

**ACCOUNTANCY MAY 2009**

**QUESTION 1 -- ANSWER**

**The ZULU Workingmens Club Limited**

**REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2008**

**Bar trading account:**

Sales		255,300	
Less: Cost of sales		<u>(127,650)</u>	
Gross profit	50.00	127,650	<b>(A)</b>

**Other income:**

Games and entertainments	25,636		
Investment income	500		
Sundry income	<u>1,500</u>		
		27,636	<b>(B)</b>
		<u>155,286</u>	

**Deduct - expenses:**

Wages	(58,719)		
Entertainments	(12,977)		
Repairs and renewals	(12,765)		
Rent and rates	(20,424)		
Light and heat	(10,212)		
Cleaning materials	(2,553)		
Printing, postages and stationery	(1,702)		
Telephones	(851)		
Professional fees	(2,553)		
Other costs	<u>(15,106)</u>		
		(137,862)	<b>(C)</b>
<b>PROFIT FOR THE YEAR</b>		<u><b>17,424</b></u>	<b>(D)</b>

**ACCOUNTANCY MAY 2009**

**QUESTION 1 -- ANSWER**

**The ZULU Workingmens Club Limited**  
**BALANCE SHEET AT 31 DECEMBER 2008**

FIXED ASSETS

Freehold land an buildings		165,000
Fixtures and fittings		<u>25,000</u>
		190,000

CURRENT ASSETS

Stocks	8,500	
Debtors	8,200	
Bank deposit account	15,000	
Cash in hand	<u>35,000</u>	
	<u>66,700</u>	

CURRENT LIABILITIES

Bank overdraft	(25,000)	
Trade creditors	(13,000)	
Sundry creditors	(6,000)	
VAT liability	(6,800)	
PAYE	<u>(1,500)</u>	
	<u>(52,300)</u>	

NET CURRENT ASSETS		<u>14,400</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>204,400</u>
CREDITORS: Brewery loan		<u>(110,000)</u>
		<u><b>94,400</b></u>

CAPITAL AND RESERVES

Share capital		1,200
Revenue reserve		<u>93,200</u>
		<u><b>94,400</b></u>

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**QUESTION 2 - ANSWER**

**BANK CASH BOOK TOTAL ACCOUNT**

<b><u>RECEIPTS</u></b>	<b>£</b>	<b><u>PAYMENTS</u></b>		<b>£</b>
01-Jan Bal to begin 1 January 2009	2,475.18	06-Jan Cash for wages	851	594.37
04-Jan Banked cash	4,527.30	06-Jan Insurances	852	1,600.00
08-Jan Banked cash	2,800.00	08-Jan DD - electricity		450.00
11-Jan Banked cash	2,727.96	13-Jan Cash for wages	853	567.32
14-Jan Transfer from Deposit account	7,000.00	13-Jan PAYE	854	652.87
15-Jan Banked cash	2,750.00	13-Jan DD - Brewery A		7,342.93
18-Jan Banked cash	2,532.11	14-Jan DD - Brewery B		4,877.28
22-Jan Banked cash	2,900.00	20-Jan Cash for wages	855	573.14
25-Jan Banked cash	2,350.00	22-Jan Auditor	856	2,115.00
29-Jan Banked cash	2,900.00	22-Jan Repairs	857	732.15
		22-Jan Entertainment	858	2,350.00
		25-Jan Furniture	859	2,350.00
		26-Jan Transfer to Deposit account		8,000.00
		27-Jan Cash for wages	860	587.69
		Balance to end 31 December 2009		169.80
	<u>32,962.55</u>			<u>32,962.55</u>

**BANK RECONCILIATION STATEMENT AT 31 JANUARY 2009**

Balance as per statement			351.95
Add - Uncredited deposits			
	25-Jan	2,350.00	
	29-Jan	2,900.00	5,250.00
			<u>5601.95</u>
Less - Unpresented Cheques			
	857	732.15	
	858	2,350.00	
	859	2,350.00	5,432.15
Balance per Bank Cash Book Total Account			<u>169.80</u>

ACCOUNTANCY MAY 2009

QUESTION 3 - ANSWER

	<u>Kwack</u>	<u>Hornet</u>	<u>Fireblade</u>
Retail price per pint (incl VAT)	2.42	2.23	2.48
Less:VAT	0.32	0.29	0.32
Sales price per pint (Excl VAT)	<u>2.10</u>	<u>1.94</u>	<u>2.16</u>
Cost price per pint (Excl VAT)	<u>1.10</u>	<u>1.33</u>	<u>1.20</u>
Gross profit per pint	<u>1.00</u>	<u>0.61</u>	<u>0.96</u>
Gross profit %			
$\frac{\text{Gross profit}}{\text{Sales price}} * 100$	48	31	44

## ACCOUNTANCY MAY 2009

### QUESTION 4

#### 1. Duties of the Committee of Management

The duties of the Committee of Management are laid down in the Industrial and Provident Societies Acts. Briefly the Committee have duties which include:-

- A) Keeping proper books of account.
- B) Establishing and maintaining a proper system of financial control over the club's receipts and payments.
- C) Safeguarding the assets of the club for the benefit of the members.

In order to achieve the above the Committee must meet regularly and review all aspects of the club's financial operations.

In addition to the Industrial and Provident Societies Acts there are requirements to keep proper books of account and accounting records under all taxation legislation ( including VAT, PAYE and NIC, Corporation Tax etc) as well as under general employment law.

#### 2. Cash Book

##### TREASURER'S WEEKLY CASH BOOK - Week ended 31 December 2008

RECEIPTS		£	PAYMENTS		£
<u>VAT</u>					
46.96	Gaming machines	313.04	Expenses paid out		160.00
-	Bingo	124.00	Cash banked on 10 January 2009		729.70
-	Raffles and draws	186.00			
23.83	Entertainment entry fees	158.87			
4.83	Telephone box	32.17			
<u>75.61</u>	VAT	<u>75.61</u>			
		<u>889.70</u>			<u>889.70</u>

**NOTE: Committee Allowances**

Gaming machines	30.00
Bingo	30.00
Raffles and draws	60.00
Entertainment entry fees	30.00
Telephone box	10.00
	<u>160.00</u>

#### 3. Concerns

Whilst the original Treasurer's cash book does balance it has incorrectly recorded what has actually happened and casts doubt on the requirement to "keep proper books of account". The treasurer has effectively "concealed" the payments made to certain members of the Committee. In addition the VAT included under certain headings has been calculated after deducting the Committee Allowances. This is contrary to VAT legislation and upon examination would cause the club to incur penalties and interest charges from HMRC.

The Committee Allowances would also be subjected to the PAYE regulations and non-compliance will again involve Penalties and interest charges.

## ACCOUNTANCY MAY 2009

### QUESTION 5 - ANSWER

A) If stocktaking were to be carried out only once per year this would save the professional fees charged by stocktakers. However the establishment of proper controls over the clubs bars is of paramount importance and the Committee of Management's legal responsibilities include the regular review of the success or failure of bar trading. There are many aspects of this but one of the most important is to obtain at regular intervals (usually on a monthly basis) an independent stocktakers report which shows the detailed trading calculations for every product sold by the club and the result of a "retail value leakage account". Without regular stocktaking the club Committee would not be "managing" the club. The cost of stocktaking fees is relatively small in relation to the dangers of failing to control the clubs bars properly.

B) The operation of balancing the weekly cash account does involve the recognition of all cash received and all cash paid out. In theory cash received less cash paid out should equal the "cash in hand" at the end of the week. However it is essential that the "cash in hand" is actually counted and as people do make mistakes a "cash difference" will often arise. It is therefore important that the weekly cash account recognises cash differences so that the "cash in hand" figure is actually the precise cash at the end of the week. Depending on the size of the club it will often be sensible to bank cash at regular intervals during a particular week. Banking during a week will be shown as cash paid out and at the end of the week the "cash in hand" will therefore be minimal. This improves all financial controls and security issues. It is clearly wrong to state that the "balancing amount" should be banked as a single bank deposit by the end of the following week. Any "cash in hand" at the end of one week should be banked immediately at the start of the following week. This will maintain financial control and help to avoid a fraud referred to as "teeming and lading".

C) Bert currently makes a profit of 20p on every item he sells. If he offers a 10% price reduction then he sells for £1.08 (£1.20 less £0.12) and makes a profit of 8p per item. If he sells twice as many he will make a profit of 16p. Bills advice is therefore wrong - price is more important than volume.

D) The club is registered for VAT purposes and acts as a tax collector for HMRC. When money is received from sales of beers etc and from other sources such as from gaming machines the amount received includes VAT. If the club has no "purchases" then the amount of VAT received (called "output tax") is required to be paid over to HMRC once every 3 months. Most suppliers to the club are also registered for VAT and are similarly required to charge VAT on their sales to the club, such VAT being shown on their invoice to the club. From the clubs position the VAT on the purchases of goods and services invoices is paid to the supplier at the time the invoice is paid and the VAT (called "input tax") is then deducted from the output tax figure referred to earlier and the net difference is the club's VAT liability which is paid over to HMRC once every 3 months.

E) A loss in the Revenue Account of say £3,500 does not mean that someone has stolen £3,500. The Revenue account reflects the clubs success or failure in trading during an accounting period of time. It shows the profit results from the sales of beers etc (a); the totals for all other income and profits earned from gaming machines, bingo, snooker, raffles etc (b); and, from the totals of (a) and (b) there is deducted the costs of running the club including, wages, lighting and heating, repairs, rates and water, entertainment etc (c). The result of (a) + (b) - (c) created a profit or a loss (d). If it is known that someone has stolen from the club the value of the amount stolen should be reflected in the Revenue account as part of (c) and this would have an effect of the final result (d).

F) The stocktakers report is a report addressed to the Committee of Management to assist them to "manage" the business. The report is of vital importance to the management of the club's bars by the Committee and part of the report accesses the "stewardship" of the bars by the club steward. The report should never be given to the club steward as the availability of the report to a steward may assist a dishonest steward to the obvious detriment to the club.

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**QUESTION 6 - ANSWER**

	<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	198	110	218	17.60	3836.80
(2) Beer	Gallons	132	132	64	200	15.20	3040.00
(3) Bottles	Dozens	6	18	9	15	12.00	180.00
(4) Whiskey	Bottles	20	11	11	20	12.00	240.00
<b>TOTAL VALUES OF STOCKS CONSUMED-----</b>							<b>7296.80</b>
<b>Takings as per Stewards Bar Takings Book</b>							<b>6202.60</b>
<b>Stock DEFICIENCY</b>							<b>-1094.20</b>

**ACCOUNTANCY MAY 2009**

**QUESTION 7 - ANSWER**

**1. PRIMARY CASH RECORD BOOKS**

The primary cash record book may be described as the cash book of "prime" or "first" entry. Financial Officers and other persons whose duties include the receipt and recording of cash must be provided with the appropriate primary cash record book to ensure that:-

- (a) They record the cash received by them properly and under the correct heading, and,
- (b) that they give to and receive from the person handing over the money a proper receipt or signature.

**2. INFORMATION TO BE INCLUDED IN PRIMARY CASH RECORD BOOKS**

Each primary cash record book must contain details and give an "account" of what happened. The books should therefore include the dates, the cash counted, any cash paid out of the cash counted (for example for bingo or raffle prizes etc); who did the work, and who the cash was paid to.

**3. LIST OF PRIMARY CASH RECORD BOOKS**

There will be primary cash records books to account for club receipts from sources such as:-

- Bar takings
- Gaming machines
- Bingo receipts
- Juke box receipts
- Raffles and draws receipts
- Amusement machines
- Billiard table receipts
- Pool table receipts