Source B for Question 2

The DW Club is a sports club. Its members pay an annual subscription of $50.

On 1 January 2022, it introduced a life membership scheme with a one-off fee of $400.

Summarised ledger accounts for the years ended 31 December 2022 and 2023 showed the following:

Annual subscriptions

2022		$	2022		$
Jan 1	Balance b/d	200	Jan 1–Dec 31	Bank	19 550
Dec 31	Income and expenditure	19 850	Dec 31	Balance c/d	500
		20 050			20 050
2023			2023		
Jan 1	Balance b/d	500	Jan 1–Dec 31	Bank	19 700
Dec 31	Income and expenditure	19 300	Dec 31	Balance c/d	100
		19 800			19 800

Life membership fees

2022		$	2022		$
Dec 31	Income and expenditure	40	Jan 12	Bank	400
	Balance c/d	360			
		400			400
2023			2023		
Dec 31	Income and expenditure	200	Jan 1	Balance b/d	360
	Balance c/d	1 760	Jan1–Dec 31	Bank	1 600
		1 960			1 960

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2 Read Source B in the insert.

(a) Discuss the significance of changes in membership and the effect on the club's funds with reference to the entries in these ledger accounts.

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Additional information

The receipts and payments account of the club for the year ended 31 December **2024** was as follows:

	$		$
Annual subscriptions	19600	Balance b/d	1450
Life membership fees	1200	Rent	13000
Tournament entry fees	7100	Tournament prizes and trophies	5460
Balance c/d	1520	Wages	4620
		Other operating costs	4890
	29420		29420

The following additional information is also available.

1 Assets and liabilities included:

	1 January 2024 $	31 December 2024 $
inventory of tournament prizes and trophies	50	490
amounts owing for tournament prizes and trophies	800	625
rent paid in advance	0	1000
wages in arrears	100	270

2 On 31 December 2024, five members had **not** paid their annual subscriptions.

3 One-fifth of the wages expense was incurred in holding the tournaments.

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(b) Prepare the income and expenditure account for the year ended 31 December 2024.

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Workings:

[9]

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Additional information

The total assets of the club at 31 December 2024 amounted to $18 620.

(c) Calculate the accumulated fund at 31 December 2024.

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Additional information

The managing committee has received a suggestion that the club starts to operate a shop selling sports clothing and footwear to members.

(d) Advise the committee members whether or not the club should adopt this suggestion. Justify your answer.

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[Total: 25]

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(a)</td><td>Discuss the significance of changes in membership and the effect on the club's funds with reference to the entries in these ledger accounts.

The number of members paying annual subscriptions has fallen from 397 to 386/by 11 (1).

The amount received has nevertheless increased (1) because of fluctuations in the number of members in arrears (1).

In 2022 the amount received was less than the amount earned / in 2023 the amount received was more than the amount earned (1).

Numbers taking out life membership rose (1) from 1 in 2022 to 4 in 2023 (1).

Life membership fees are released to income over a period of 10 years (1).

The club will earn less income per year from a life member than from a member paying an annual subscription (1). However, the earlier receipt of funds could help cash flow/ameliorate any overdraft (1).

Life membership reduces the number of members paying in arrears (1).

Accept other valid responses
Max 6</td><td>6</td></tr>
<tr><td>2(b)</td><td>Prepare the income and expenditure account for the year ended 31 December 2024.

Income and expenditure account for the year ended 31 December 2024

<table>
<tr><td>Income</td><td>$</td><td>$</td><td></td></tr>
<tr><td>Annual subscriptions (19600 + 250 – 100)</td><td></td><td>19 750</td><td>(1)</td></tr>
<tr><td>Life membership fees (8 × 40)</td><td></td><td>320</td><td>(1)</td></tr>
<tr><td>Profit from tournaments W1</td><td></td><td>1 297</td><td>(4)</td></tr>
<tr><td></td><td></td><td>21 367</td><td></td></tr>
<tr><td>Expenditure</td><td></td><td></td><td></td></tr>
<tr><td>Rent</td><td>12 000</td><td></td><td>(1)</td></tr>
<tr><td>Wages</td><td>3 832</td><td></td><td>(1)</td></tr>
<tr><td>Other operating costs</td><td>4 890</td><td></td><td></td></tr>
<tr><td></td><td></td><td>20 722</td><td></td></tr>
<tr><td>Surplus</td><td></td><td>645</td><td>(1)OF</td></tr>
</table>

<table>
<tr><td></td><td></td><td>$</td><td></td></tr>
<tr><td>W1</td><td>purchases (5460 + 625 – 800)</td><td>5 285</td><td>(1)</td></tr>
<tr><td></td><td>increase in inventory of prizes (50 – 490)</td><td>(440)</td><td>(1)</td></tr>
<tr><td></td><td>wages (20% × 4790)</td><td>958</td><td>(1)</td></tr>
<tr><td></td><td></td><td>5 803</td><td></td></tr>
<tr><td></td><td>receipts</td><td>7 100</td><td></td></tr>
<tr><td></td><td></td><td>1 297</td><td>(1)OF</td></tr>
</table>
</td><td>9</td></tr>
</table>

Question	Answer	Marks
2(c)	**Calculate the accumulated fund at 31 December 2024.** |	\$	| | | Total assets | 18 620 | | | Life membership fund **W1** | (2 640) | **(2)** | | Bank overdraft | (1 520) | **(1)** | | Other liabilities (270+625) | (895) | **(1)** | | Accumulated fund 31 December 2024 | 13 565 | **(1) OF** | **W1** | | | Opening balance | 1 760 | **}** | | Bank | 1 200 | **} (1)** | | Transferred to income | (320) | **(1) OF** | | | 2 640 | |	**5**
2(d)	**Advise the committee members whether or not the club should adopt this suggestion. Justify your answer.** Advantages **(Max 2)** The shop profit would increase the surplus **(1).** Might raise the profile of the club **(1).** Might improve members' satisfaction with the club/increase membership **(1).** Disadvantages **(Max 2)** Start-up costs may be high **(1).** The overdraft would make difficult the purchase of the necessary inventory to start trading **(1).** Might be difficult to get volunteers to run the shop / paid staff would reduce profits **(1).** Might not have adequate space for storage etc. **(1).** There is a risk of losses **(1).** **Decision supported with a comment (1)** **Accept other valid responses**	**5**