

Source A for Question 1

Tophill Social Club, located in the small town of Tophill, provides social activities to its members. Selected balances are shown as follows:

	At 31 December	
	2024	2023
	\$	\$
Club equipment – carrying value	38 800	37 600
Soft drinks inventory	1 900	1 680
Subscriptions received in advance	1 200	1 900
Subscriptions in arrears	2 800	2 200
Soft drinks' suppliers payable	6 500	7 300
Club expenses accrued	5 400	8 800

The treasurer of the club also produced the following receipts and payments account for the year ended 31 December 2024.

	\$		\$
Balance b/d	26 800	Purchase of equipment	14 400
Subscriptions	124 000	Suppliers of soft drinks	20 800
Life membership fees	8 000	Vending machine rental	10 400
Proceeds from sale of equipment	3 150	Club expenses	69 300
Sales of soft drinks	36 000	Social activities	41 000
		Balance c/d	42 050
	<u>197 950</u>		<u>197 950</u>

Further information is also available.

- 1 The club started receiving life membership fees on 1 January 2023. It is the club's policy to spread these fees over ten years equally. Life membership fees, \$500, were included in the 2023 income and expenditure account.
- 2 Club equipment, with a carrying value of \$3500, was sold in 2024.
- 3 The club operates a vending machine selling soft drinks. Renting the vending machine at a monthly charge of \$800 is the only expense of operating the vending machine.
- 4 A deposit of \$4700 had been paid for a social activity to be held in March 2025.



1 Read Source A in the insert.

- (a) Explain why the club adopts the policy of spreading life membership fees over ten years equally.

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- (b) Calculate the profit/loss from operating the vending machine for the year ended 31 December 2024.

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[9]



(d) Prepare a statement showing the changes in the accumulated fund during the year ended 31 December 2024.

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The tenancy of the club's premises will end on 31 December 2025. The landlord has indicated that the tenancy will not be renewed. The managing committee is considering purchasing the club's own premises at a cost of \$200 000. Meena, a member, offers to donate this amount with the condition that the name of the club will be changed to The Meena Social Club.

- (e)** Advise the managing committee whether or not Meena's offer should be accepted. Justify your answer.

[5]

[Total: 25]

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Question	Answer	Marks																																								
1(a)	<p>Explain why the club adopts the policy of spreading life membership fees over ten years equally.</p> <p>Accrual / matching concept is applied (1) to match life membership over the years used. (1) The number of years to spread over is the accounting policy of the club. (1)</p> <p>Accept other valid responses.</p>	3																																								
1(b)	<p>Calculate the profit/loss from operating the vending machine for the year ended 31 December 2024.</p> <table><tr><td></td><td>\$</td><td>\$</td><td></td></tr><tr><td>Soft drink revenue</td><td></td><td>36 000</td><td></td></tr><tr><td>Cost of sales</td><td></td><td></td><td></td></tr><tr><td>Opening inventory</td><td>1 680</td><td>}*</td><td></td></tr><tr><td>Purchases W1</td><td>20 000</td><td>(1)</td><td></td></tr><tr><td>Closing inventory</td><td><u>(1 900)</u></td><td>}* (1)</td><td></td></tr><tr><td></td><td></td><td>19 780</td><td></td></tr><tr><td>Gross profit</td><td></td><td><u>16 220</u></td><td></td></tr><tr><td>Vending machine rental \$800x12</td><td></td><td>9 600</td><td>(1)</td></tr><tr><td>Profit from vending machine</td><td></td><td><u>6 620</u></td><td>(1)OF</td></tr></table> <p>W1 \$20 800 + \$6 500 – \$7 300 = \$20 000</p>		\$	\$		Soft drink revenue		36 000		Cost of sales				Opening inventory	1 680	}*		Purchases W1	20 000	(1)		Closing inventory	<u>(1 900)</u>	}* (1)				19 780		Gross profit		<u>16 220</u>		Vending machine rental \$800x12		9 600	(1)	Profit from vending machine		<u>6 620</u>	(1)OF	4
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1(e)	<p>Advise the managing committee whether or not Meena’s offer should be accepted. Justify your answer.</p> <p>For (Max 2) No need to repay the donation Otherwise, the club need to obtain finance such as a bank loan / interest will reduce the surplus No rent to be paid</p> <p>Against (Max 2) The club will lose its identify of being a local club for the community Meena may exercise undue influence over the affairs of the club Membership may decline</p> <p>Decision supported by a comment (1)</p> <p>Accept other valid responses</p>	5																																										