

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

RESIT/SPECIAL EXAMINATION

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COOPERATIVE
MANAGEMENT

BCOP 241: CO-OPERATIVE ACCOUNTING

STREAMS: BCOP

TIME: 2 HOURS

DAY/DATE: THURSDAY 12/8/2021

11.30 A.M. – 1.30 P.M.

INSTRUCTIONS: Answer question ONE (compulsory) and any other TWO questions

QUESTION ONE

- a) Discuss five accounting principles applicable in cooperatives (10 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>

BCOP 241

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.

(2

0 Marks)

QUESTION TWO

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

BCOP 241

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 Three

- a) Identify and explain the three parts of a cashflow statement (6 Marks)
b) Set out below are the financial statements of Camel Cooperatives for the year ended 2005.

BCOP 241

CAMEL COOPERATIVE

Balance Sheet

As at December 31, 2005

ASSETS	1999	1998
CURRENT		
Cash	24,000	33,400
Loan receivable	89,600	106,300
Temporary investments	80,000	35,000
Merchandise inventory	106,100	122,700
PROPERTY, PLANT & EQUIPMENT	415,000	285,000
Accumulated amortization	54,500	91,000
	360,500	194,000
	<u>660,200</u>	<u>491,400</u>
LIABILITIES		
CURRENT		
Accounts payable	64,000	96,400
Unearned revenue	16,000	
Income taxes payable	49,000	35,000
LONG TERM DEBT		
MEMBER DEPOSIT	175,000	140,000
SHAREHOLDERS= EQUITY		
MEMBER SHARES	140,000	140,000
RETAINED Surplus	216,200	80,000
	<u>660,200</u>	<u>491,400</u>

Required: Cashflow statements (14 Marks)

Question Four

- a) State and explain the various accounting reports in cooperatives (10 Marks)
- b) Explain five emerging issues in cooperative development and the accounting implications (10 Marks)