**Club Accounts**

***Why are clubs set up?***

Clubs are established for the benefit of the members and are not set up to make a profit. At the AGM the club treasurer presents the accounts to the members. Each year a club will hold an AGM and at this meeting and the officers of the club will be appointed. The main officers of the club are:

1. The Chairperson
2. The Secretary
3. The Treasurer

***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.

***The Accounts***

***Analysed Receipts and payments book***

* Used to record the day-to-day receipts and payments of the club. Similar to the cash book.

***Receipts and Payments Account (Same as a bank account)***

Summary of the organizations daily receipts and payments of cash for the period covered by the account. The receipts and payments account, however, does not give the true financial position of the organisaton, owing to the following limitations.

* Accounts due/prepaid (expenses and gains) are not included.
* It does not distinguish between capital and revenue expenditure.

***Income and Expenditure Account (same as profit and loss)***

The income and expenditure account shows the difference between all income and all expenditure for the financial period. **It’s similar to a company’s profit and loss account**. This account must only take into account actual income and expenditure for the year. **It must therefore be adjusted for accruals and prepayment where necessary.**

***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.

***Limitations of Receipts and Payments***

* It does not distinguish between current and capital income and expenditure.
* Amounts due and prepaid are not included.
* Expenses paid which cover more than one financial period are not apportioned between those periods.

***Explain Accumulated Fund***

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

|  |  |
| --- | --- |
| **Accumulated Fund XYZ on 1/1/2011** | |
| **Assets** |  |
| Clubhouse/Courts/ Premises/ Pitches/Motor Vehicles/Equipment |  |
| Bank /Cash |  |
| Bar debtors |  |
| Bar Stock |  |
| Investments |  |
| Levy Due |  |
| Subscriptions due |  |
| Expense Prepaid |  |
|  |  |
|  |  |
| **Less Liabilities** |  |
| Loan & Loan interest due |  |
| Levy Reserve Fund |  |
| Life Membership |  |
| Bankoverdraft |  |
| Subscriptions prepaid |  |
| Expenses due |  |
| Bar creditors |  |
|  |  |
|  |  |
|  |  |
| **Accumulated fund as at 31/12/2011** |  |

**Look for hidden assets and liabilities.**

* The bank balance contained in the receipts and payment a/c.
* Loans that may have been repaid during the year and any interest due on the loans at the beginning of the year.
* Levies due for the previous year.
* Investments (If there is investment interest due then there must be an investment)

**What is the purpose of a special purpose profit and loss account? Give an example.**

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.

|  |  |  |
| --- | --- | --- |
| **Bar Trading Account for Lifestyle Club for year ended 31/12/2011** | | |
| Sales (**less opening debtors+closing debtors)** |  |  |
| Less Cost of Sales |  |  |
| Opening Stock |  |  |
| Purchases **(Less opening creditors + closing creditors + any payment to creditors)** |  |  |
| Cost of goods available |  |  |
| Less Closing Stock |  |  |
| Cost of Goods Sold |  |  |
| Gross Profit |  |  |

**Balance Sheet**

A balance sheet for a club is laid out in similar fashion to the balance sheet for other organisations and shows the assets, liabilities and accumulated fund of the club at the end of the financial period.

* 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.

***Special Club Receipts***

There are a number of special items that apply only to club accounts

***Life Membership***

Since a life member will use the club’s facilities for more than one year, the life membership is treated **as a liability in the balance sheet and is normally written off to income over a stated number of years.**

***Entrance Fees***

Entrance fees may be payable by new members in the first year of membership in addition to subs for that year. These fees are treated as income in the year of receipt. Some clubs, however, have a policy of treating them as a capital receipt and consequently treat them as an increase to the accumulated fund in the balance sheet. These are known as signing-on fees or joining fees

***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, gifs, 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.**

**Adjustment to Club Accounts**

***1. Investments and Investment income***

Investments are treated as assets in both the accumulated fund and the balance sheet. Any interest receivable on these investments is treated as income in the income and expenditure account.

**Note. Investments not given in the opening list of balances will have to be calculated using interest amounts and percentages given.**

Example

|  |  |
| --- | --- |
| 10% Investments | €25000 |
| Interest due 1/1/05 | €400 |
| Interest Received | €1,800 |

Show the necessary adjustments in the accounts.

**Solution**

The investments carry 10% interest, therefore €25,000\*.1= **€2,500 (income and expenditure)**

The club received €1,800 of which €400 was due from the beginning , so received 1,400 for this year, which means that at the end of the year €2500 – €1400 = €1100 is still due.

|  |  |  |
| --- | --- | --- |
| **Item** |  | **Adjustment** |
| Investment | 25,000 | Asset in accumulated fund and balance sheet |
| Investment income due 1/1/ | 400 | Asset in accumulated fund only |
| Investment income | 2500 | Income in income and expenditure account |
| Investment income due 31/12 | 1100 | Asset in balance sheet only |

1. ***Loan Interest and Loan Interest Due***

Loans and loan interest are found in the receipts and payments account

**Step 1. Separate the loan and interest**

**Step 2. Separate the interest into the amount for the current year and the previous years (This will depend on the date of the repayment)**

|  |  |
| --- | --- |
| Loan | Entered as liability in accumulated fund |
| Ioan interest due 1/1/ | Entered as liability in accumulated fund |
| Interest for the current year | Entered as expense in the income and expenditure account |

**Step 1. Separate the loan and the interest**

**Repayment amount - Original amount = Total Interest**

**Step 2. Find the interest per month to find interest for current year and previous years.**

* Divide total amount of interest by total number of months to give you interest per month.
* Multiply interest per month by number of months in this year up to the repayment date to find interest for this year.
* Subtract interest for this year from total interest to find interest due at the start of the year.

1. ***Subscriptions***

|  |  |  |
| --- | --- | --- |
| Amount received during the year |  |  |
| Less subs due 1/1 (last year) |  | **Asset in accumulated fund** |
| Add subs prepaid 1/1/ (belong to this year) |  | **Liability in accumulated fund** |
| Less subs prepaid 31/12 (belong to next year) |  | **Current liability in BS** |
| Add subs due 31/12/ (belong to this year) |  | **Current asset in BS** |
| Less any life memberships included in subs |  | **Added to existing life membership and place in balance sheet under reserves** |
| Less any levies included in subscriptions |  | **Added to any existing levies and placed in balance sheet under reserves** |
| Amount to be treated as income in the income and expenditure |  |  |

***3(B) - Life Membership***

|  |  |  |
| --- | --- | --- |
| Life membership at 1/1/ |  | Liability in the accumulated fund |
| Add new life membership issued during the year |  |  |
| Total life membership |  |  |
| Less amount transferred to the Income and Exp  **( divide total life membership by number of years to be written off)** |  | Balance Sheet Entry |

***3 (C) Levies and Levies Due (A levy must not be included in income)***

|  |  |
| --- | --- |
| Levy Reserve Fund 1/1/ | Liability in statement of Accumulated fund |
| Levy for current year | If included in subs, subtract from subs and add to above |
| Levy due at start of year | Asset in accumulated fund. It is not added to existing levy reserve as it has already been included. |

1. ***Bar Trading Account – see page 4 above***
2. ***Profit on loss on catering/disco/raffle***

This is a small adjustment and generally involves taking the cost of the catering or disco or the raffle away from the receipts from the same event. A club can also make a loss on catering. This is an expense in the income and expenditure account

|  |  |
| --- | --- |
| Raffle Receipts |  |
| Less Raffle Prizes |  |
| Profit on Raffle | Entered as income in I+E |

1. ***Prize bonds and transfers to and from building societies***

A prize bond is an asset that can be cashed in at any time for its original amount. Since prize bonds are an asset they must be entered in the balance sheet as a **current asset.**

A transfer to a building society is not an expense as cash is simply transferred from, the bank account into the building society account. **This will appear as an investment (financial asset) in the balance sheet.**

***8. Accruals and Prepayments***

* **Add due at end of year**
* **Less due at start of year**
* **Less Prepaid at end of year**
* **Add prepaid at start**

***Procedure***

* Prepare all the workings first. Clearly number each working and label each figure acc fund, i&e or balance sheet as required
* Prepare the accumulated fund next. Make sure to look for hidden assets or liabilities.
* Prepare the bar/restaurant trading account, adjusting the sales and purchases figures for any debtors and creditors.
* Prepare the income and expenditure account.
* Prepare the balance sheet. Include any new assets purchased, depreciation calculated new investments, change to life membership and changes to the levy reserve fund.
* As always, make sure titles and dates are accurate. Make sure your accounts are neatly presented.

|  |  |  |  |
| --- | --- | --- | --- |
| **Income and Expenditure Account of XYZ Tennis Club for year ended 31/12/2009** | | | |
| ***Income*** |  |  |  |
| Bar Profit |  |  |  |
| Subscriptions |  |  |  |
| Life Membership |  |  |  |
| Investment Income |  |  |  |
| Entrance fees |  |  |  |
| Annual Sponsorship |  |  |  |
| Profit on catering/disco/lotto |  |  |  |
| Arena Rent |  |  |  |
| Profit on the sale of equipment |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
| ***Expenditure*** |  |  |  |
| Sundry Expenses |  |  |  |
| Coaching Expenses |  |  |  |
| Loan interest |  |  |  |
| Depreciation |  |  |  |
| Loss on the sale of equipment |  |  |  |
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| --- | --- | --- | --- | --- |
| **Balance Sheet of XYZ Tennis Club as at 31/12/xxxx** | | | | |
| ***Fixed Assets*** |  |  |  |  |
| Equipment |  |  |  |  |
| Grounds |  |  |  |  |
| Pitches |  |  |  |  |
|  |  |  |  |  |
| ***Investments*** |  |  |  |  |
| 4% Government Investments |  |  |  |  |
| Building Society Deposits |  |  |  |  |
|  |  |  |  |  |
| ***Current Assets*** |  |  |  |  |
| Bar Stock |  |  |  |  |
| Debtors |  |  |  |  |
| Bank |  |  |  |  |
| Investment income due |  |  |  |  |
| Prize bonds |  |  |  |  |
| Expenses Prepaid |  |  |  |  |
| Bank |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
| ***Less Creditors: Amounts falling due within one year*** | | | |  |
| Bar Creditors |  |  |  |  |
| Bankoverdraft |  |  |  |  |
| Expenses due |  |  |  |  |
| Subscriptions prepaid |  |  |  |  |
|  |  |  |  |  |
| ***Total Net Assets*** |  |  |  |  |
|  |  |  |  |  |
| ***Financed by*** |  |  |  |  |
| Accumulated Fund 1/01/xx |  |  |  |  |
| Add surplus of income over expenditure |  |  |  |  |
| ***Reserves*** | | | | |
| Levy Reserve Fund |  |  |  |  |
| Life membership |  |  |  |  |
| **Funds Employed** |  |  |  |  |