

FORMATION OF BUDGET FOR 1970
PENRITH DISTRICT RUGBY LEAGUE FOOTBALL CLUB.

It is my opinion (reasons on following pages) that:-

1. The statement of Assets and Liabilities at 31st October, 1969 is incorrect because it fails to show the following liabilities:-
 - a). \$15,000 advanced by the Licensed Club.
 - b). Sign-on fees due in November of \$26,715.
 - c). Accounts owing to Mick Simmons for Schools equipment.
 - d). Payments to Junior League.
 - e). Licensed Club account.

On the other hand, several assets are overstated but the amounts are small compared to the understatement of liabilities.

2. Understating liabilities and overstating assets have the effect of concealing the true financial position of the Club.
3. The true position of the Club is such that it is at present insolvent i.e. cannot meet its commitments from normal, expected income.
4. Even if no further commitments are entered into, the financial position will again deteriorate during 1970 by approximately \$7,000 unless very stringent measures are taken to cut costs.
5. The District Club cannot afford to buy any players this year.

Each of these statements is explained on the following pages.

...../2

2. UNDERSTATING LIABILITIES AND OVERSTATING ASSETS HAVE THE EFFECT OF CONCEALING THE TRUE FINANCIAL POSITION OF THE CLUB.

The Statement of Assets and Liabilities as prepared shows an improvement of \$21,000 from the statement issued the previous year.

\$21,000 saved !!!

The amended form showing the same liabilities as the previous year showed, reveals a financial position \$29,000 worse than the previous year.

\$29,000 overspent !!!

This comparison should be ample proof of the above statement.

3. THE TRUE POSITION OF THE CLUB IS SUCH THAT IT IS AT PRESENT INSOLVENT I.E. CANNOT MEET ITS COMMITMENTS FROM NORMAL, EXPECTED INCOME.

In November, promises have been made to pay:-

Sign-on Fees -	\$26,715
Bonuses -	19,173
Mick Simmons -	3,000
Junior League -	<u>5,578</u>
Total without considering sundry amounts owing -	<u>\$54,466</u>

Actually, the District Club has no money to meet these commitments until January but the Directors did agree to advance \$25,000 of the 1970 allocation in November.

This will still leave \$29,466 unpaid.

If the Licensed Club does not come to the party with a greater advance and the players demand their money when they are quite within their rights to expect it - what will happen?

1. STATEMENT OF ASSETS AND LIABILITIES IS INCORRECT.

\$15,000 advance by Licensed Club and \$426 owing to Licensed Club are obvious.

\$26,715 owing for Sign-on fees is the one most in dispute.

It is my opinion that this amount must be a liability because:-

- a). if the players decided to leave, they would be entitled to these payments i.e. they have already earned them by playing in the 1969 season.
- b). when a player is signed on, he is offered so much per season - not half the amount for the first season and then half the amount for the year after he finishes playing.
- c). if this was the case, it would mean that half a player's sign-on fee would be written as a cost against a year in which he did not even play and how could anybody say that was a correct accounting principle?
- d). this is the first time that November sign-on fees have been omitted from the Statement of Assets and Liabilities.

On Page 7 this statement is proved in three different ways.

If they were a liability in previous years, why not this year?

- e). if they are not included as a liability, a completely false impression of the actual 1969 costs is obtained and this will affect the 1970 budget.

1. (Cont'd)

Accounts owing to Mick Simmons for schools' equipment bought last February must obviously be a liability.

Part of the equipment (\$1,200) is even shown as an asset, yet the payment for the goods is not a liability!

When was the debt incurred - 1969 or 1970?

If the Club ceased to operate now, would they be liable to pay this account?

Junior League -

This must be a liability because the District Club has already admitted it by paying exactly the amount received from N.S.W. League to the Junior League.

In addition to this, since being admitted to 1st Grade, the District Club have supported the Juniors as follows:-

<u>1967</u>	Received from N.S.W. League	\$3,889
	Paid to Juniors	<u>500</u>
	Profit to District Club	<u>\$3,389</u>
<u>1968</u>	Received	5,750
	Paid	<u>6,150</u>
	Cost to District Club	<u>\$400</u>
<u>1969</u>	Received	5,578
	Paid	<u>6,459</u>
	Cost to District Club	<u>\$881</u>

Total budgeted donation for 1968 and 1969 was \$8,000 and only \$1,281 of this has been paid so there is an obvious liability here which has already been admitted.

Administrative Expenses (Cont'd)

Entertaining	9,700	
(this was the same for 1968 and 1969. It was stated last year that this would be cut considerably but as this was evidently not possible, the indications are that it will not be cut this year either.)		
Accounting & Legal fees	400	
Printing, Stationery, Advertising, Postage & Telephone	3,900	
(these are standard costs and would not vary a great deal from one year to another.)		
Sundry Expenses	1,000	
Honorariums	700	
Insurance	350	
Donations & Presentations	600	
Payment of all 1969 liabilities - i.e. \$69,466 -		
Cash at Bank <u>15,000</u>	<u>54,466</u>	<u>112,996</u>

\$191,096

INCOME

Grant - Penrith Leagues Club	95,000
N.S.W. Rugby League Insurance	2,000
N.S.W. Rugby League Grants & Gates	30,000
Cleaning on Ground	500
Sale of Players	<u>2,500</u>
(Tax included in Bonus Payments)	<u>\$130,000</u>

EXPENDITURE

\$191,096

Therefore, at the end of 1970 season, there will have to be \$61,096 approximately left to pay from 1971 allocation if no further expenses are undertaken.

PROOFS THAT NOVEMBER SIGN-ON FEES WERE INCLUDED AS A LIABILITY IN THE STATEMENT OF ASSETS & LIABILITIES AT 31ST OCTOBER, 1968.

Proof 1.

Last year the Directors were told that the only reason the District Club had to ask for an extra \$25,000 before the finish of the season was because the players had been paid a large part of their bonuses before the end of the season.

This statement is borne out by the receipts and payments account of 1968 which shows that \$29,237 was paid out in bonuses.

It is obvious that the \$30,408 listed as bonus liabilities could not possibly have been solely for match payments and therefore must have included sign-on fees.

Proof 2.

1968 Liabilities show bonuses as \$30,406.

1969 Payments show 1968 bonuses paid \$32,558.

If the November sign-on fees were not included in this then they must have been paid in some other amount or else they have still not been paid.

The only payment shown which could possibly include them is
1969 bonuses - \$30,030

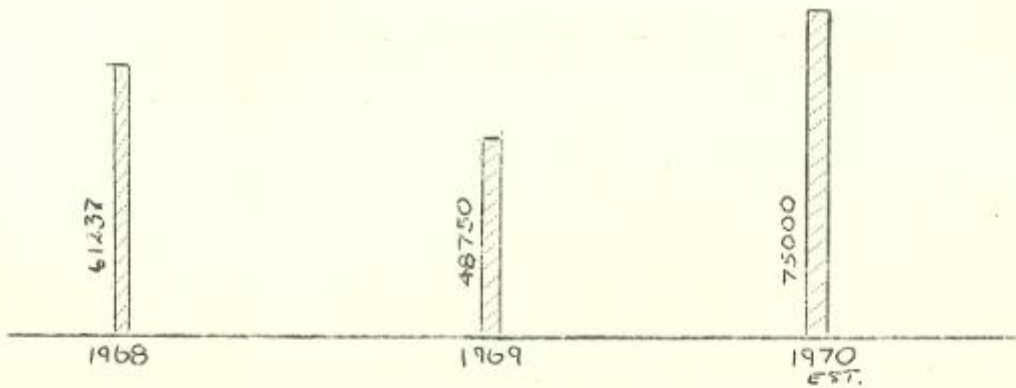
But this amount must include March sign-on fees of \$22,165 and some bonuses paid through the season - say \$7,000 and therefore cannot include November sign-on fees.

Therefore, November sign-on fees must have been included in the liability stated in 1968.

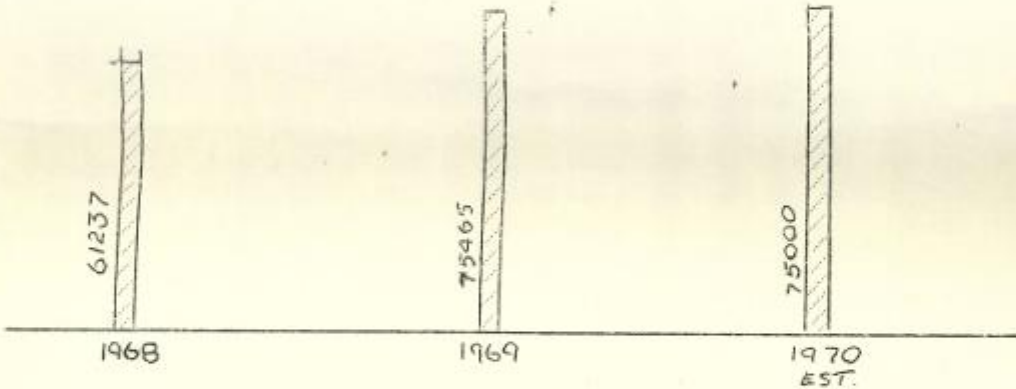
Proof 3.

Would it be logical for 1969 players costs to show a distinct drop compared to 1968 and then, working on the same contracts, a spectacular rise in 1970?

According to the printed statements over the last three years, these are playing costs (i.e. sign-on fees + bonuses.)



The amended statement, bringing in all liabilities, shows a more likely position.



Is it correct to change the system to give this distorted view of costs?

How can you budget for 1970 when you have a distorted view of 1969 costs?

