

## Club Accounts Theory

Remember, you must always use figures from the question when answering club account theory questions.

### **How Might The Club Finance An Extension?**

- Increase subscription fee or charge a levy.
- Attract new members.
- Attract sponsorship.
- Apply for a lottery grant.
- Sell investments.

**A Levy** is an extra fund provided by members for the specific purpose of purchasing or financing new fixed assets. It must be used for its intended purpose The levy is recorded in the financed by section of the balance sheet.

**Subscriptions** are the regular fees paid by members, normally charged annually, to cover the day-to-day running costs of the club. Subscriptions are recorded as income in the income and expenditure account.

**Life Membership** – This is where a club member pays a fee that entitles her/him to use the facilities of the club for the rest of her/his life. It is treated as a long-term liability in the balance sheet and can be written off to income over a stated number of years.

### **Indicate the Points You, as Treasurer, Would Make If the Members Proposed to Reduce the Subscriptions.**

Subscription, entrance fees and sponsorship income are not guaranteed and therefore reducing subscriptions ourselves may not be a good idea (since all of these things may fall unexpectedly and we'd then be left in a very difficult situation).

If the reduction does not attract new members, income will fall immediately.

If members are willing to pay the current subscription rate, maintaining this level would enable us to save excess income for future development.

### **Explain With The Use of an Example What Is Meant By A Special Purpose Profit and Loss Account.**

This is an account for transactions outside the normal day-to-day running of the club. For example, if the club decided to award life memberships to certain people or if they have a bar or shop attached to the club, a separate account would be used to record this and the balance would then be transferred to the regular profit and loss account.

### **What Advice Would You Give The Treasurer?**

(This obviously depends a bit on the accounts you've just prepared, but in general you can say...)

- If the club has large investments or savings, maybe use them to improve club facilities.
- If there is a steady excess of income over expenditure the club might consider offering new services to members (free floodlights use or subsidised food in the bar).
- If they are struggling financially and wish to develop, they might consider the introduction of a levy.
- They could try to attract sponsorship.

### **Limitations of a Receipts and Payments Accounts**

1. Does not show whether the club is raising enough to cover its running expenses
2. Only shows an increase or decrease in class, expenses due and prepaid are not considered.
3. Does not distinguish between receipts and expenses for different years
4. Does not take into account losses such as depreciation

### **What is the role of the club treasurer?**

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 in the club.

Maintaining proper books for all receipts and payments, i.e. analysed receipts and payments book.

Preparing the annual treasurer's report on the financial position of the club and reporting on it at the AGM.

Making recommendations regarding the financial position of the club.

Making all lodgments to the bank on behalf of the club.

**Explain why the balance in the Receipts and Payments account is different from the balance in the income and expenditure account.**

The purchase and sale of fixed assets affect the receipts and payments only.

Capital introduced affects the receipts and payments 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.

**Adjustments**

### ***Levies***

Special extra payment made to the club by its members to fund a project such as an extension. A levy is not a loan. Levies are used for the specific purpose for which it was collected. It is due to the members until it is used and is therefore a liability in the balance sheet. Levies are not include as income.

Unpaid levies are treated as assets, as the money is due to be paid to the club.

### ***Donations, 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.

Large donations, gifts, once- off grants and winnings (prize bonds) should be treated as capital receipts and consequently entered in the balance sheet as an addition to the accumulated fund.

### ***Sponsorship***

Commercial concerns regularly make contributions to sporting and other organizations. Sponsorship is now an annual income for most clubs and is treated as income in the income and expenditure account in the year of receipt.