

# O Level Principles of Accounts (7110)

## Unit 8: Clubs and Societies and Incomplete Records

### Recommended Prior Knowledge

Students should have a thorough understanding of the format of financial statements before starting this unit. They will also find it helpful to have excellent double entry skills and good understanding of cash books, control accounts and the typical adjustments which feature in financial statements.

### Context

At this stage of their studies, students should be able to prepare financial statements of a variety of organisations beginning with a trial balance. This unit challenges the understanding of candidates by looking at a variety of situations where a trial balance is unavailable.

### Outline

Although clubs and societies are a form of organisation and incomplete records describe a situation of limited information, the skills required are similar. Students will need to calculate amounts and reconstruct accounts and other statements to prepare relevant information to include in financial statements.

AO	Learning outcomes	Suggested Teaching activities	Learning resources
4.3	Candidates should be able to: <ul style="list-style-type: none"> <li>distinguish between Receipts and Payments Accounts and Income and Expenditure Accounts</li> </ul>	Explain that receipts and payments are cash based measures. Income and expenditure are based on accruals (explain the concept and relate to accruals and prepayments).	<a href="http://accounting10.tripod.com/Slides25.1.ppt">http://accounting10.tripod.com/Slides25.1.ppt</a>
		A receipts and payments account is the equivalent of a cash book in a club or society. An income and expenditure account is the club/society equivalent of the profit and loss account section of an income statement. Illustrate by example.	Past question papers available from CIE, e.g. Nov 2003 Paper 1 Q30
	<ul style="list-style-type: none"> <li>prepare accounts for the following – receipts and payments, revenue generating activities e.g. refreshments, and subscriptions</li> <li>prepare Income and Expenditure</li> </ul>	Clubs and societies raise money from members by subscription and it is very common to have to prepare a subscription account. Illustrate and practice this showing how cash based measures and subscriptions in advance and arrears are included in ledger accounts. This is used by examiners as a thorough test of double entry skills.	<a href="http://www.bized.ac.uk/stafsup/options/accounting/work09.htm">http://www.bized.ac.uk/stafsup/options/accounting/work09.htm</a>  Jun 2002 Paper 2 Q4 Jun 2005 Paper 1 Q33, 34

AO	Learning outcomes	Suggested Teaching activities	Learning resources
	Accounts and Balance Sheets		
4.3	<p>Candidates should be able to:</p> <ul style="list-style-type: none"> <li>prepare accounts for the following – receipts and payments, revenue generating activities e.g. refreshments, and subscriptions</li> </ul>	<p>Clubs and societies also generate income by activities which are similar to trading, one common example being through the provision of refreshments. In the same way as a conventional trading account section of an income statement, a refreshments account includes income from sales, expenditure on purchases (of refreshments for resale) and opening and closing inventories of refreshments.</p> <p>In the same way as with any type of business, the profit or loss on refreshments is brought into the Income and Expenditure Account</p>	
	<ul style="list-style-type: none"> <li>prepare Income and Expenditure Accounts and Balance Sheets</li> </ul>	<p>Illustrate the similarities and differences between club and society financial statements with those of businesses. The main differences being:</p> <ul style="list-style-type: none"> <li>Calculation of surplus or deficit rather than profit or loss</li> <li>Minor differences in terminology</li> <li>A club or society has an Accumulated Fund rather than capital.</li> </ul> <p>A common task in examinations is to calculate the opening accumulated fund as the difference between assets and liabilities. Practice is helpful to students in clarifying matters such as whether advance subscriptions are included as an asset or a liability in such a calculation.</p>	<p>Past question papers available from CIE, e.g.</p> <p>Jun 2003 Paper 1 Q32 Specimen Paper 1 Q21</p>
4.3	<p>Candidates should be able to:</p> <ul style="list-style-type: none"> <li>make the other adjustments as detailed under 4.1 as appropriate</li> </ul>	<p>Students should practice preparing the accounts of clubs and societies including progressively more adjustments adding to the complexity of the financial statements.</p>	<p>Past question papers available from CIE, e.g.</p> <p>Jun 2002 Paper 1 Q32, 33</p>
	<ul style="list-style-type: none"> <li>prepare opening and closing Statements of Affairs</li> </ul>	<p>Reconstructing information requires a definite set of past figures. This often involves preparing statements of affairs. By illustrating these to students as being effectively balance sheets, the format will already be familiar and they can add to what they already know.</p>	<p>Nov 2005 Paper 2 Q2 Nov 2001 Paper 2 Q2</p>

AO	Learning outcomes	Suggested Teaching activities	Learning resources
	<ul style="list-style-type: none"> <li>calculate net profit/loss from change in capital over time</li> </ul>	In earlier Units students have seen how profits or losses can be calculated when computing capital. This skill is again used here and students who see this as revision of earlier work rather than new work may find it easier to apply.	Nov 2002 Paper 1 Q35
	<ul style="list-style-type: none"> <li>compute sales and purchases figures and gross profit from incomplete information</li> </ul>	Sales and purchases may be calculated by using ledger accounts or control accounts. Again this is drawing on and revising earlier work and students are likely to find this more straightforward than taking an approach of making separate calculations as is seen in some texts.	Jun 2002 Paper 1 Q34
4.4	<p>Candidates should be able to:</p> <ul style="list-style-type: none"> <li>apply the following techniques to arrive at missing figures – mark up, margin, stock turnover</li> </ul>	Explain mark-up and margin. Students often confuse the two. It may be useful to provide them with common equivalents to remember (e.g. 100% mark-up is the same as a 50% margin; a 50% mark-up is a $33\frac{1}{3}\%$ margin; $33\frac{1}{3}\%$ mark-up is a 25% margin; 25% mark-up is a 20% margin)	
		Turnover is a term used in some text as sales so it is important that students understand what is meant by inventory turnover, how it is calculated and expressed. Students should practice making inventory turnover calculations in terms of times and in days/weeks/months.	Past question papers available from CIE, e.g.  Jun 2003 Paper 2 Q2 Specimen Paper 2 Q3
	<ul style="list-style-type: none"> <li>comment upon the importance of providing information on profitability and financial position of enterprises when the books of account are not compiled by the double entry system</li> </ul>	Students should be aware that financial statements are prepared to provide useful information and be ready to explain that usefulness. In class discussion can be useful to bring out relevant points.	
	Questions on incomplete records will only relate to sole traders.		