

Clubs and societies

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Read first: [Sole traders](#), [Other payables and other receivables](#), [Depreciation and disposal of non-current assets](#)

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What you need to know

By the end of this topic you should be able to:

1. **Tell a receipts and payments account from an income and expenditure account:** the first is a summary of the money received and paid; the second matches the income and expenses of the year to find a surplus or deficit.
2. **Prepare a receipts and payments account** for a club or society.
3. **Prepare accounts for the club's money-raising activities:** a subscriptions account, and the income statement of a shop, café or refreshment bar, or the profit on an event.
4. **Prepare an income and expenditure account and a statement of financial position** for a club.
5. **Make the same year-end adjustments as a sole trader:** expenses and income owing or paid in advance, depreciation (straight-line, reducing balance and revaluation), irrecoverable debts (such as subscriptions written off) and a provision for doubtful debts.
6. **Define and calculate the accumulated fund.**

Understand it

Why clubs keep different accounts

A **club** or **society** (a sports club, a choir, a chess club) is run for its **members**, not to make a profit for an owner. Members pay a yearly **subscription**, and an elected **treasurer** keeps the accounts. Because nobody owns the club, three words change:

A business has	A club has
Profit for the year	Surplus for the year (income more than expenditure)
Loss for the year	Deficit for the year (expenditure more than income)
Capital	Accumulated fund
Income statement	Income and expenditure account

A business has**A club has**

Drawings

none: members cannot take money out

A club may still run a trading activity, such as a café, a shop or a bar. That activity has its own income statement and makes a **profit** or **loss**, which is then carried to the income and expenditure account as one line.

The receipts and payments account

The **receipts and payments account** is a summary of the club's cash book for the year. It starts with the cash and bank balance at the beginning, adds every amount **received** and takes off every amount **paid**, and ends with the balance at the end.

It records money only, whatever it was for:

- **in** it: subscriptions received (including last year's arrears and next year's paid early), cash sales, money paid for new equipment, a loan received, payments to suppliers;
- **not in** it: anything with no money moving, such as depreciation, subscriptions still owing, expenses still owing, subscriptions written off, inventory, or the profit of the café.

Its closing balance is the cash and bank figure (a debit balance is money held; a credit balance is an overdraft). It is **not** a surplus or deficit.

Here is the account for Oakridge Badminton Club for the year ended 31 December 2025.

Oakridge Badminton Club: Receipts and payments account for the year ended 31 December 2025

Receipts	\$	Payments	\$
Balance at 1 January 2025	1 640	Court hire	5 400
Subscriptions	8 450	Snack bar supplies	2 160
Snack bar sales	3 920	Tournament prizes	620
Tournament entry fees	1 150	New nets and posts	1 300
		General expenses	890
		Balance at 31 December 2025	4 790
	15 160		15 160

It tells the members how much money the club has, but not whether the year's activities covered their costs. The \$1 300 of new nets, for example, will last several years, and some of the \$5 400 court hire is for next year.

The income and expenditure account

The **income and expenditure account** is the club's version of an income statement. It shows the **income earned** and the **expenses used up** in the year, whether or not the money has moved, and the difference is the **surplus** or **deficit**. It follows the same rules as a sole trader's income statement:

- only **revenue** items: a new non-current asset is **capital expenditure**, so it goes in the statement of financial position, and only its **depreciation** goes in the income and expenditure account;
- **adjusted to the year**: add amounts owing, take off amounts paid in advance, and include non-cash items such as depreciation and subscriptions written off.

	Receipts and payments account	Income and expenditure account
What it is	a summary of the cash book	the club's income statement
Records	money received and paid in the year	income and expenses belonging to the year
Capital items (new equipment, loans)	included	left out (only depreciation)
Amounts owing or prepaid, depreciation	left out	included
Final figure	cash and bank balance	surplus or deficit

Receipts and payments account	
bank at 1 January 2025	1 640
+ receipts (money actually received)	13 520
– payments (money actually paid out)	10 370
= bank at 31 December 2025	4 790

↓
adjust: owing, prepaid, inventory, depreciation; leave out the new nets

Income and expenditure account	
subscriptions for the year	8 520
+ profit on snack bar	1 820
+ profit on tournament	530
– court hire, general expenses, depreciation	7 000
= surplus for the year	3 870

↓

Statement of financial position	
accumulated fund at 1 January 2025	5 900
+ surplus for the year	3 870
= accumulated fund at 31 December 2025	9 770

Subscriptions

Subscriptions are usually the club's main income. The amount **for the year** is not the amount received, because some members pay late and some pay early:

- **Subscriptions in arrears** (also called owing, outstanding, accrued or due): members owe them to the club. They are an **asset**: a current asset in the statement of financial position.
- **Subscriptions in advance** (also called prepaid or received in advance): members have paid next year's already. The club owes them a year of membership, so they are a **liability**: a current liability.

The **subscriptions account** sorts this out. It is set out like an account for income received in advance or in arrears: arrears are debit balances, advances are credit balances, the money received is credited, and the missing figure on the debit side is the income for the year, transferred to the income and expenditure account.

At Oakridge, on 1 January 2025 members owed \$210 and had paid \$330 in advance; on 31 December 2025 they owed \$350 and had paid \$400 in advance.

Oakridge Badminton Club: Subscriptions account

Date	Details	\$	Date	Details	\$
2025			2025		
Jan 1	Balance b/d	210	Jan 1	Balance b/d	330
Dec 31	Income and expenditure	8 520	Dec 31	Bank	8 450
	Balance c/d	400		Balance c/d	350
		9 130			9 130
2026			2026		
Jan 1	Balance b/d	350	Jan 1	Balance b/d	400

The same result as a sum: $8\,450 - 210 + 330 + 350 - 400 = 8\,520$. Of the cash received, \$210 paid off last year's arrears (not this year's income) and \$400 was for next year; the \$330 paid early last year and the \$350 still owing are this year's income.

If a member who owes will **never** pay, the treasurer **writes the amount off**. Credit the subscriptions account with "Irrecoverable debts" (this removes it from the arrears) and show it as an expense, "Subscriptions written off", in the income and expenditure account. The income transferred still includes it: that member's subscription was earned, it just won't be collected.

Activities that raise money

A club's café, shop, bar or refreshments is a small trading business, so it gets its own **income statement**, prepared exactly like a sole trader's:

- **Revenue** (sales), less **cost of sales** (opening inventory + purchases – closing inventory), gives **gross profit**.

- Less the activity's **own expenses** only, such as the café assistant's wages, gives the **profit on the café**.
- Club costs such as rent of the clubhouse and subscriptions have nothing to do with it and stay out.

The café sells on cash but usually buys on credit, so **purchases** are worked out from the payments to suppliers, like a trade payables control account: $\text{purchases} = \text{payments} - \text{opening trade payables} + \text{closing trade payables}$.

At Oakridge the snack bar had inventory of \$180 at the start and \$240 at the end and owed its suppliers nothing at either date. $\text{Cost of sales} = 180 + 2\,160 - 240 = 2\,100$, so the profit on the snack bar is $3\,920 - 2\,100 = 1\,820$ (it had no wages).

A one-off **event** (a tournament, a dance, a concert) is simpler: its income less its own costs is the profit on the event. The tournament made $1\,150 - 620 = 530$.

These profits (or losses) go into the income and expenditure account as **one line each**. A loss is shown under expenditure.

Year-end adjustments

The adjustments are the ones a sole trader makes:

- **Expense owing:** add it. Oakridge's general expenses were \$890 paid plus \$60 owing, so \$950.
- **Expense paid in advance:** take it off. The court hire of \$5 400 included \$450 for January 2026, so the expense is \$4 950.
- **Opening balances too:** an amount prepaid at the start belongs to this year (add it); an amount owing at the start was last year's (take it off). $\text{Expense for the year} = \text{paid} + \text{opening prepaid} - \text{opening owing} + \text{closing owing} - \text{closing prepaid}$.
- **Income owing or received in advance** (such as bank interest due, or rent from letting the hall): add income due, take off income received in advance.
- **Depreciation:**
 - straight-line: a percentage of cost;
 - reducing balance: a percentage of book value (Oakridge: equipment \$4 200 + \$1 300 of new nets = 5 500, at 20% = 1 100);
 - revaluation, for small items such as kitchen equipment: $\text{opening value} + \text{bought} - \text{closing value}$.
Crockery valued at \$420, with \$90 bought and a closing value of \$380, gives $420 + 90 - 380 = 130$.
- **Irrecoverable debts:** subscriptions written off, as above. A **provision for doubtful debts** is possible too (for example on a shop's credit customers), treated exactly as for a sole trader.
- **Inventory** of the café is valued at the lower of cost and net realisable value: damaged stock that cost \$300 but can only be sold for \$120 goes in at \$120, which lowers the café's profit by \$180.

Oakridge Badminton Club: Income and expenditure account for the year ended 31 December 2025

	\$	\$
Income		

	\$	\$
Subscriptions	8 520	
Profit on snack bar	1 820	
Profit on tournament	530	10 870
Expenditure		
Court hire (5 400 – 450)	4 950	
General expenses (890 + 60)	950	
Depreciation of equipment (5 500 × 20%)	1 100	7 000
Surplus for the year		3 870

The new nets (\$1 300) are not here: they are capital expenditure.

The accumulated fund

The **accumulated fund** is the total of all the surpluses a club has made since it started, less all its deficits. It takes the place that capital has in a business, and like capital it equals the club's net assets:

$$\text{accumulated fund} = \text{assets} - \text{liabilities}$$

Each year a **surplus increases** it and a **deficit reduces** it. Members can't make drawings from it, and it is not an asset: it sits with the liabilities side of the statement of financial position, as capital does.

To find the **opening** accumulated fund when you are only given a list of balances, add the assets and take off the liabilities. At Oakridge on 1 January 2025:

- assets: equipment \$4 200, snack bar inventory \$180, subscriptions in arrears \$210, bank \$1 640; total \$6 230;
- liabilities: subscriptions in advance \$330;
- accumulated fund = 6 230 – 330 = 5 900.

The statement of financial position

It is laid out like a sole trader's, with the accumulated fund in place of capital.

Oakridge Badminton Club: Statement of financial position at 31 December 2025

	\$	\$
Non-current assets		
Equipment (5 500 – 1 100)		4 400
Current assets		
Snack bar inventory	240	

	\$	\$
Subscriptions in arrears	350	
Court hire prepaid	450	
Bank	4 790	5 830
Total assets		10 230
Accumulated fund		
At 1 January 2025	5 900	
Add Surplus for the year	3 870	9 770
Current liabilities		
Subscriptions in advance	400	
General expenses owing	60	460
Total accumulated fund and liabilities		10 230

Its bank figure comes from the receipts and payments account; every other current item is one of the adjustments.

Key facts and formulas

There is no formula list in the IGCSE Accounting exam, so everything here must be learnt.

Formula	Status
Closing cash and bank = opening balance + receipts – payments (receipts and payments account)	Learn it
Surplus = income – expenditure; a deficit when expenditure is larger	Learn it
Subscriptions for the year = received – opening arrears + opening in advance + closing arrears – closing in advance	Learn it
Subscriptions for the year = number of members × annual subscription (when every member owes one year's)	Learn it
Accumulated fund = assets – liabilities	Learn it
Closing accumulated fund = opening accumulated fund + surplus (or – deficit)	Learn it
Purchases = payments to suppliers – opening trade payables + closing trade payables	Learn it

Formula	Status
Cost of sales = opening inventory + purchases – closing inventory	Learn it
Profit on an activity = its revenue – its cost of sales – its own expenses	Learn it
Revenue = cost of sales $\times \frac{100 + \text{mark-up } \%}{100}$	Learn it
Expense for the year = paid + opening prepaid – opening owing + closing owing – closing prepaid	Learn it
Subscriptions in arrears: current asset. Subscriptions in advance: current liability	Learn it

How to do it

We have 68 tagged questions for this topic from 2021 to 2025 (46 different, as many appear on two or three paper variants): 58 one-mark multiple-choice questions from Paper 1 and 10 twenty-mark Paper 2 questions. Each Paper 2 question mixes several types, so the counts add up to 95.

Question type	Questions
Receipts and payments or income and expenditure: where an item goes	26
Profit on a club café, shop or event	16
The accumulated fund and the statement of financial position	14
Subscriptions for the year (multiple choice)	12
Prepare the subscriptions account	10
Advise the treasurer	7
Prepare the income and expenditure account	5
State the meaning of a club term	3
Prepare an expense account with amounts owing and prepaid	2

1. Receipts and payments or income and expenditure: where an item goes (26 questions)

All multiple choice. For each item ask two questions: **did money move this year?** (then it is in the receipts and payments account) and **is it income or an expense that belongs to this year?** (then it is in the income and expenditure account).

Item	Receipts and payments	Income and expenditure	Statement of financial position
Subscriptions received this year for this year	yes	yes (as part of subscriptions)	no
Subscriptions received for next year	yes	no	current liability
Last year's arrears received this year	yes	no	no
Subscriptions still owing at the year end	no	yes	current asset
Subscriptions written off	no (no money)	yes, as an expense	no
New equipment or furniture paid for	yes	no	non-current asset
Depreciation	no	yes	reduces the asset
Expense paid for next year (such as rates)	yes	no	current asset
Expense owing at the year end	no	yes	current liability
Loan received from a member (even interest-free)	yes	no	liability
Café sales and payments to café suppliers	yes	no (only the café's profit)	no
Café inventory, purchases on credit	no	no (they are in the café's income statement)	inventory: current asset

Variations you will meet:

- **What a receipts and payments account is:** it summarises every cash and bank receipt and payment of the year; its balance is the cash and bank balance. It does **not** show a surplus, and it leaves out non-cash items such as depreciation. Money received is a **debit** (as in the cash book); a subscription written off has **no entry**.
- **What an income and expenditure account is:** it contains revenue income and expenses, including **non-cash** items (depreciation, amounts owing, written-off subscriptions) and the **profit of the café or shop**. It does not contain capital expenditure or all the money received and paid.
- **Items both a trading business's income statement and a club's income and expenditure account can have:** ordinary expenses such as wages, depreciation and bank charges. Not sales revenue or gross profit (the club shows only the café's profit), and not a deficit or treasurer's expenses (those belong only to a club).
- **Which statements a purchase of equipment affects:** the receipts and payments account (the payment) and the statement of financial position (the asset), not the income and expenditure account.

- **Bank balance at the end:** opening balance + money received – money paid. Ignore items owing, prepaid and depreciation. With \$720 at the start, receipts of \$4 380 and payments of \$4 150 (and \$90 of subscriptions still owing, a distractor), the balance is $720 + 4\,380 - 4\,150 = 950$.
- **Subscriptions in the receipts and payments account:** the full amount received, including arrears from last year and advances for next year.

2. Profit on a club café, shop or event (16 questions)

Multiple choice, and 5-mark Paper 2 income statements or calculations.

1. **Purchases:** payments to suppliers – opening trade payables + closing trade payables (or add any bills still unpaid).
2. **Cost of sales:** opening inventory + purchases – closing inventory.
3. **Gross profit:** revenue (less any returns by customers) – cost of sales.
4. **Profit on the café:** gross profit – the café's own expenses (its assistant's wages). Club expenses and subscriptions stay out.

Layout: heading "[Club] [Café] income statement for the year ended [date]", then Revenue; Cost of sales (opening inventory, purchases, less closing inventory); Gross profit; the café's wages; **Profit on the café** (or "Profit for the year – café").

For example, a juice bar sold \$6 240 of drinks. It paid suppliers \$3 050, owed them \$210 at the start and \$260 at the end; inventory was \$330 at the start and \$290 at the end; wages were \$1 200. $\text{Purchases} = 3\,050 - 210 + 260 = 3\,100$, $\text{cost of sales} = 330 + 3\,100 - 290 = 3\,140$, $\text{gross profit} = 6\,240 - 3\,140 = 3\,100$, $\text{profit} = 3\,100 - 1\,200 = 1\,900$.

Variations you will meet:

- **First year, no opening inventory:** cost of sales is purchases less closing inventory.
- **Only the change in inventory is given:** if inventory **fell** by \$80 over the year, cost of sales is purchases **plus** \$80; if it rose, subtract.
- **Unsold refreshments and an unpaid bill** at the end: take the unsold stock off, add the unpaid bill to purchases.
- **Damaged inventory:** value it at the lower of cost and net realisable value; the drop in value comes off the profit.
- **Carriage on purchases** is added to cost of sales; **returns from customers** come off revenue.
- **An event** (a concert, a quiz night, a competition): its ticket and programme sales less its own costs (prizes, the judge's fee, hire of the hall for that night). Set the costs against the income so the profit on each event is shown on its own line.
- **Find the payments to suppliers with a trade payables account:** debit the payments (the missing figure), purchases returns and the closing balance; credit the opening balance, purchases, and any interest the supplier charged on an overdue account. Label the entries "Bank", "Purchases returns", "Purchases", "Balance b/d" and "Balance c/d".

- **Revenue from a mark-up:** work out cost of sales first, then add the mark-up. With cost of sales of \$12 500 and a 25% mark-up, revenue = $12\,500 \times 1.25 = 15\,625$. Don't stop at cost of sales.

3. The accumulated fund and the statement of financial position (14 questions)

Mostly multiple choice, and some Paper 2 parts.

1. **From a list of balances:** add the assets (non-current assets at book value, that is cost less the provision for depreciation; inventory; subscriptions in arrears, prepaid expenses, bank), take off the liabilities (subscriptions in advance, expenses owing, café trade payables, loans, an overdraft). "Subscriptions accrued" means owed by members: an **asset**.
2. **From one year to the next:** closing = opening + surplus (or – deficit).

Variations you will meet:

- **The word:** the accumulated fund is the name for the surpluses (less deficits) built up over the club's life; it is the club's equivalent of a sole trader's **capital**.
- **True statements:** a surplus increases it and a deficit reduces it; members cannot make drawings from it. Not true: that it is an asset, or that it includes all the money received and paid.
- **Finding a missing figure:** a fall in the fund is the deficit. If the fund fell from \$24 000 to \$22 500 and expenses were \$11 300, subscriptions (the only income) were $11\,300 - 1\,500 = 9\,800$. Equipment bought is capital expenditure: it swaps cash for an asset and does not change the fund, so ignore it.
- **Correcting an error:** an item that changes the surplus changes the fund by the same amount. If closing café inventory was overstated by \$40, the surplus falls by \$40 (a deficit grows by \$40) and the fund falls by \$40.
- **Current assets extract:** café inventory (closing), subscriptions in arrears, expenses prepaid, bank, with a total. Write "Subscriptions in arrears", not "subs". Subscriptions received, opening inventory and anything owed by the club don't belong.
- **Subscriptions in the statement of financial position:** arrears under current assets, advances under current liabilities, each at its closing amount.

4. Subscriptions for the year (multiple choice) (12 questions)

1. Start with the **amount received** in the year.
2. **Take off** last year's arrears received (opening arrears) and next year's paid early (closing in advance).
3. **Add** this year's paid early last year (opening in advance) and this year's still owing (closing arrears).

For example, received \$9 480; at the start arrears \$360 and in advance \$540; at the end arrears \$420 and in advance \$300: $9\,480 - 360 + 540 + 420 - 300 = 9\,780$. Drawing the subscriptions account gives the same answer and is safer.

Variations you will meet:

- **Members and a rate:** if every member owes one year's subscription, the income for the year is simply members $\times$ rate. Who paid late or early changes the cash, not the income.

- **Cash received from members:** count everyone who paid in the year: last year's debtors who paid, this year's members who paid, and those who paid next year's early; then multiply by the rate.
- **Reading a subscriptions account:** a debit balance b/d on 1 January is arrears (owed by members); a debit "Balance c/d" at the year end becomes a credit balance b/d, so it is subscriptions **in advance**; the credit "Bank" is the money received; the debit "Income and expenditure" is the income for the year.
- **Change in the number of members in arrears:** change in the arrears balance $\div$ the subscription.
- **Received figure split by year** ("received for this year \$..., received for next year \$..."): use only this year's part, add the opening advance and the closing arrears.

5. Prepare the subscriptions account (10 questions)

Paper 2, 5–6 marks. Every Paper 2 club question starts here.

1. **Heading:** "[Club] Subscriptions account", with Date, Details and \$ on both sides.
2. **Opening balances**, dated the first day of the year, "Balance b/d": **arrears on the debit, advances on the credit**. Keep them separate; never net them off.
3. **Money received** on the credit: "Bank" (or "Cash"), the amount actually received.
4. **Written-off subscriptions**, if any, on the credit: "Irrecoverable debts".
5. **Closing balances** as "Balance c/d": closing **advances on the debit**, closing **arrears on the credit**.
6. **Income for the year:** the missing figure on the **debit**, "Income and expenditure" (never "income statement").
7. **Total** both sides, then **bring down** the closing balances, dated the first day of next year: arrears on the debit, advances on the credit.

Marks usually go to: both opening balances, the bank figure, the transfer to income and expenditure, both balances brought down, and correct dates.

6. Advise the treasurer (7 questions)

Paper 2, 3–5 marks, and 2–3-mark "explain whether the treasurer should be satisfied" parts. A club is not a business: talk about **members**, **subscriptions** and **facilities**, not customers and sales.

Plan: two points **for**, two points **against**, each tied to the figures in the question, then a clear **recommendation** ("I recommend that the treasurer should ... because ..."). Four marks for points and one for the recommendation. Match the number of points to what the question asks for: if it asks for one advantage and one disadvantage, give exactly one of each, fully explained, then the recommendation. "If they choose to ..." is not a recommendation.

Raise the annual subscription (for example to pay for new equipment)

- For: more income every year, without borrowing or paying interest; the equipment benefits every member; costs may have risen while the subscription stayed the same; the rise per member may be small.

- Against: members may leave, especially if membership is already falling; more members may fall into arrears; a higher fee puts off new members; the purchase is a one-off, so a permanent rise isn't needed; there are other ways to pay (a fundraising event, a donation, a one-off levy, the bank balance, cheaper second-hand equipment).

Offer a discount to members who pay in advance

- For: money arrives earlier, improving the bank balance; fewer members in arrears and fewer subscriptions written off; less time spent chasing late payers; members who have paid ahead are likely to stay.
- Against: less income from each member who takes it, so a smaller surplus; members who always paid on time get it too; money received in advance is next year's income, so next year's receipts will be lower; members who usually pay late may not change.

Improve the cash position (for example by letting out part of the premises)

- For letting out: regular extra income each month; uses space the club doesn't need; little extra cost.
- Against: members lose the use of that space; the tenant may disturb activities, damage the premises or pay late; the club may be tied to the arrangement.
- Other ways that may suit better: collect the subscriptions in arrears; encourage payment in advance; pay the café's suppliers on time to avoid interest charges on overdue accounts; raise the café's prices or cut its costs; hold fundraising events; seek donations or sponsorship; cut club expenses. Examiners treat selling non-current assets or taking out a loan as unrealistic answers here, so don't suggest them.

Should the treasurer be satisfied with the subscriptions received?

Compare the money received with the subscriptions for the year from your account.

- Not satisfied if: less was received than was due; the **arrears have grown** (more members owe, and some may never pay); the **advances have fallen** (fewer members committed to next year); membership is falling.
- Satisfied if: the receipts cover the year's subscriptions, the arrears have fallen or the advances have risen.

Talk about subscriptions only, not the club's expenses, and finish with a clear "yes" or "no".

A new activity (such as selling refreshments): for, extra profit adds to the club's income and attracts members; against, it needs money for equipment and inventory, wages or volunteers' time, perishable stock may be wasted, and it could make a loss.

7. Prepare the income and expenditure account (5 questions)

Paper 2, 8–10 marks.

1. **Heading:** "[Club] Income and expenditure account for the year ended [date]".
2. **Income:** subscriptions (the figure from **your** subscriptions account, not the money received), the profit on each activity (from your income statement, or event income less its costs), other income such as bank interest, with amounts due or received in advance adjusted. Total.

3. **Expenditure:** each expense **adjusted** for amounts owing and prepaid, depreciation, subscriptions written off, a loss on any activity. Total.
4. **Surplus for the year** (or **Deficit for the year**): income less expenditure. Never "profit".

Variations you will meet:

- **Payment covering more than 12 months:** rent of \$9 100 paid for 1 January to 31 January the following year is 13 months, \$700 a month, so this year's expense is $700 \times 12 = 8\,400$ and \$700 is prepaid.
- **A contract price is given** ("the hire contract is \$6 000 a year, paid monthly"): the expense is the full contract amount, \$6 000, whatever has been paid; the unpaid part is owing.
- **Depreciation:** of the book value, of cost, or by revaluation (opening value + bought – closing value). Work it out beside the line.
- **Leave out:** the purchase of equipment, loans received, the opening and closing bank balances, and café sales and purchases (they are inside the café's profit).

8. State the meaning of a club term (3 questions)

Paper 2, 1–2 marks. Learn short, exact answers:

- **Accumulated fund:** the total surpluses less the total deficits a club has made since it started; it equals the club's assets less its liabilities. Say "surpluses less deficits", not just "surpluses", and don't just call it "capital".
- **Receipts and payments account:** a summary of the club's cash book for the year, showing all the money received and paid and the closing cash and bank balance.
- **Income and expenditure account:** the club's statement of the income it earned and the expenses it used up in the year; the difference between them is its surplus or deficit.
- **Surplus / deficit:** income more / less than expenditure for the year.
- **Subscriptions in arrears / in advance:** owed by members for a past or current year / paid by members for a future year.

9. Prepare an expense account with amounts owing and prepaid (2 questions)

Paper 2, 4–5 marks: an account such as "rent and insurance" that has an amount prepaid and an amount owing.

1. **Opening balances**, "Balance b/d" on the first day: a **prepaid** amount on the **debit**, an amount **owing** on the **credit**.
2. **Money paid** on the debit: "Bank".
3. **Closing balances**, "Balance c/d": a closing **prepaid** amount on the **credit**, a closing amount **owing** on the **debit**.
4. **The expense for the year** is the missing figure on the **credit**: "Income and expenditure".
5. Total, then bring the closing balances down on the first day of next year (prepaid on the debit, owing on the credit).

For example, a heat and light account: electricity owing \$120 at the start, gas prepaid \$60 at the start, \$2 300 paid, \$90 prepaid and \$140 owing at the end. Debit: $60 + 2\,300 + 140$; credit: $120 + 90 + \text{expense}$; so the expense is $2\,500 - 210 = 2\,290$.

Put in only this account's items: no subscriptions, café purchases or bank balances.

Worked examples

Example 1

A walking society received subscriptions of \$9 480 during the year ended 31 December 2025. The following balances are also known.

	1 January 2025	31 December 2025
Subscriptions in arrears	360	420
Subscriptions in advance	540	300

What was the income from subscriptions for the year ended 31 December 2025? **[1]**

A \$9 180 B \$9 480 C \$9 780 D \$10 440

$9\,480 - 360 + 540 + 420 - 300 = 9\,780$. **C (1)**

A reverses every adjustment, B is just the money received, and D adds the opening advance and closing arrears but forgets to take off the opening arrears and closing advance.

Example 2

Kestrel Rowing Club runs a café for its members. Its financial year ends on 31 December. The treasurer provides the following.

	1 January 2025	31 December 2025
Boats at book value	18 000	
Subscriptions in arrears	620	540
Subscriptions in advance	480	660
Insurance prepaid	180	210
Café inventory	740	810
Café trade payables	390	450
Bank	2 350	

During the year the club received subscriptions of \$14 260. Of the arrears at 1 January 2025, \$120 will never be received and is to be written off. Café sales were \$9 640, payments to café suppliers \$5 120 and café wages \$1 900.

(a) Calculate the accumulated fund at 1 January 2025. [4]

(b) Prepare the subscriptions account for the year ended 31 December 2025. Balance the account and bring down the balances on 1 January 2026. [6]

(c) Prepare the income statement of the café for the year ended 31 December 2025. [5]

(a)

	\$	\$
Assets		
Boats at book value	18 000 (1)	
Subscriptions in arrears	620	
Insurance prepaid	180	
Café inventory	740	
Bank	2 350 (1)	21 890
Liabilities		
Subscriptions in advance	480	
Café trade payables	390 (1)	870
Accumulated fund at 1 January 2025		21 020 (1)OF

(b)

Kestrel Rowing Club: Subscriptions account

Date	Details	\$	Date	Details	\$
2025			2025		
Jan 1	Balance b/d	620	Jan 1	Balance b/d	480 (1) both
Dec 31	Income and expenditure	14 120 (1)OF	Dec 31	Bank	14 260 (1)
	Balance c/d	660		Irrecoverable debts	120 (1)
				Balance c/d	540
		15 400			15 400
2026			2026		
Jan 1	Balance b/d	540	Jan 1	Balance b/d	660 (1) both

(1) for correct dates. The credit side totals $480 + 14\,260 + 120 + 540 = 15\,400$, so the income is $15\,400 - 620 - 660 = 14\,120$. The \$120 written off appears as an expense in the income and expenditure account.

(c) Purchases = $5\,120 - 390 + 450 = 5\,180$.

Kestrel Rowing Club: Café income statement for the year ended 31 December 2025

	\$	\$
Revenue		9 640
Less Cost of sales		
Opening inventory	740	
Purchases ($5\,120 - 390 + 450$)	5 180 (1)	
	5 920	
Less Closing inventory	810 (1) both inventories	5 110 (1)OF
Gross profit		4 530
Less Café wages		1 900 (1)
Profit on the café		2 630 (1)OF

Example 3

Lantern Photography Society's receipts and payments account for the year ended 31 December 2025 included: subscriptions received \$6 850, exhibition ticket sales \$1 480, bank interest received \$60; hall rent \$2 860, exhibition costs \$910, general expenses \$1 150, new projector \$1 200.

The subscriptions account shows \$6 700 to be transferred to the income and expenditure account. Also:

1. The hall rent paid covers the 13 months from 1 January 2025 to 31 January 2026.
2. General expenses of \$90 were owing at 31 December 2025. None were owing a year earlier.
3. Equipment had a book value of \$4 000 on 1 January 2025. Including the projector, all equipment is depreciated by 25% of its book value at 31 December 2025.
4. The accumulated fund on 1 January 2025 was \$9 400.

(a) Prepare the income and expenditure account for the year ended 31 December 2025. [8]

(b) Calculate the accumulated fund at 31 December 2025. [2]

(c) State **two** differences between a receipts and payments account and an income and expenditure account. [2]

(a) Workings: rent $2\,860 \div 13 = 220$ a month, so $220 \times 12 = 2\,640$ (\$220 prepaid); general expenses $1\,150 + 90 = 1\,240$; depreciation $(4\,000 + 1\,200) \times 25\% = 1\,300$.

Lantern Photography Society: Income and expenditure account for the year ended 31 December 2025

	\$	\$
Income		
Subscriptions	6 700 (1)	
Profit on exhibition (1 480 – 910)	570 (1)	
Bank interest	60 (1)	7 330 (1)OF
Expenditure		
Hall rent (2 860 ÷ 13 × 12)	2 640 (1)	
General expenses (1 150 + 90)	1 240 (1)	
Depreciation of equipment (5 200 × 25%)	1 300 (1)	5 180
Surplus for the year		2 150 (1)OF

The projector is capital expenditure and the \$6 850 received is not this year's income, so neither appears.

(b) $9\,400 + 2\,150 = 11\,550$ (1) for adding the surplus to the opening fund, **(1)OF** for the answer.

(c) Any two (1) each:

- A receipts and payments account shows all money received and paid in the year; an income and expenditure account shows the income and expenses that belong to the year.
- A receipts and payments account includes capital items such as the projector; an income and expenditure account leaves them out and shows depreciation instead.
- A receipts and payments account ends with the cash and bank balance; an income and expenditure account ends with a surplus or deficit.

Example 4

Harbourside Chess Club has 64 members who each pay \$45 a year. The club's bank balance is \$310. The treasurer is thinking of buying a coffee machine for \$850 and selling hot drinks at club evenings, run by volunteers. Over the past year the subscriptions in arrears rose from \$135 to \$360.

(a) State the meaning of the term "subscriptions in arrears". [1]

(b) Advise the treasurer whether the club should start selling hot drinks. Justify your answer. [5]

(a) Subscriptions owed to the club by members for the current or a past year, which they have not yet paid. (1)

(b)

For:

- The profit on hot drinks would add to the club's income each year and help it build up its bank balance. (1)
- Drinks at club evenings may attract new members and encourage existing ones to stay. (1)
- Volunteers run it, so there are no wages to pay. (1)

Against:

- The club has only \$310 in the bank, so it cannot pay \$850 for the machine without borrowing or delaying other spending. **(1)**
- Arrears have risen from \$135 to \$360, so money is already short; the club would also need cash for coffee, milk and cups. **(1)**
- Sales may be too small to cover the cost, and perishable stock may be wasted. **(1)**

Recommendation: the club should not buy the machine yet. It should first collect the \$360 of arrears and build up the bank balance, then start selling drinks with a cheaper machine or one bought after a fundraising evening. **(1)**

Any four of these points earn the 4 marks for points, and a recommendation that follows from them earns the fifth.

Common mistakes

- **"Income statement" instead of "income and expenditure".** In the subscriptions account the transfer is to "Income and expenditure", and the money received is "Bank" or "Cash", not "Receipts and payments" or "Subscriptions".
- **Opening balances on the wrong side, or netted off.** Arrears are debit balances and advances are credit balances; enter both, separately, with dates. Don't use "accruals" or "prepayments" as the details: write "Balance b/d".
- **Leaving out the subscriptions written off,** or taking them off the opening arrears instead of crediting "Irrecoverable debts". Then forgetting to show them as an expense in the income and expenditure account.
- **Extra items in the subscriptions account,** such as café purchases, expenses, non-current assets or the bank balance. It holds subscriptions only.
- **Using the money received as income.** The income and expenditure account needs the subscriptions **for the year** from the subscriptions account. Also, don't add the closing bank balance to anything.
- **Purchases not adjusted.** The payments to suppliers are not the purchases: add closing trade payables and take off opening trade payables.
- **Extra items in the café's income statement,** such as rent of the clubhouse or subscriptions; and calling its result "surplus" (the café makes a **profit**; the club makes a **surplus**).
- **Event income without its costs.** Set the costs against the income so the profit on each activity is its own line.
- **"Profit for the year" in the income and expenditure account.** It is a "Surplus (or Deficit) for the year".
- **Capital items in the income and expenditure account,** such as new furniture or equipment. Only the depreciation goes there.
- **Muddling arrears and advances in the accumulated fund:** arrears are assets, advances are liabilities; likewise prepaid expenses are assets and expenses owing are liabilities. Use the **opening** figures for the opening fund, not the closing ones or the differences.

- **Defining the accumulated fund as "capital"**, or as "surpluses" without "less deficits".
- **Abbreviations** such as "subs", "COS" or "Inv.": write the words in full.
- **Unrealistic ways to improve cash flow.** Selling the club's non-current assets or taking out a loan are not accepted; suggest collecting arrears, payment in advance, fundraising, cutting costs or raising café prices instead.
- **Advice as if the club were a business**, talking about customers and sales, or giving only one side, or no clear recommendation.

How to get the marks

- **Headings:** the club's name and the account or statement, with "for the year ended [date]" (income and expenditure account, café income statement) or "at [date]" (statement of financial position).
- **Ledger accounts** (subscriptions, expenses, trade payables): a date on every line, the name of the other account in the details, balances carried down and brought down. The dates usually earn a mark of their own, and each opening pair and closing pair earns one.
- **Workings in brackets** beside each adjusted figure: "Hall rent ($2\,860 \div 13 \times 12$)". A working can earn the mark even if a slip spoils the total.
- **Own-figure marks (OF):** the income and expenditure account takes its subscriptions and café profit from your own earlier parts. Finish every part even after an error.
- **Correct labels:** "Surplus for the year" or "Deficit for the year" for the club, "Profit on the café" for the activity, "Accumulated fund" for the club's capital.
- **"Calculate":** set the working out step by step (list the assets, then the liabilities); any layout that reaches the right figure earns the marks.
- **"State the meaning":** one precise sentence; learn the definitions in type 8.
- **"Advise ... Justify your answer":** two points each side tied to the club's figures, then "I recommend ..." with a reason. Five marks: four for points, one for the recommendation.
- **"Explain whether ... should be satisfied":** compare the figures, give reasons, and end with a clear opinion.
- **Multiple choice:** decide first whether the question is about **money** (receipts and payments, the bank) or **the year's income and expenses** (income and expenditure, accumulated fund); then ignore the distractors.

Quick check

1. For each item, say whether it appears in a club's receipts and payments account, its income and expenditure account, both, or neither: (i) a cheque paid for new tables; (ii) depreciation of the clubhouse; (iii) subscriptions received for next year; (iv) wages paid to the groundsman in the year; (v) subscriptions owing at the year end.

2. A drama society has 80 members paying \$45 a year. During the year, 5 members paid last year's subscription that they owed, 6 members paid next year's subscription early, and at the year end 3 members had not paid this year's. How much did the society receive from members in the year?
3. A club's balances are: clubhouse \$64 000, equipment \$7 500, bar inventory \$850, subscriptions in arrears \$310, bank overdraft \$1 240, subscriptions in advance \$470, electricity owing \$180. Calculate the accumulated fund.
4. A snack bar sold \$4 860 of food. It paid suppliers \$2 710 and owed them \$230 at the start and \$170 at the end. Inventory was \$150 at the start and \$290 at the end, and wages were \$800. Calculate the profit on the snack bar.
5. A treasurer's draft accounts show a surplus of \$1 340 and a closing accumulated fund of \$15 600. She then finds that closing snack bar inventory was **undervalued** by \$60 and that electricity of \$95 owing was left out. Calculate the correct surplus and accumulated fund.

Answers

1. (i) Receipts and payments only (it is capital expenditure; the tables go in the statement of financial position). (ii) Income and expenditure only. (iii) Receipts and payments only (a current liability at the year end). (iv) Both. (v) Income and expenditure only (a current asset at the year end).
2. $5 + (80 - 3) + 6 = 88$ members paid, so $88 \times 45 = \textbf{\$3 960}$.
3. Assets = $64\,000 + 7\,500 + 850 + 310 = 72\,660$; liabilities = $1\,240 + 470 + 180 = 1\,890$; accumulated fund = $72\,660 - 1\,890 = \textbf{\$70 770}$.
4. Purchases = $2\,710 - 230 + 170 = 2\,650$; cost of sales = $150 + 2\,650 - 290 = 2\,510$; gross profit = $4\,860 - 2\,510 = 2\,350$; profit = $2\,350 - 800 = \textbf{\$1 550}$.
5. Surplus = $1\,340 + 60 - 95 = \textbf{\$1 305}$; accumulated fund = $15\,600 + 60 - 95 = \textbf{\$15 565}$.

Past questions to try

- **0452/23/M/J/23 Q3**: a subscriptions account with subscriptions written off, the income and expenditure account, advice on raising the subscription, and two definitions.
- **0452/23/O/N/21 Q5**: a subscriptions account with an irrecoverable amount, an income and expenditure account with two events, and advice on a discount for paying early.
- **0452/23/M/J/21 Q4**: a subscriptions account, a shop trade payables account, revenue from a mark-up, and ways to improve cash flow.
- **0452/21/M/J/22 Q5**: a subscriptions account, whether the treasurer should be satisfied, the profit on refreshments and the current assets.