

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

**CLUB MANAGEMENT DIPLOMA**

**EXAMINATION PAPER**

**CLUB ACCOUNTANCY**

**10 MAY 2008**

**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.**



**ACCOUNTANCY MAY 2008****QUESTION 1**

The following Revenue Account of the Ynot Social Club Ltd for the year ended 31 December 2007 contains errors and mistakes.

	<u>2007</u>	<u>2006</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
<b>Other income:</b>		
Games and entertainments	26,789	25,636
Investment income	700	500
Sundry income	<u>800</u>	<u>1,500</u>
	<u>28,289</u>	<u>27,636</u>
	<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>
	<u>(212,731)</u>	<u>(203,627)</u>
<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 £5,875 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 £2,115 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.

NOTE : The VAT fraction is 7/47

**30 MARKS**



## ACCOUNTANCY MAY 2008

### QUESTION 2

The club operates a cash account system which allows cash payments to be made from cash received. This operates on the basis that all cash received each day is handed over to the treasurer who puts the money into the safe overnight. From this money he pays out certain cash expenses. All of these transactions are recorded in the weekly cash book which for the week ended 24 January shows the following:-

#### WEEKLY CASH BOOK

<u>RECEIPTS</u>	£	<u>PAYMENTS</u>	£
Bar takings	4,279.50	Wages	1200.00
Bingo	420.00	Draw prizes	1844.70
Gaming machines	295.20	Cleaning	239.00
Brewery loan	1,000.00	Entertainment - <b>Cheque number 203</b>	350.00
Raffles and draws	2,345.00	Balance, being the amount to be banked	4706.00
	<u>8,339.70</u>		<u>8,339.70</u>

The treasurer counts the cash and cheques left in his safe at the end of the week and discovers that he has £5,237.00 with an apparent unexplained cash surplus of £531.00.

The following information is given including extracts from the Primary Cash Record Books of the club.

The brewery loan was received as a cheque on Monday 18 January

The bar takings book shows the following:

		£
Monday	18-Jan	118.30
Tuesday	19-Jan	212.75
Wednesday	20-Jan	257.82
Thursday	21-Jan	614.94
Friday	22-Jan	837.88
Saturday	23-Jan	1294.23
Sunday	24-Jan	1161.58
		<u>4279.50</u>

The bingo takings book shows ticket sales and income as follows:

		No of books	£
Ticket sales are at <b>50p</b> each			
Thursday	21-Jan	182	91.00
Friday	22-Jan	170	82.00
Saturday	23-Jan	214	127.00
Sunday	24-Jan	200	100.00
			<u>420.00</u>

The gaming machines book shows the following information:

Gaming machine 1 - emptied Monday 24 January	234.10
Gaming machine 2 - emptied Monday 24 January	211.10
	<u>445.20</u>
Paid to odd job man - door repairs	-150.00
	<u>295.20</u>



ACCOUNTANCY MAY 2008

QUESTION 2

(continued)

From the above:-

- a) You are required to examine and identify any errors which have been made in the Primary Cash Records and to consider their effect in arriving at the figures in the weekly cash book.
- b) You are required to re-write the weekly cash book to accurately record the various transactions which occurred.
- c) You are to compare your re-calculated '**balance, being the amount to be banked**' with the actual cash in hand (including cheques, where appropriate) and to offer any advice if you find that there is a cash difference.
- d) You are required to comment on any weaknesses you observe in the system of financial control.

**25 MARKS**





**ACCOUNTANCY MAY 2008**

**QUESTION 3**

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

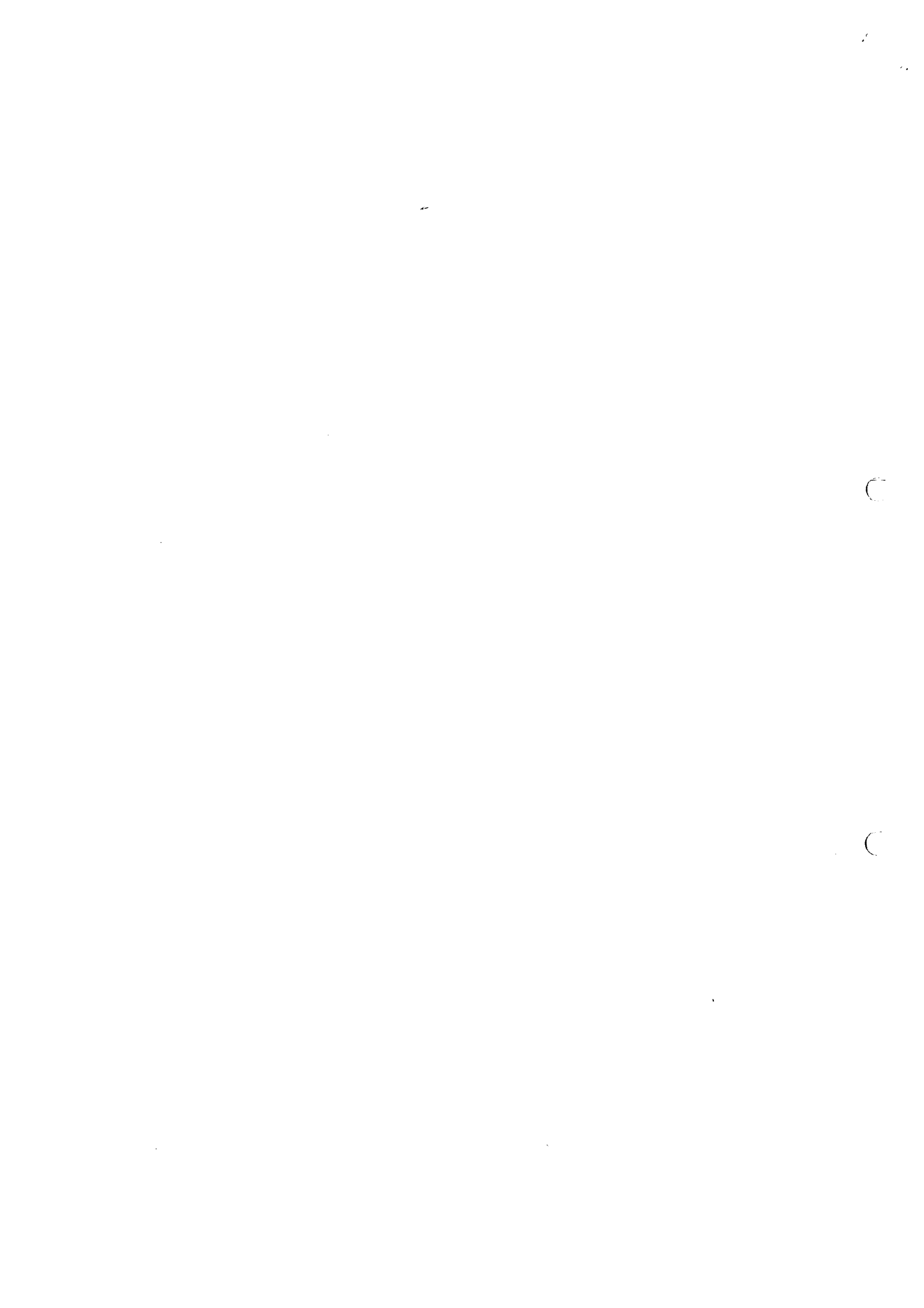
**BANK CASH BOOK**

<b>DATE</b>	<b>RECEIPTS</b>		<b>DATE</b>	<b>PAYMENT CHEQUE NO</b>	
01 Dec	Balance b/fwd	12,310	05 Dec	Brewery 002	5,000
04 Dec	Takings	13,100	12 Dec	Brewery 003	4,170
11 Dec	Takings	14,170	19 Dec	Rates SO	1,100
18 Dec	Takings	13,260	19 Dec	Brewery 004	5,880
25 Dec	Takings	12,811	26 Dec	Brewery 005	11,800
31 Dec	Brewery loan	60,000	31 Dec	Balance c/fwd	97,701
		<u>125,651</u>			<u>125,651</u>
01 June	b/fwd	97,701			

**BANK STATEMENT**

<b>DATE</b>		<b>DEBIT £</b>	<b>CREDIT £</b>	<b>BALANCE</b>
01 Dec	Balance b/fwd			15,760
02 Dec	001	3,450		12,310
06 Dec	Credit		13,100	25,410
09 Dec	002	5,000		20,410
11 Dec	Credit		14,170	34,580
19 Dec	SO	1,100		33,480
22 Dec	003	4,170		29,310
22 Dec	Credit		13,260	42,570
26 Dec	Credit		12,811	55,381
26 Dec	004	5,880		49,501
31 Dec	Bank charges	450		49,051

**15 MARKS**



**ACCOUNTANCY MAY 2008**

**QUESTION 4**

For the year ended 30 September 2007 a club predicts the following results

Retail sales (including VAT)		162,933
Less: VAT		<u>(24,267)</u>
Net sales		138,666
Cost of sales		<u>(65,173)</u>
Gross profit	53.00	<u>73,493</u>
Wages and salaries		<u>(43,493)</u>
'Contribution' towards other operating activities		<u><u>30,000</u></u>

The Secretary of the club realises that there is to be an increase in the statutory minimum wage from 1 October 2007 of £0.17 per hour (ie from £5.35 to £5.52 per hour).

The Secretary's analysis of the clubs predicted payroll is as follows:-

	Total pay for the year	Pay rate per hour
R U Smart	14,560	7.00
C Far	9,737	5.35
B Day	7,790	5.35
T Bone	5,842	5.35
B Sting	<u>5,564</u>	5.35
	<u>43,493</u>	

You are to assume that employees will work exactly the same number of hours for the year ended 30 September 2008 and that the increase of £0.17 per hour applies to all employees from 1 October 2007.

You are also to assume that the volume and selling prices of retail bar sales will remain the same for the year ended 30 September 2008 but extra discounts can be negotiated with beer suppliers.

You are required to :-

- Calculate the total predicted payroll cost for the year ended 30 September 2008.
- Apply this payroll cost to the above account and recalculate the gross profit required to maintain the 'contribution' figure of £30,000.
- Calculate the Gross profit as a percentage of the net sales.
- Calculate the extra discounts required from beer suppliers, apply these to the cost of sales and re-write the above to show the retained 'contribution' of £30,000.

**15 MARKS**

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**ACCOUNTANCY MAY 2008**

**QUESTION 5**

You are required to identify which of the following is correct:-

- 1 The stocktakers visits to the club should be arranged by:-
  - a) The steward.
  - b) The brewery sales representative.
  - c) The club's financial officer, on behalf of the Committee.
  - d) The auditors.
  
- 2 Stocktaking should be carried out:-
  - a) Once per year, to co-incide with the Balance Sheet date.
  - b) Weekly.
  - c) Usually monthly, but also at any odd time depending on the circumstances.
  - d) Daily.
  
- 3 A deficit shown by the stocktaker's retail value report usually indicates:-
  - a) The club has traded badly and has made a trading loss.
  - b) Stocks have been misappropriated.
  - c) Cash has been misappropriated.
  - d) Either stocks or cash has been misappropriated.
  
- 4 In order to determine the quantities of the bar purchases the stocktaker obtains information from:-
  - a) The delivery notes.
  - b) The goods received book.
  - c) The purchase invoices.
  - d) The club cash book.
  
- 5 A barrel of best beer costs £190 (excluding VAT) and is sold by adding 60% to the original cost and then by adding VAT at 17.5%. The selling price inclusive of VAT is:-
  - a) £357.20.
  - b) £337.25.
  - c) £304.00
  - d) £402.00

**15 MARKS**

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**ACCOUNTANCY MAY 2008**

**QUESTION 6**

A club has entered into a deal with a brewery for an advance discount loan of £40,710. The financial arrangements are ,briefly:-

Agreement period - 10 years

Minimum buying amount - 460 barrels per year

Discount for each barrel - £8.85

Shortfall - £50 per barrel

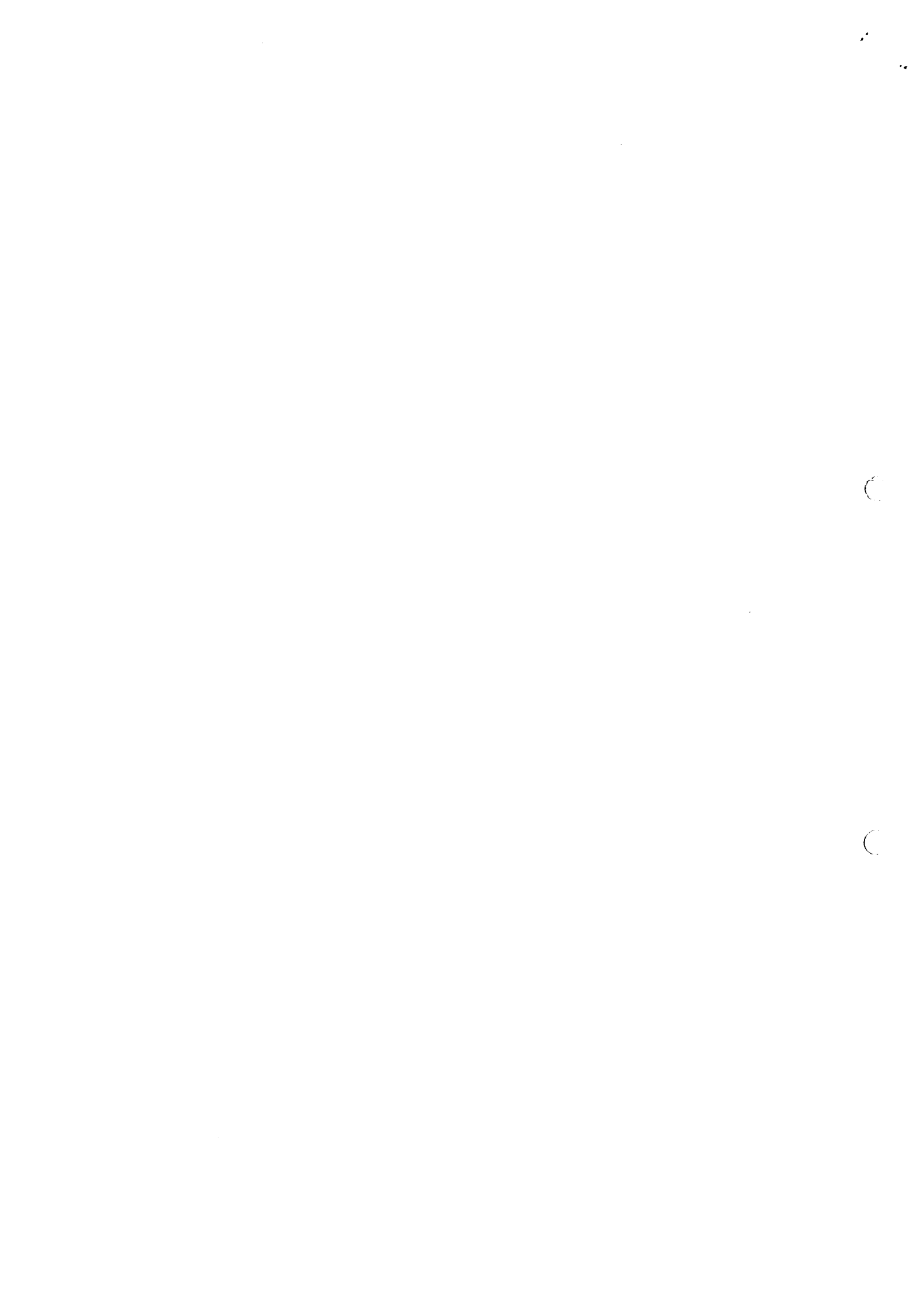
In essence this means that the club has received a loan of £40,710 and provided the club buys at least 460 barrels of drinks per year from the brewery then a discount of £8.85 per barrel will be written off the loan up to 460 barrels (equivalent to £4,071 per year for 10 years). However if the club buys less than 460 barrels then for every barrel under 460 the brewery will charge the club an amount of £50 per barrel.

Over the first 5 years of the agreement purchases are as follows:-

	Barrels purchased
Year 1	470
Year 2	460
Year 3	450
Year 4	430
Year 5	400

You are required to calculate the value of any discounts written off, where applicable , the value of any shortfall penalties where applicable, and prepare a statement over the 5 years to establish the final balance owing on the account at the end of year five.

**15 MARKS**





**ACCOUNTANCY MAY 2008**

**QUESTION 7**

The brewery offer the club a discount on a Barrel of Beer (288 pints) at £75/barrel. The committee decide to pass 50% of the discount to the members by reducing the price of a pint of beer. You are required to calculate the following:-

- a) The amount of discount offered by the Brewery calculated per pint of beer.
- b) The amount that can be reduced off the retail price of a pint of beer to give members 50% of the discount (rounded down to the nearest whole penny).

NOTE:- The retail price includes VAT at 17.5%.

**15 MARKS**

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