

**WORKING MEN'S CLUB & INSTITUTE UNION LIMITED**

**CLUB MANAGEMENT DIPLOMA**

**EXAMINATION PAPER**

**CLUB ACCOUNTANCY**

**18 May 2013**

**Time allowed - 3 hours**

**Examiner - William E Robinson FCA**

**CANDIDATES PLEASE NOTE**

Do not write your name on any of the papers. The papers have already been numbered for identification purposes.

Questions may be attempted in any order.

You should attempt to answer Questions 1 and 2 plus any three of the questions 3 to 7.

Write on one side of the paper only. Leave the left hand and the right hand margins free, except to identify the number of the question being attempted.

Write legibly - your answers must be capable of being understood.

Candidates are permitted to use pocket calculators.

Rough notes should be made on the working paper provided. Students should not introduce their own note paper. Continuation paper is available from the supervisor, if required.

Please ensure that the working papers are secured prior to handing them in.

Candidates may retain the question paper after the examination.

**NO REFERENCE MUST BE MADE BY CANDIDATES TO ANY NOTES OR TEXT BOOKS DURING THE EXAMINATION.**

**QUESTION 1**

The following Revenue Account of the Drinkers Delight Social Club Ltd for the year ended 31 December 2012 contains errors and mistakes.

	<u>2012</u>	<u>2011</u>	
<b>Bar trading account:</b>			
Sales (excluding VAT)	364,183	355,300	
Less: Cost of sales	<u>(171,166)</u>	<u>(174,097)</u>	
Gross profit	53.00      193,017	181,203	51.00
<b>Other income:</b>			
Games and entertainments	26,789	25,636	
Investment income	700	500	
Sundry income	<u>800</u>	<u>1,500</u>	
	28,289	27,636	
	<u>221,306</u>	<u>208,839</u>	
<b>Deduct - expenses:</b>			
Wages	(105,613)	(99,484)	
Entertainments	(31,587)	(32,977)	
Repairs and renewals	(12,765)	(12,765)	
Rent and rates	(20,424)	(20,424)	
Light and heat	(20,245)	(17,212)	
Cleaning materials	(2,521)	(2,553)	
Printing, postages and stationery	(1,892)	(1,702)	
Telephones	(690)	(851)	
Professional fees	(1,600)	(2,553)	
Depreciation	(9,000)	(7,500)	
Loan interest	(500)	(500)	
Other costs	<u>(6,394)</u>	<u>(5,106)</u>	
	(212,731)	(203,627)	
<b>PROFIT FOR THE YEAR</b>	<u>8,575</u>	<u>5,212</u>	

The following errors and omissions are discovered and you are required to correct the figures and to re-write the Revenue account for the year together with the comparative figures for the previous year.

- a) Cost of sales is over-stated by £2,000 as a retrospective discount is due.
- b) Bar takings inclusive of VAT are understated by £6,000 as the takings for the last week of the year were omitted in error.
- c) An invoice for repairs to property has been omitted amounting to £2,160 inclusive of VAT.
- d) The cost of Employers National Insurance of £5,150 has been omitted from Wages.
- e) Loan interest of £3,562 has been omitted in error.
- f) Depreciation has been over-stated by £2,512.
- g) Sundry income is under-stated by £1,000.

You are required to show your workings in arriving at the revised amounts.

**30 MARKS**

**ACCOUNTANCY MAY 2013**

**QUESTION 2**

**PART 1 – CASH BOOK**

From the following information you are required to prepare a cash account for the week ended Thursday 13 February. You are required to show an amount being banked on 13 February this being the amount which represents the cash in hand calculated at that date less a cash float to carry forward of £1,000.

Friday 7 February - bar takings £1,637.12. Paid out £75.00 to window cleaner.

Saturday 8 February - bar takings £1,824.16. Deposit received for hire of room for wedding of £20.00.

Sunday 9 February - bar takings £1,411.12. Gaming Machine income £320.40. Pool table income £35.20. Raffles and draws income £65.16. Paid out £80.00 for organist.

Monday 10 February - bar takings £741.99. Banked £5,280.01.

Tuesday 11 February - bar takings £811.64.

Wednesday 12 February - bar takings £738.96.

Thursday 13 February - bar takings £940.56. Banked £ ? (being balance of cash in hand less a cash float to carry forward of £1,000).

**PART 2 – BANK CASH BOOK**

Using the two banking amounts referred to in Part 1 above you are required to prepare a bank cash book account and to calculate the bank balance on 13 February

You are given the following additional information and you are required to calculate the bank balance at 13 February.

Bank balance at 7 February – to begin - brought down £3,250.00.

- Cheques issued - 8 February - Auditors - £1,410.00.
- 9 February - Cleaning company - £632.50.
- 12 February - Brewery company - £2,237.42.
- 12 February - Loan repayment - £5,000.35.

**25 MARKS**

**ACCOUNTANCY MAY 2013**

**QUESTION 3**

The following is the club stock report for a period of time of four weeks.

As can be seen the report shows a 'stock surplus' of £265.00.

As the clubs financial Officer you carry out financial control tests and these reveal the following:-

A) the stewards bar takings book contains a mistake and takings are overstated by £900.00.

B) By checking invoices to the goods received book it is discovered that the goods received book (and hence the stock report) does not contain the following entries:-

Deliveries:-

a) 22 gallons of Lager

b) 6 dozen bottles

	<u>Units of Quantity</u>	<u>Stock to begin</u>	<u>Purchases</u>	<u>Stock to end</u>	<u>Stock consumed</u>	<u>Selling price per unit</u>	<u>Retail value of stocks consumed</u>
(1) Lager	Gallons	130	176	110	196	17.60	3449.60
(2) Beer	Gallons	132	132	64	200	15.20	3040.00
(3) Bottles	Dozens	6	12	9	9	12.00	108.00
(4) Whiske	Bottles	20	11	11	20	12.00	240.00
<b>TOTAL VALUES OF STOCKS CONSUMED-----</b>							<b>6837.60</b>
<b>Takings as per Stewards Bar Takings Book</b>							<b>7102.60</b>
<b>Stock surplus</b>							<b>265.00</b>

From the above you are required to re-write the stock report and re-calculate the final stock surplus or deficiency'

**15 MARKS**

**ACCOUNTANCY MAY 2013****QUESTION 4**

You are required to prepare a Bank Reconciliation at 31 May.

**BANK CASH BOOK**

DATE	RECEIPTS		DATE	PAYMENTS	CHEQUE NO	
01 May	Balance b/fwd	2,310	05 May	Brewery	002	2,000
04 May	Takings	3,100	12 May	Brewery	003	4,170
11 May	Takings	4,170	19 May	Rates	SO	1,100
18 May	Takings	3,260	19 May	Brewery	004	5,880
25 May	Takings	2,811	26 May	Brewery	005	1,800
31 May	Brewery loan	6,000	31 May	Balance c/fwd		6,701
		<u>21,651</u>				<u>21,651</u>
01 June	b/fwd	6,701				

**BANK STATEMENT**

DATE		DEBIT £	CREDIT £	BALANCE
01 May	Balance b/fwd			5,760
02 May	001	3,450		2,310
06 May	Credit		3,100	5,410
09 May	002	2,000		3,410
11 May	Credit		4,170	7,580
19 May	SO	1,100		6,480
22 May	003	4,170		2,310
22 May	Credit		3,260	5,570
26 May	Credit		2,811	8,381
26 May	004	5,880		2,501
31 May	Bank charges	130		2,371

**15 MARKS**

**QUESTION 5**

In respect of the following information about beers sold in a club you are required in respect of each type of beer to prepare a statement to show the following details:-

Retail price per pint (Incl Value Added Tax)

Value Added Tax per pint

Sales price per pint (excluding Value Added tax)

Cost price per pint

Gross profit per pint

Gross profit percentage

**NOTE:**

- (1) The rate of Value Added Tax (VAT) is 20.0% and the VAT fraction is  $\frac{1}{6}$ .
- (2) Calculations are to be rounded down to the nearest 1p.
- (3) Percentages to be stated to the nearest whole number.

- A) Kwack beer retails at £2.80 per pint (incl VAT) and costs £1.18 per pint (excl VAT) to buy.
- B) Hornet beer retails at £2.45 per pint (incl VAT) and costs £1.12 per pint (excl VAT) to buy.
- C) Fireblade beer retails at £2.60 per pint (incl VAT) and costs £1.25 per pint (excl VAT) to buy.

**15 MARKS**

## **ACCOUNTANCY MAY 2013**

### **QUESTION 6**

Explain briefly why the following advice is incorrect and mis-guided.

A) Stocktaking should only be carried out once per year. This would save a substantial amount is stocktakers fees.

B) At the end of each week a weekly cash account should be prepared to show cash received from all sources and any payments made in cash. The cash account should then be "balanced" by calculating the precise amount of cash left over. This will be the cash received less the cash expended. This "balancing amount" should then be banked as one single bank deposit by the end of the following week.

C) Bert buys for £1.00 and sells for £1.20. His friend Bill recommends that Bert reduces his selling price by 10%. He says he will then sell twice as many and make more profit.

D) When we buy beer we are charged VAT on the suppliers invoice. Therefore once we have paid the suppliers invoice we have paid VAT and have accounted for all the VAT we need to and we have no further VAT liability.

E) If the Revenue Account shows a loss for the year of say £3,500 then this means rhat someone has stolen £3,500 from the club.

F) A copy of the stocktakers report should be given to the club steward to help him manage the bars.

**15 MARKS**

**ACCOUNTANCY MAY 2013**

**QUESTION 7**

Briefly describe the meaning and give examples of the following Balance sheet terms:-

1. Fixed assets.
2. Current assets.
3. Current liabilities.
4. Long term liabilities.
5. Shareholders funds.
6. Debtors.
7. Creditors.

**15 MARKS**