

Club Association Accounting

Editorial.

Although this is a Level 3 Diploma syllabus topic it is an area of accounting that will be of interest to all our students and no doubt many of our members.

The accounts of Clubs and Societies often becomes our concern. How many of us have been to our local Club AGM and someone has said that you were a book-keeper or accountant; and before the meeting has concluded you have become the Treasurer. It has certainly happened to me!

I hope that those of you preparing for the Diploma examination will find this case most useful and to the rest of the student population that it will give you an insight as to how such accounts are prepared and help you to interpret and analyse those prepared by a club treasurer.

Kind Regards

Dr Philip E Dunn

Editor

Club and Association Accounting

It is not only businesses that need accounts. Organisations set up for other purposes than to make a profit also need to tell those with an interest how they have dealt with their money.

An example of such a type of not-for-profit organisation is a club or society run for the benefit of members.

The legal status of such organisations can vary and reporting requirements are likely to be set out in club rules rather than the law. However, generally accepted accounting principles should apply.

Research suggests the majority of small and medium sized clubs not covered by specific laws (which would be the case if they were set up as a limited company, for example) do no more than the minimum. That is to say they prepare a statement of receipts and payments plus an abbreviated summary of liquid assets.

Those wishing to present more meaningful accounts will present a balance sheet and, rather than a profit and loss account, an 'income and expenditure' account – essentially the same but without the emphasis on 'profit' – the club either has a surplus to transfer to its accumulated fund or a deficit to be made good.

Note that an income and expenditure account differs from a statement of receipts and payments. The latter records only cash movements, the former takes into account non-cash adjustments for amounts owing and owed at the period end and for depreciation. It also recognises the accounting distinction between 'revenue' items (generally income and consumables) and capital items (expenditure of acquiring or proceeds from sale of assets intended for use over a period of years).

It is often the case that a club member with accountancy expertise is called on to be club treasurer or to prepare a set of meaningful club accounts and provide helpful interpretations to members.

Dealing with club and society records is not a separate subject, merely an adaptation of good book-keeping and accounting principles. In practice there may be some practical problems – many clubs keep very simple records, often maintained by a treasurer or secretary with no formal accounting or book-keeping training (there may be an analysed cash book, from which a receipts and payments account is prepared). But, as the following example illustrates, the underlying approach is relatively straightforward.

Case Study

Hawsker Allotment Holders' Association club treasurer, keeps an analysed cash book and presents the following vertical summary of receipts and payments on 31 October 2005

Opening Bank Balances	
1 November 2004	
Deposit account	2379
Current account	<u>1680</u>
	4059
Receipts for year:	
Rents	7660
Bank interest	25
Members subscriptions	<u>500</u>
	<u>12244</u>
Payments for year:	
Wages	410
Accountancy fees	75
Water rates	2260
Council rent	3100
Fencing repairs	35
Stationery	15
Sundries	90
Allotment prize	50
Adverts	20
Removal of rubbish	55
Skip hire	75
New strimmer	<u>420</u>
	<u>6605</u>
Bank Balances	
31 October 2005	
Deposit account	4139
Current account	<u>1500</u>
	<u>5639</u>

You are supplied with the following additional information:

On 1 November 2004 the association owned premises valued at £10500; and although these would normally be depreciated, the association have decided they will not make such provisions.

At the start of the period it owned machinery and equipment worth £5100 and acquired new machinery during the year valued at £420.

It depreciates such assets at 10% per annum on their Net Book Value.

At the start of the year they were owed £75 in late subscriptions and £55 were outstanding for the current year at 31 October 2005.

The association owed £45 at the end of the year for skip hire.

It also owed water rates of £190 and council rent of £260 on 31 October 2005

From this information it is decided that a more meaningful set of accounts are prepared in the form of an Income and Expenditure Account for the year together with a Balance Sheet as at 31 October 2005; together with supporting notes.

Balance Sheet as at 31 October 2005

	£
Fixed Assets (NBV)	
Premises	10500
Equipment	4968
	<u>15468</u>
Current Assets	
Current account	1500
Deposit account	4139
Subscriptions due, unpaid	55
	<u>5694</u>
Less Current Liabilities	
Creditors	495
Net Current Assets	<u>5199</u>
Total Assets Less Current Liabilities	<u>£20667</u>
Financed By:	
	£
Accumulated Fund:	
1 November 2004	19734
Add excess income over expenditure for year	933
	<u>£20667</u>
Working Papers:	
• Accumulated Fund as at 1 November 2004	
Assets:	£
Premises	10500
Machinery	5100
Bank	4059
Subscriptions in arrears	75
	<u>£19734</u>

- Subscriptions

Subscriptions Account					
2004	Balance b/d	75	2004	Bank	500
2005	I & E a/c	480		Subs due Unpaid	
				Balance c/d	55
		<u>£555</u>			<u>£555</u>

- Water Rates and Council Rents

Rents and Rates a/c					
2005	Bank	2260	2005	I & E a/c (Rates)	2450
2005	Bank	3100		I & E a/c (Rents)	3360
2005	Balance c/d (Rates due)	190			
2005	Balance c/d (Rents due)	260			
		<u>£5810</u>			<u>£5810</u>
			2005	Balances b/d	450

- Skip Hire

Skip Hire Account					
2005	Bank	75	2005	I & E a/c	120
2005	Balance c/d (due unpaid)	45			
		<u>£120</u>			<u>£120</u>
			2005	Balance b/d	45

- Fixed Asset Schedule

Fixed Assets	Premises	Machinery	Total
	£	£	£
Balance at 1 November 2004	10500	5100	15600
Additions in year		420	420
	<u>10500</u>	<u>5520</u>	<u>16020</u>
Less depreciation for year		552	552
Net Book Value at 31 October 2005	<u>£10500</u>	<u>£4968</u>	<u>£15468</u>

It is hoped that this case study example, although based on basic accounting principles and conventions, now embedded in FRS 18, Accounting Principles; will be of some help and guidance for those students and or members who are faced with the task of preparing a set of club or association accounts.