



The Co-operative University of Kenya

END OF SEMESTER EXAMINATION AUGUST -2018

EXAMINATION FOR THE DIPLOMA IN CO-OPERATIVE MANAGEMENT
(YR II SEM I)

UNIT CODE: COCM 1207

UNIT TITLE: CO-OPERATIVE ACCOUNTING II

DATE: 27TH AUGUST, 2018

TIME: 2:00 PM – 4:00 PM

INSTRUCTIONS:

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

QUESTION ONE

(a) You have been invited to attend a meeting at which two societies namely Bimas and Dima have the agenda of intention to amalgamate the two societies to form Bidii Co-operative Society Ltd. Explain to them:

- i) The procedure to be followed as provided for by the co-operative societies Act. (8 Marks)
- ii) List down TWO major consequences of Amalgamation. (2 Marks)

(b) The following Trial balance was extracted from the books of CUK Teachers Savings and Credit Co-operative Society Ltd as at June, 30th 2018

	Kshs.	Kshs.
Interest on loans		299,800
Interest on savings		10,960
General Expenses	600	
Ushirika Day Celebrations	1,500	
Printing and stationery	5,800	
Insurance company		
Premiums	28,300	
Bank charges	23,800	
Book-keeping charges	21,600	
A.G.M. Expenses	40,000	
Committee sitting allowance	35,000	
Share capital		53,000
Members deposit		3,180,000
Entrance fees		10,000
Statutory reserve		198,000
Appropriation Account		68,000
Investments	12,300	
Bank savings account	138,000	
Loans to members	3,082,900	
Loan defaulters	469,600	
Sundry debtors	286,400	
Creditors Accruals		351,800
Other creditors		45,600
Bank overdraft		70,480
Taxation	<u>140,940</u>	
	<u>4,287,640</u>	<u>4,287,640</u>

Additional information

- 1) Audit fees have been agreed at 40,000. Supervision fees payable to the commissioner for co-operative Development should be charged at the rate of 10% of Audit fees.
- 2) The Auditors have been appointed VAT agents
- 3) Corporation tax at 30% should be provided for as per Income Tax Act
- 4) Statutory reserve should be provided for at the appropriate rate as per the Co-operative Societies Act.
- 5) The management committee recommends that interest on members deposits be provided for at the rate of 2 ½ % on the members Deposits Accounts.

Required:

Prepare final financial statements of the society for the year ended June, 30th, 2018. (20 Marks)

QUESTION TWO

- (a) State THREE main reasons which may lead to the division of a giant cooperative society. (3 Marks)
- (b) The following Trial Balance was extracted on June 30th, 2018 from the books of Sunshine Farmers' Cooperative Society Ltd. which deals with coffee as the main activity and operates two factories namely Hardy factory and Gataka Factory.

	Account Number	Dr.	Cr.
<u>Hardy Factory</u>			
Sales Coffee to KPCU	101-001		1,019,800
Payment to producers	101-101	930,000	
Transport charges	101-148	20,000	
Salaries to permanent staff	101-131	8,000	
Wages to casuals	101-132	12,000	
Other expenses	101-199	2,000	
<u>Gataka Factory</u>			
Sales of Coffee	102-001		1,389,700
Payment to producers	102-101	1,280,000	
Grading to producers	102-121	1,700	
Transport charges	102-148	18,000	
Salaries to permanent staff	102-131	10,000	
Wages to casuals	102-132	6,000	
Depreciation expenses	102-143	8,000	
<u>Stores for Resale Activity</u>			
Sales of goods	466-001		70,000
Wages and salaries	466-131	16,000	
N.S.S.F. Contribution	466-135	1,000	
Purchase of Goods	466-111	25,000	
Repairs & Maintenance	466-147	12,000	
Insurance	466-173	10,000	
Licences	466-176	3,000	
<u>Society General</u>			
Sundry Income	999-099		13,300
Wages and salaries	999-131	18,000	
Travel allowance to staff	999-137	13,600	
Education to members	999-184	22,400	
Audit fees	999-157	11,000	
Bank charges	999-171	2,240	

Sitting allowance for comm.	999-181	2,760
Printing & stationer	999-191	2,000

Assets

Buildings	000-802	120,000
Vehicles	000-807	39,000
Shares in coop. Union	000-811	2,000
Share in Coop. Bank	000-814	2,000
Stock of fuel	000-841	3,000
Debtor members	000-853	13,000
Prepayments	000-856	6,000
Savings Account	000-863	19,600
Cash in Hand	000-874	400
Equipment	000-805	30,000

Liabilities

Share capital	000-901	160,000
Entrance fees	000-903	10,000
Statutory Reserve	000-911	1,000
Long term loans	000-922	30,000
Payment due to members	000-951	1,900
Creditors	000-961	4,000

2,699,700,699,700

Required:

- | | |
|---------------------------------|-----------|
| i. Relevant Activity statements | (5 Marks) |
| ii. Surplus and loss account | (2 Marks) |
| iii. Appropriation account | (3 Marks) |
| iv. Balance sheet | (7 marks) |

QUESTION THREE

- (a) Define an Economic Report and outline briefly you would take in preparing a Master Economic Report of a Co-operative Society. (10 Marks)
- (b) Explain clearly at least FIVE advantages of Budgetary Control. (10 Marks)

QUESTION FOUR

The management committee of Nairobi Consumers Co-operative Society Ltd of which you are the Chief Accountant, has decided that in future a short term-cash budget should be prepared for each quarter. Your society sells directly to the public and members for cash and through trade outlets on credit terms of 2/10n/30. The debtors have been analyzed and show the following record of collections:

- 70% collected within the discount period
- 20% collected at the end of 30 days period
- Balance collected at the end of a 60 days period

At the end of any month, 25% of sales on which the cash discounts will be taken are still uncollected. Estimated sales for the last quarter of 2018 are as follows:

	October	November	December
	Shs.	Shs.	Shs.
Cash sales	300,000	380,000	455,000
Credit sales	740,000	790,000	855,000

Nairobi Consumers Ltd makes purchases of goods for resale by paying for goods as delivered. By so doing they obtain a cash discount of 3%.

The mark up on sales presently provides a gross margin of 50% on gross cost (before cash discounts).

The minimum stock required for efficient operation is sh.1,000,000 at retail prices.

Expenses are estimated as follows:

	Selling Shs.	General Shs.
Fixed expenses	60,000 p.m.	100,000 p.m.
Variable expenses	10% of sales	5% of sales

Expenses are paid monthly as they arise. Ten percent of fixed expenses represents depreciation and amortization of deferred charges.

A piece of land priced at sh.300, 000 is under option. Your cash budget will indicate to the Management Committee whether or not they can purchase the land for cash in December, 2018, Cash must be available to pay a cash dividend of sh.75, 000 on fully paid share capital on December 31st, 2018. The purchase of land must not affect the general current position of the assets.

The following information is from September, 30th, 2018. Actual Balance Sheet.

	Shs.
Cash	290,000
Debtors	200,000
Stock at gross cost	700,000

Required:

A cash budget for each of three months ending October 31st, November 30th and December 31st, 2018 schedules are required. (20 Marks)

QUESTION FIVE

The following trial balance was extracted from the books of the Dairy activity of Ukweli General Farmers' Co-operative Society Ltd. at the end of the first quarter:

TRIAL BALANCE -31ST MARCH, 2018

		Dr	Cr
		Sh. '000'	shs. '000'
Sales of milk	225 – 001		570
Sales of Cream	225 – 002		110
Payment of producers	225 – 101	510	
K. C. C. charges	225 – 121	20	
External & Internal Transport	225 – 145	22	
Commission	225 – 124	30	
Wages & Salaries	225 – 131	24	
Wages to casual labour	225 – 132	11	
N.S.S.F.	225 – 132	1	
Education to staff	225 – 135	1	
Fuel and oil	225 – 139	16	
Repairs and maintenance	225 – 141	10	
Bank charges	225 – 147	10	
Insurance	225 – 171	10	
Licences	225 – 173	10	

Printing & Stationery	225 – 191	10	
Building	000 – 302	60	
Machinery and Equipment	000 – 803	180	
Furniture	000 – 804	10	
Shares in the Union	000 – 811	10	
Co-operative Bank Shares	000 – 814	10	
Stocks of fuel	000 – 840	10	
Debtors members	000 – 853	10	
Fixed deposit account	000 – 861	69	
Cash in Bank	000 – 871	21	
Cash in hand	000 – 874	10	
Share capital	000 – 901		180
Statutory Reserve	000 – 911		10
Short-term Loans	000 – 931		120
Creditors	000 – 961		<u>85</u>
		<u>1075</u>	<u>1075</u>

Additional information gathered from various records and documents found in the society is provided as follows:

- i) Invoices for transport services rendered during the previous month amounting to sh.6,000 have not been received from the Union
- ii) Stocks of fuel had been depleted
- iii) Depreciation as per first quarter budget is shs.7, 000.
- iv) Audit charges for the first quarter budget is shs.3,000
- v) Insurance has been paid during the first quarter for the whole year.
- vi) Licenses have been paid during the first quarter for the whole year.
- vii) Interest on the long-term loan has not been paid during the quarter. The interest rate is 10% per annum.
- viii) Budgeted surplus in this activity per quarter is shs.20,000

Required:

- (a) List of adjustments for the quarter. (8 Marks)
- (b) Adjusted Trial Balance for the first quarter. (8 Marks)
- (c) Payment due to members for the quarter. (4 Marks)