



# The Co-operative University of Kenya

## SPECIALS AND SUPPLEMENTARY EXAMINATION AUGUST-2019 EXAMINATION FOR THE DIPLOMA IN CO-OPERATIVE MANAGEMENT

UNIT CODE: COCM 1207

UNIT TITLE: CO-OPERATIVE ACCOUNTING II

DATE: 28<sup>TH</sup> AUGUST, 2019

TIME: 9:00 AM – 11:00 AM

### INSTRUCTIONS:

- Answer question **ONE (compulsory)** and any other **TWO** questions

### QUESTION ONE

- (a) The books XYZ Sacco had the following balances for the period ended 30<sup>th</sup> June, 2018.

<b>PARTICULARS</b>	<b>AMOUNT (KSHS)</b>
Registration fee	78,000
Rental income	55,000
Interest on members loan	1,292,000
Salaries and wages	165,000
Printing and stationery	33,000
Repairs and maintenance	131,000
Bank charges	9,400
Electricity charges	85,400
Transport charges	35,300
Land	860,000
Buildings	3,200,000
Shares	373,400
Debtors	46,600
Bank	29,400
Share capital	2,400,000
Statutory reserve fund	190,000
Retained earnings	390,000
Creditors	45,000
Long term loan	550,000
Interest on Long term loan	31,500

The following additional information is provided;

- Accrued salaries and wages amounted to kshs 9,200
- Prepaid transport charges amounted to kshs 5,200
- Accrued rent income was shs. 8,000
- Provided for audit fee at ksh 25,000
- Five (5) members had paid shs. 1,000 each through bank as share capital. The entries had not been recorded in the books of account at the end of this period.

### Required;

- Prepare a worksheet to show the adjusted Trial balance for the given period. (15 Marks)
- Explain any SIX reasons for division of co-operative societies. (6 Marks)
- Explain any THREE circumstances that may lead to the liquidation of a co-operative Society. (6 Marks)
- Describe THREE components of the Standardized Accounting System. (3 Marks)

## QUESTION TWO

- (a) Discuss THREE budgeting styles in co-operatives and explain any advantage and disadvantage. (12 Marks)
- (b) Discuss any THREE legal requirement for production of the financial statements. (6 Marks)
- (c) Define liquidation. (2 Marks)

## QUESTION THREE

The A/Cs of ABC Ltd for the years ended 31<sup>st</sup> December 2017 and 2018 are below;-

	31 <sup>st</sup> Dec. 2017	31 <sup>st</sup> Dec. 2018
<u>Share Capital &amp; Reserve</u>		
Ordinary share capital	500,000.00	600,000.00
Share premium A/C	100,000.00	200,000.00
Profit & Loss A/C	<u>250,000.00</u>	<u>300,000.00</u>
	<b>850,000.00</b>	<b>1,100,000.00</b>
Long term Loan	<b>230,000</b>	<b>190,000.00</b>
	1,080,000.00	1,290,000.00
<u>Represented by:</u>		
Land & buildings	300,000.00	600,000.00
Less: Depreciation	<u>40,000</u>	<u>50,000</u>
	260,000.00	550,000.00
Plant & Machinery	500,000.00	850,000.00
Less: Depreciation	<u>(300,000)</u>	<u>(400,000)</u>
	<b>200,000.00</b>	<b>450,000.00</b>
Trade Investments	100,000	200,000.00
<u>Current Assets</u>		
Stock	500,000.00	800,000.00
Debtors	300,000.00	500,000.00
Investments	400,000.00	-
Cash	<u>100,000.00</u>	<u>10,000.00</u>
	<b>1,300,000.00</b>	<b>1,310,000.00</b>
<u>Current Liabilities</u>		
Creditors	700,000.00	900,000.00
Dividends payable	80,000.00	100,000.00
Overdraft	-	220,000.00
	<b>780,000.00</b>	<b>1,220,000.00</b>
Working Capital	<u>520,000.00</u>	<u>90,000.00</u>
Net Assets	<u>1,080,000.00</u>	<u>1,290,000.00</u>

The following additional information is provided;

- (i) During the year, investments were sold for kshs. 550,000/= & Plant and Machinery with a cost kshs 100,000/= and a Book Value of kshs 80,000/= was sold for kshs 90,000/= the resultant gains were taken to the Profit & Loss A/C.

### Required;

Prepare a Cash Flow Statement for the year ended 31<sup>st</sup> Dec. 2018. (20 Marks)

## QUESTION FOUR

- (a) Highlight the differences between the procedure for amalgamation and the legal procedure for division. (10 Marks)

- (b) Discuss FIVE types of amalgamations. (5 Marks)  
 (c) State FIVE advantages of division. (5 Marks)

### QUESTION FIVE

The following is a statement of financial position of Fanyakazi Co-operative society as at 31<sup>st</sup> Dec, 2018.

	KSHS. '000'	KSHS '000'	KSHS '000'
Land and Buildings			110
Lorry (Net Stock Value)			200
Furniture			60
Shares in Co-operative bank			<u>50</u>
			420
Current Assets:			
Debtors	60		
Loans to members	200		
Stock	30		
Bank	<u>31</u>		
Less Current Liabilities			
Creditors	100		
Payments due to members	<u>41</u>	<u>141</u>	<u>180</u>
			<u>600</u>
Financed by:			
Share capital			<u>600</u>
			<u>600</u>

The society was divided to form Fanya and Kazi Co-operative Societies under the following terms;

- (i) Asset and liabilities were derived by Fanya and Kazi in the ratio 2:3 respectively
- (ii) A provision for bad and doubtful debts at 10% was made
- (iii) Stock as reduced by kshs 1,000
- (iv) Fanya co-operative society took a long term loan of kshs 20,000
- (v) Both Fanya and Kazi issued share certificates of kshs 100 per share to members of the respective co-operative society.
- (vi) Assets were revalued as follows:

	Kshs. '000'
Land and Buildings	150
Lorry (Net Stock Value)	170
Furniture	50
Shares in Co-operative bank	70

### Required;

- (a) Calculate the number of shares in Fanya Co-operative Society Ltd. Which were issued to members of Fanya and Kazi Co-operative Society respectively. (8 Marks)
- (b) Prepare the statement of financial position of Fanya and Kazi Co-operative Societies as at 1<sup>st</sup> January, 2019. (12 Marks)