

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

**CLUB MANAGEMENT DIPLOMA**

**EXAMINATION PAPER**

**CLUB ACCOUNTANCY**

**21 May 2011**

**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 2011**

**QUESTION 1**

The Bar-B Social Club Limited has an incomplete Revenue Account for the year ended 31 December 2010.

(a) From the additional information shown below you are required to **re-write and complete** the Revenue Account (actual results only) in order to calculate the actual profit or loss.

(b) The Budget was prepared by the Committee to reflect their objectives for the year. Identify and explain, reasons why you consider the Committee have not achieved their business objectives.

	<u>Budget</u>	<u>Actual</u>
<b>A Bar Trading Account</b>		
Bar Sales	325,000	300,000
LESS: Cost of sales		
Opening stocks	(16,000)	(16,000)
Purchases	(175,500)	
	<u>(191,500)</u>	
Less closing stocks	16,000	
	<u>(175,500)</u>	
Gross Profit	149,500	
<b>(Budget - 46%)</b>		
<b>(Actual - %)</b>		
<b>B Other Income</b>		
Fruit machines	20,000	20,000
Other games and entertainments	10,000	13,000
	<u>30,000</u>	<u>33,000</u>
	179,500	
<b>C Costs</b>		
Wages and N.I.C.	(65,000)	
Heat, fuel and lighting	(12,000)	(12,000)
Rates and water	(22,000)	
Other costs	(50,500)	
	<u>(149,500)</u>	
<b>D Profit for the year</b>	<u>30,000</u>	

Additional information - actual results for the year ended 31 December 2010

Closing stocks	26,000
Wages and N.I.C.	72,000
Rates and water	22,000
Other costs	50,500
Bar Purchases	184,000

**30 MARKS**

## ACCOUNTANCY MAY 2011

### QUESTION 2

#### **PART 1**

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.

#### **PART 2**

A clubs Balance Sheet at 31 December is shown below. You are required to write down four suggestions which would improve the overall state of affairs and to re-state the Balance Sheet following your advice.

#### **BALANCE SHEET AT 31 DECEMBER**

##### **FIXED ASSETS**

Property, fixtures and fittings	230,000
Secure guaranteed investment - 10% return	<u>500</u>
	<b>230,500</b>

##### **CURRENT ASSETS**

Stocks	20,000
Debtors	1,000
Bank deposit account - 2% return	22,000
Cash in hand	<u>25,000</u>
	<b>68,000</b>

##### **CURRENT LIABILITIES**

Bank overdraft (12% interest charge)	(5,000)
Trade creditors -1 months trade	(8,000)
Sundry creditors	<u>(2,000)</u>
	<b>(15,000)</b>

##### **NET CURRENT ASSETS**

53,000  
**283,500**

##### **CAPITAL AND RESERVES**

Share capital	500
Revenue reserves	<u>283,000</u>
	<b><u>283,500</u></b>

**25 MARKS**

**ACCOUNTANCY MAY 2011**

**QUESTION 3**

You have been appointed as Secretary/financial officer to your club and discover a secured loan agreement/and trading agreement with a Brewery. The agreement is for an interest free loan of £100,000 to the club in return for which the club have agreed to buy exclusively from the brewery a volume of 600 barrells of beer per year.

The loan agreement provides for a barrellage shortfall penalty of £50 per barrell and a penalty interest charge of 8%. (You note that bank base rates are currently 0.5%)

You discover that the previous club Committee and Secretary have repeatedly purchased cheaper beers from a discount beer supplier and so you decide to compare with a bank loan alternative.

You ask for a loan redemption figure from the brewery and you are provided with the following:-

Original loan	100000
Less - amount repaid through the club's bank	<u>30000</u>
Loan balance	70000
ADD:	
Penalty for barrellage shortfall - 4 years	37500
Penalty interest charge 8%	<u>18000</u>
Balance to redeem	<u><u>125500</u></u>

You carry out enquiries of you own and calculate the following from the club's stock reports:-

	<u>Barrells Purchased</u>			<u>Shortfall</u>
	<u>Total</u>	<u>Brewery</u>	<u>Others</u>	
Purchases year 1 of the agreement	550	500	50	100
Purchases year 2 of the agreement	480	400	80	200
Purchases year 3 of the agreement	450	400	50	200
Purchases year 4 of the agreement	400	350	50	<u>250</u>
				<u>750</u>
Shortfall at £50/barrell =	37500			

In order to avoid the redemption payment the Brewery offer an interest free loan and trading agreement of £125,500 repayable only by barrellage discounts of £30/brl with a minimum buying requirement of 420 barrells per year. The loan is subject to the same conditions as the original loan and contains the £50/ brl shorfall penalty clause.

The alternative is the offer of a secured bank loan of £125,500 over 10 years on favourable terms.

You are required to coment on the following:-

1 - If the club had bought entirely from the Brewery over the past four years would there have been a barrellage shorfall and if so how much would it be.

2 - Do you think that the Brewery "mis-sold" the original loan and trading agreement to the club? If so briefly explain why.

3 - On the basis that you would wish to challenge the legality but do not fully understand the detailed terms of the loan and trading agreement indicate three possible sources of advice which you would seek.

4 - Would you enter into the new agreement with the Brewery or take up the offer of a loan from the bank? Briefly explain your reasons.

**15 MARKS**

**ACCOUNTANCY MAY 2011**

**QUESTION 4**

Your club's year end is 30 November and the stocktaker counts and evaluates stocks six days later on the morning of 6 December. The evaluated stock at cost is determined by the stocktaker to be £4,527.41. You ascertain from the Steward's Takings Book that sales (including VAT) between 1 December and 5 December inclusive amount to £3,960.42 and the Goods Received Book shows deliveries between the two dates as follows:-

	Quantity	Cost Price (excluding VAT)
Best Beers	6 Dozen	10.91/Dozen
Rum	12 bottles	12.21/bottle
Gin	12 bottles	11.81/bottle
Brandy	12 bottles	11.81/bottle
Light Ale	2 barrells	190.00/barrell
Lager	144 gals	6.80/gal

From the above information you are to calculate the cost of stocks on hand at 30 November assuming VAT to be levied at 17.5% ( $\frac{7}{47}$ ths) and the average gross profit rate is 40%.

NOTE: The rate of VAT is 17.5% and the VAT fraction is  $\frac{7}{47}$ .

**15 MARKS**

**ACCOUNTANCY MAY 2010****QUESTION 5**

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

**BANK CASH BOOK**

DATE	RECEIPTS		DATE	PAYMENT CHEQUE NO	
01 May	Balance b/fwd	5,250	05 May	Brewery 002	2,000
04 May	Takings	3,500	12 May	Brewery 003	4,170
11 May	Takings	4,170	19 May	Rates SO	700
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	10,441
		<u>24,991</u>			<u>24,991</u>
01 June	b/fwd	10,441			

**BANK STATEMENT**

DATE		DEBIT £	CREDIT £	BALANCE
01 May	Balance b/fwd			5,760
02 May	999	510		5,250
06 May	Credit		3,500	8,750
09 May	002	2,000		6,750
11 May	Credit		4,170	10,920
19 May	SO	700		10,220
22 May	003	4,170		6,050
22 May	Credit		3,260	9,310
26 May	Credit		2,811	12,121
26 May	004	5,880		6,241
31 May	Bank charges	130		6,111

**15 MARKS**

**ACCOUNTANCY MAY 2011**

**QUESTION 6**

From the following information extracted from the primary cash records and from the cash handed over to the club's financial officer you are required to prepare a balanced **Cash Account** for week ended 13 February.

07-Feb Bar takings	1637.12
07-Feb Paid cash to window cleaner	75.00
08-Feb Bar takings	1824.16
08-Feb Room hire deposit received	20.00
09-Feb Bar takings	1411.12
09-Feb Gaming machines takings	320.40
09-Feb Pool table takings	35.20
09-Feb Raffles & draws income	65.16
09-Feb Paid cash to organist	80.00
10-Feb Bar takings	741.99
10-Feb Paid cash to bank	5280.01
11-Feb Bar takings	811.64
12-Feb Bar takings	738.96
13-Feb Bar takings	940.56
13-Feb Paid cash to bank	2111.30

At 13 February there was exactly £1000 held in cash

**15 MARKS**

## ACCOUNTANCY MAY 2011

### QUESTION 7

The standard rate of Value Added Tax (VAT) increased from 17.5% to 20% on 4 January 2011. For values which already include VAT the VAT fraction of  $\frac{7}{47}$  changes from 4 January 2011 to the new VAT fraction of  $\frac{1}{6}$ .

**PART 1** - Given the following information and assuming that the club have not increased selling prices you are required to calculate the income of the club exclusive of VAT and the loss to the club as a result of the VAT increase.

	<u>Week ended 31 December 2010</u>	<u>Week ended 15 January 2011</u>
Bar takings	6370	6370
Fruit machines	684	684
Bingo (exempt)	235	235
Door cover charges	470	470

**PART 2** -The selling price of the following beers is shown below including VAT at 17.5%. You are required to calculate the revised selling price and therefore the price increase as a result of the increase in VAT to 20%.

Light beer	1.88 per pint
Heavy beer	2.35 per pint

**15 MARKS**