</u>	<u>Details</u>	<u>€</u>

<u>Details</u>	<u>€</u>	<u>Details</u>	<u>€</u>

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Note:

Levies are always transferred into the reserve fund and do not remain in the subscription income figure.

Adjustment 3 – Loan and Loan Interest

How it is treated in the accounts

Loan → recorded as a liability in the accumulated fund.

Loan interest due → shown as a liability in the accumulated fund.

Loan interest for the current year → recorded as an expense in the income & expenditure account.

Example

A club repaid a bank loan of €30,000 on 30/06/2023.

The repayment included 18 months' interest, with a total payment of €33,600.

Solution

Loan:

- €30,000 → Liability in accumulated fund

Loan Interest (Step 1: Work out total interest and monthly charge):

- Amount repaid: €33,600 (Income & expenditure account)
- Less loan amount: (€30,000)
- Total interest: €3,600
- Monthly interest = $€3,600 \div 18 = €200$ per month

<u>Details</u>	<u>€</u>	<u>Details</u>	<u>€</u>

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Note:

The loan belongs to the current year (expense) and the rest is interest due (liability). The split depends on the repayment date given.

Adjustment 4 – Life Membership

How it is treated in the accounts

- Life membership is shown as a liability in both the accumulated fund and the balance sheet.
- Each year, a portion of life membership is written off to income in the income & expenditure account.

Example

On 01/01/2023, a club's life membership balance was €36,000.

During the year, the club received two new life memberships worth €6,000 in total (included in subscriptions received of €96,000).

Life memberships are written off evenly over 10 years.

Solution

- Life membership at 01/01/2023 → €36,000 (Liability in accumulated fund)
- New life memberships ($€36,000 \div 12 \times 2$) → €6,000
- Life membership at 31/12/2023 → €42,000
- Write-off to income ($€42,000 \div 10$) → €4,200 (Income in income & expenditure account)
- Net balance at 31/12/2023 → $€42,000 - €4,200 = €37,800$ (Liability in balance sheet)

Adjustment to Subscriptions:

$€96,000 - €6,000 = €90,000$ (Income in income & expenditure account)

<u>Details</u>	<u>€</u>	<u>Details</u>	<u>€</u>

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<u>Details</u>	<u>€</u>	<u>Details</u>	<u>€</u>



Note:

Only the annual portion is transferred to income — the remaining balance stays as a liability.

Adjustment 5 – Subscriptions

How it is treated in the accounts

- Start with subscriptions received for the year.
- Add: Subscriptions prepaid at the beginning, and subscriptions due at the end.
- Subtract: Subscriptions due at the beginning (previous year) and prepaid at the end (next year).
- Subtract: Any life membership or levy amounts (these are not subscriptions).

Example

At 01/01/2023, subscriptions prepaid amounted to €2,800.
During the year, subscriptions received totalled €232,500. Included in this were:

1. Five new life memberships @ €2,000 each.
2. Subscriptions prepaid for 2024 of €1,200.
3. Levy for 2023 of €60 per member on 1,000 members.
4. Levy outstanding from 2022 of €60 each on 25 members.

Solution

Find the true subscriptions income for 2023:

- Amount received → €232,500
- Add prepaid (start of 2023) → + €2,800 (Liability in accumulated fund)
- Less prepaid (for 2024) → – €1,200 (Liability in balance sheet)
- Less levy for 2023 (€60 × 1,000) → – €60,000 (Reserve in balance sheet)
- Less levy for 2022 (€60 × 25) → – €1,500 (Asset in accumulated fund)
- Less life memberships (€2,000 × 5) → – €10,000 (Reserve in balance sheet)

Income from subscriptions = €162,600 (Income in income & expenditure account)

Details	€	Details	€

Details	€	Details	€

<u>Details</u>	<u>€</u>	<u>Details</u>	<u>€</u>

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Note:

Always adjust for levies and life memberships, as they must be separated from true subscription income.

PAST

4

EXAM

QUESTION

Included in the assets and liabilities of the Rock Rovers Football Club on 01/01/2021 were the following:

Clubhouse and land (at cost) €372,000; equipment (at cost) €35,000; life membership €24,000; bar stock €18,600; 5% investments €30,000; bar debtors €400; bar creditors €8,300; levy reserve fund €30,000; investment interest due €300; wages due €900; subscriptions received in advance €1,500.

All fixed assets have 2 years accumulated depreciation on 01/01/2021.

The club treasurer has provided the following account of the club's activities during the year ended 31/12/2021.

Receipts and Payments Account for year ended 31/12/2021			
Receipts	€	Payments	€
Subscriptions	109,400	Balance 01/01/2021	13,900
Bar receipts	120,500	Bar purchases	65,700
Annual grant	8,000	Competition expenses	18,900
Interest on 5% investments	1,800	General expenses	48,600
Competition receipts	28,400	Prize bonds	500
		Purchase of equipment	48,000
		Repayment of €30,000 Loan on 30/09/2021 together with interest for two years	32,400
		Transfer to 4% fixed interest building society account on 30/06/2021	36,000
		Balance 31/12/2021	<u>4,100</u>
	<u>268,100</u>		<u>268,100</u>

You are given the following additional information and instructions:

- (i) Bar stock 31/12/2021 was €17,000.
- (ii) Bar debtors and bar creditors on 31/12/2021 were €800 and €6,400 respectively.
- (iii) Equipment owned on 31/12/2021 is to be depreciated at the rate of 15% of cost per annum.
- (iv) The clubhouse and land includes land that cost €200,000. Depreciation is to be provided on the clubhouse at a rate of 2% of cost.
- (v) Subscriptions include:
 - 1. 2 new life memberships of €4,000 each.
 - 2. Levy for 2020 of €100 each from 5 members.
 - 3. Levy for 2021 of €100 each from 300 members.
 - 4. Subscriptions for 2022 amount to €2,000.
- (vi) Life membership is to be credited to income over a 10 year period commencing in 2021.

Required:

- (a) Show the club's accumulated fund on 01/01/2021. (30)
- (b) Show the club's income and expenditure account for the year ended 31/12/2021. (40)
- (c) Show the club's balance sheet as at 31/12/2021. (20)
- (d)
 - (i) Explain why some clubs charge levies.
 - (ii) Why are levies treated differently to annual subscriptions in the accounts? (10)

(100 marks)

ACCOUNTING

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