

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

**CLUB MANAGEMENT DIPLOMA**

**EXAMINATION PAPER**

**CLUB ACCOUNTANCY**

**19 May 2012**

**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 C-Crunch Social Club Limited 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**

<b>RECEIPTS</b>	£	<b>PAYMENTS</b>	£
Bar takings	4,279.50	Wages	1200.00
Bingo	420.00	Sundry repairs	444.70
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	6106.00
	<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 shortage of £869.00.

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:

Ticket sales are at **50p** each

		No of book:	£
Thursday	21-Jan	182	91.00
Friday	22-Jan	170	82.00
Saturday	23-Jan	214	107.00
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>

Wages Book - Employees net monthly pay

Terry Dactyl	654.00
Will Verine	367.00
Katelin Sutherland	1200.00
Teresa Green	379.00
	<u>2600.00</u>

**ACCOUNTANCY MAY 2012**

**QUESTION 1**  
**(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.

**30 MARKS**

**ACCOUNTANCY MAY 2012****QUESTION 2**

The following is an analysed Trial Balance extracted from a club's records for the year ended 31 December 2011.

You are required to prepare a Revenue Account for the year ended 31 December 2011 and a Balance Sheet at 31 December 2011.

	<u>Revenue Account</u>		<u>Balance Sheet</u>	
	<u>balances</u>		<u>balances</u>	
	<u>Expend.</u>	<u>Income</u>	<u>Assets</u>	<u>Liabilities &amp; Capital</u>
	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>
Wages	69,108			
Games and entertainments income		15,636		
Land and buildings			165,000	
Rent and rates	20,424			
Stocks in hand			8,500	
Bar sales		265,800		
Other costs	15,106			
VAT liability				6,800
Professional fees	2,553			
Sundry creditors				6,000
Repairs and renewals	12,765			
Bar costs of sales (Bar purchases)	127,584			
Fixtures and fittings			25,000	
Cash in hand			35,000	
Sundry income		1,500		
Share capital				1,200
Cleaning materials	2,553			
Bank deposit account			15,000	
Printing postages and stationery	1,702			
Bank overdraft				25,000
Light and heat	10,212			
Amounts owing for PAYE				1,500
Telephone	851			
Trade creditors				13,000
Brewery loan owing				110,000
Investment income		500		
Entertainments	12,977			
Debtors due to be received			8,200	
<b>Reserves (85,599 b/fwd add profit 7,601)</b>				<b>93,200</b>
<b>Profit for the year</b>	<u>7,601</u>			
	<b><u>283,436</u></b>	<b><u>283,436</u></b>	<b><u>256,700</u></b>	<b><u>256,700</u></b>

NOTE: The Revenue account should be presented to show the Gross Profit from bar trading (A) ; a listing and total of the other income (B); a listing and total of the other costs (C); to arrive at the final Profit for the year (D).

The Balance Sheet can be presented in any format you prefer.

Marks will be awarded for correct answers and for neat and meaningful presentation.

**25 MARKS**

**ACCOUNTANCY MAY 2012****QUESTION 3**

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

**BANK CASH BOOK**

DATE	RECEIPTS		DATE	PAYMENT CHEQUE NO	
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	20,000	31 Dec	Balance c/fwd	57,701
		<u>85,651</u>			<u>85,651</u>
01 June	b/fwd	57,701			

**BANK STATEMENT**

DATE		DEBIT £	CREDIT £	BALANCE
01 Dec	Balance b/fwd			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 2012**

**QUESTION 4**

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 20.00%. The selling price inclusive of VAT is:-
  - a) £364.80
  - b) £357.20
  - c) £304.00
  - d) £402.00

**15 MARKS**

**QUESTION 5**

As a new member of your club Committee you discover that the same brand of beer is purchased from two different breweries and is sold at a price of £1.92 per pint.

The brewery's price lists show that Brewery X supplies beer at £6.80 per gallon and Brewery Y charges £6.16 per gallon.

Following successful negotiations with the breweries concerned Brewery X offers an invoice discount of £40 per barrel and Brewery Y offers an invoice discount of £20 per barrel. The Committee decide to use only one brewery in future and you are asked to give guidance on which brewery should be used.

You are therefore required:-

- (a) To calculate the sales revenue excluding VAT arising from the sale of one gallon of beer.
- (b) To calculate the net cost of one gallon of beer from Brewery X and from Brewery Y, after deducting barrelage discounts.
- (c) To show the gross profit arising from the sale of one gallon of beer purchased from Brewery X and also Brewery Y.
- (d) To express the gross profit as a percentage of sales (excluding VAT) in respect of each brewery.
- (e) To recommend which brewery should be used.
- (f) To calculate how much one pint of beer can be reduced should a £20 per barrel discount be passed on entirely to the members.

**NOTE:**

- (1) The VAT fraction is  $\frac{1}{6}$  th.
- (2) Calculations are to be rounded down to the nearest 1p.
- (3) 1 barrel = 288 pints.
- (4) Percentages to be stated to two decimal places.

**(15 MARKS)**

**QUESTION 6**

You have been asked to give guidance to a neighbouring club which is in financial difficulty.

The club secretary does not have up to date accounts and explains the following to you:-

The club changed its suppliers several months ago and whilst the liabilities for all current suppliers and for VAT and PAYE etc are up to date there is a balance owing to the previous beer supplier of £3,000. The club has no immediate resources to pay this supplier and the supplier has asked the club to pay £200 per week.

You examine the Cash Book, Bank Cash book and Stock Reports and you note that the Secretary's explanation appears to be correct. You obtain the following facts:-

1) For the past 30 weeks the average bar takings figure shown in the cash book (and agreed to the stock reports) has been £3,960 per week (incl VAT). The cash book also shows that the club has other income of £300 per week (excl VAT).

2) the Stock Reports show that the average Gross profit margin is 50%.

3) The club has regular weekly costs of --

Wages (gross)	1000
Entertainment	250
Rates and water	40
Light and heat	20
Others	50

4) The club also has a mortgage payment commitment of £490 per week.

From the above information only you are required to calculate the maximum amount per week which the club can offer the previous supplier in order to pay off the debt of £3,000. Also calculate the number of weeks it will take for the debt to be fully paid.

(NOTE: The VAT fraction is 1/6th)

**15 MARKS**



**ACCOUNTANCY MAY 2012**

**QUESTION 7**

A club prepares its VAT returns using the Cash Accounting method. For the three month period ended 30 June 2011 the following figures are extracted from the Cash Book and the Bank Cash Book:----

<b><u>CASH RECEIVED</u></b>	<b><u>GROSS</u></b>	<b><u>VAT STATUS</u></b>
Bar sales	53268.00	Standard rated
Fruit machines	4200.00	Standard rated
Raffles and draws	3250.00	Exempt
Sale of cash register	1000.00	Standard rated
Share capital	200.00	Outside the scope
Juke box	864.00	Standard rated
Cover charges	1530.00	Standard rated

<b><u>CASH AND BANK PAYMENTS</u></b>	<b><u>GROSS</u></b>	<b><u>VAT Included</u></b>	<b><u>NET</u></b>
Brewery for beers	21348.00	3558.00	17790.00
Auditor	1200.00	200.00	1000.00
Painter & Decorator	2760.00	460.00	2300.00
New cash register	1440.00	240.00	1200.00
New Fixtures	15000.00	2500.00	12500.00
Insurances	1300.00	0.00	1300.00

You are required:--

- (a) To calculate the VAT Output Tax for each source of income, the net amounts received from each source of income to be credited into the clubs accounts, and the total Output Tax for the period.
- (b) To calculate the total VAT Input tax for the period.
- (c) To calculate the VAT liability or refund due for the period.

**NOTE:--**

**The rate of VAT is 20.00% and the VAT fraction is 1/6**

**15 MARKS**