

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS.

SECONDYEAR EXAMINATION FOR THE AWARD OF DEGREE
OF BACHELOR OF CO-OPERATIVE MANAGEMENT.

BCOP 241: COOPERATIVE ACCOUNTING

STREAMS: BCOP Y2S1

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 5/12/2018

11.30 A.M - 1.30 P.M

INSTRUCTIONS:

- Answer Question ONE and any other TWO Questions.
- Do not write anything on the question paper

QUESTION ONE

- (a) Explain the purpose of subsidiary ledgers in cooperatives. [10 Marks]
- (b) Explain five principles of accounting that apply in cooperative accounting. [10 Marks]
- (c) Kenario Credit Cooperative existed to on lend to its members based on savings from them. The following transactions took place in the month of January, 2008.

- January 1, 2008: Joan paid in cash as part of her shares by Kshs.200,000
- January 4, 2008: Jackson increased his shares by Kshs.200,000
- January 6, 2008: The Cooperatives purchased a filing cabinet for Kshs.23,000
- January 10, 2008: Mulch borrowed a loan of Kshs.50,000 to be repaid in two months at 10% p.a.
- January 15, 2008: Placed an advertisement of Kshs.20,000 in the address newspaper.
- January 20, 2008: Joe added Kshs.5,000 to his shares
- January 25, 2008: Allan borrowed Kshs.30,000 payable in a month at 10% p.a
- January 30, 2008: Mulch and Allan paid off their loans. The cooperative bye-laws provided that the interest be paid then.

Required:

BCOP 241

- (i) Record the above transactions in the daily journal. [11 Marks]
(ii) Post the transactions in ledger accounts and extract a trial balance. [7 Marks]

QUESTION TWO

- (a) Explain the accounting differences between a cooperative and profit centred firm. [6 Marks]
(b) The following trial balance of Chai Sacco Ltd was prepared by an Accounts clerk. They requested you to help them make the financial statements.

Chai Sacco Ltd		
Trial Balance		
As at 31 st Dec 2017		
	Dr	Cr
Members shares		1,000,000
Member contribution		10,220,000
Member loans	5,000,000	
Cash at bank	2,500,000	
Cash in hand	500,000	
Salaries and Wages	2,000,000	
Buildings	10,000,000	
Land	2800,000	
Motor Vehicle	700,000	
Bank Loans		4,000,000
Electricity	70,000	
Interest income		9,000,000
Furniture and fittings	600,000	
Stationery	<u>50,000</u>	
	<u>24220000</u>	<u>24220000</u>

Additional information:

1. Make provision for non performing loans at 2%.
2. Provide for depreciation on all non current assets (depreciable) at 15% p.a
3. Accrued electricity amounted to Kshs.3,500 while prepaid stationery was Kshs.4,000
4. The land was revalued to Kshs.3,000,000

Required:

Income and Expenditure account and a Balance Sheet.

[14 Marks]

QUESTION THREE

BCOP 241

(a) Explain factors considered in determining the optimum level of cash to be held by a sacco. [6 Marks]

(b) Loitoktok Sacco Limited provides you with the following data, and requests for a cash budget.

(i) Loan repayments for five months from members

	January	February	March	April	May
Loan repayments	150,000	165,000	170,000	155,000	180,000

(ii) Loan disbursed for five months

	January	February	March	April	May
Loan awarded	41,000	101,000	90,000	45,000	80,000

(iii) The sacco is expecting Kshs.100,000 in February from increased shares contribution.

(iv) The administrative expenses every month amount to Kshs.50,000

(v) The sacco must maintain a cash position of Kshs.70,000 every month, if need be, borrow the amount.

(vi) Where the cash position exceeds Kshs.70,000, it must be invested.

Required:

A cash budget for 5 months.

[14 Marks]

QUESTION FOUR

(a) Describe any three contemporary issues in cooperatives and explain the accounting implications. [6 Marks]

(b) The following information is awarded to you by Kitengela Sacco Ltd.

Income & Expenditure	
For the year ended 31 st December 2016	
	“000”
Interest income	3263
General and admin expenses	367
Depreciation and amortization	188
Operating expenses	1468
Personal expenses	816
Bad debt expenses	33
Interest expenses	<u>122</u>
Net surplus	<u>2994</u>
	<u>269</u>

BCOP 241

Kitengela Sacco
Comparative Balance Sheet
As at 31st December 2016

	<u>2015</u>	2016
	'000'	'000'
Cash	169	233
Loans receivable	705	884
Non performing loan provision	(14)	(18)
Office supplies store	983	1160
Notes receivable	130	214
Non-current assets	<u>584</u>	<u>620</u>
Accumulated depreciation	(102)	(110)
	<u>2455</u>	<u>2973</u>
Liabilities and Member Equity		
Accounts payable	353	442
Salaries payable	40	50
Other current liabilities	228	281
Long term debt - Bank	490	400
Due to members Equity	324	450
Due to members deposits	500	698
Retained Surplus	<u>520</u>	<u>652</u>
	<u>2455</u>	<u>2973</u>

Additional information.

1. Any increase in provision for non performing loans is incorporated in Bad debts expenses.
2. During the year the Sacco paid dividends and interest at Kshs.3700 and Kshs.200,000 respectively.

Required:

A cash flow statement for the Sacco for the period ended 31st Dec 2016.

[14 Marks]

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