

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DIPLOMA IN ACCOUNTING

DIAC 0223: COOPERATIVE ACCOUNTING

STREAMS: DIAC Y2S1

TIME: 2 HOURS

DAY/DATE: FRIDAY 09/08/2019

11.30AM – 1.30 PM

INSTRUCTIONS:

Answer Question One and any other Two Questions

Question One

- (a) Explain three major useful reports in cooperative accounting. [3 marks]
- (b) Explain the accounting differences between cooperative accounting and Financial accounting. [4 marks]
- (c) The following trial balance was extracted from the books of Haraka credit society ltd. As at 31st December 2016.

	Sh.0000	Sh.000
Balance at bank	21,820	
Member deposits		29,940
7% bank loan		24,000
Member loans	120,560	
Stationery	960	
Directors fees	18,800	
Land and buildings	35,600	
Interests		99,800
Commission		1,400
Motor vehicles at cost	90,000	
Provision for depreciation on motor vehicles		29,200
Profit and loss account as at 1 January 2016		26,380
Rent salaries and expenses	66,980	
Member shares		144,000

354,720

354,720

Additional information:

- (i) A provision for non-performing loans is to be created at 4%
- (ii) Accrued expenses amounted to kshs 40,000
- (iii) Provided for depreciation at 10% on cost
- (iv) The directors have proposed to pay the dividend of 5% on the member shares capital

Required:

- (i) Income and expenditure statement for the year ended 31 December 2016. [9 marks]
 - (ii) Statement of financial position as at 31 December 2016. [8 marks]
- (d) Evaluate factors considered in managing liquidity of a savings and credit cooperative. [6 marks]

Question Two

- (a) Explain five benefits of budgeting in a firm. [5 marks]
- (b) SYZ credit cooperative provided the following details for their cash budget for the next three months.
 - (i) On 1 April 2013 the balance brought forward was shs 900,000
 - (ii) On 5th April to pay rent of shs 240,000
 - (iii) On 10th April to buy equipment costing kshs 190,000. Half of the kshs 190,000 is to be paid in April and there will be two equal further payments in May and June
 - (iv) Loan disbursements will be as follows: -
April – kshs 120,000, May – kshs 150,000, June – kshs 200,000 each
 - (v) Suppliers will give one month’s credit
 - (vi) Loan collections are expected as follows
April – kshs 300,000, May – kshs 450,000, June – kshs 400,000, July – kshs 250,000
 - (vii) Monthly wages of kshs 2,000 are payable in each month
 - (viii) Kshs 10,000 per month to be spent on marketing. Half of the kshs 10,000 is payable in the same month, and the other half is payable in the following month
 - (ix) Other expenses of kshs 20,900 per month are expected – payable in the same month
 - (x) Depreciation on the equipment is 25% pa on cost. An approximate saving of kshs 100,000 is expected every month.
 - (x) The Sacco is expected to maintain a cash balance of kshs 500,000 every end month.

Required:

- (a) Prepare a cash budget for the period 1 April to July 2013. [12 marks]
- (b) Highlight the disadvantages for Miller-Orr model of cash management. [3 marks]

Question Three

- (a) HZY cooperative is a consumer cooperative society which specializes in buying and selling consumables at marginal premium to members. They present the following financial statements and request you to help them make a cashflow statement.

HZY Cooperative Limited
Balance Sheet
As At 31st Dec 2013

	2013	2012
	Ksh. 000	Ksh.000
Cash	1,800	1,100
Receivable	1,750	1,300
Inventory	1,600	1,900
Plant asset	1,900	1,700
Accumulated depreciation	(1,200)	(1,170)
Long term investment	<u>1,300</u>	<u>1,470</u>
	<u>7,150</u>	<u>6,300</u>
Accounts payable	1,200	800
Accrued liabilities	200	250
Bond payable	1,400	1,650
Member shares	1,900	1,700
Retained surplus	<u>2,450</u>	<u>1,900</u>
	<u>7,150</u>	<u>6,300</u>

Income statement for the period ended 31st Dec 2013

Sales	6,900
Cost of goods sold	<u>4,700</u>
Gross surplus	2,200
Less: Operating expenses	
Selling and administrative expense	<u>930</u>
Income from operations	1,270
Other revenues and gains	
Gain on sale of investments	<u>80</u>
Net surplus	<u>1,350</u>

Additional information

- (i) During the year member shares worth sh. 70,000 were issued in exchange plant asset.

Required:

- (a) Prepare the statement of cash flow for the year ended 31st December 2013 using the indirect method according to IAS7 [10 marks]
- (b) The word cash and cash equivalents is normally used when preparing the statement of cashflow. Giving three examples discuss the term cash equivalents. [6 marks]
- (c) Briefly explain the importance of cash flow statement to a cooperative entity. [4 marks]

Question Four

- (a) Explain the recognition of interest income in cooperatives. [3 marks]
 - (b) Evaluate four emerging issues in cooperatives and state the accounting implication. [4 marks]
 - (c) Prepare journal entries to record each of the following transactions and extract a trial balance for Sanchez cooperative Ltd. [10 marks]
 - 1. Member shares contributed was issued for cash, kshs 3,000,000
 - 2. Purchased a truck by signing a note bearing no interest kshs 1,210,000
 - 3. Issued 6 months loans to members worth kshs. 600,000 at 10% p.a interest
 - 4. Paid note payable for the trucks purchased, 1,210,000
 - 5. Paid utilities for the 6 months in the amount of kshs 18,000
 - 6. Paid Salaries for the month in the amount of kshs 75,000
 - 7. All the loans were paid in full with accompanied interest
 - 8. Member made deposits for kshs 1,500,000
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