

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

**EXAMINATION FOR THE AWARD OF
DIPLOMA IN ACCOUNTING**

DIAC 0223: COOPERATIVE ACCOUNTING

STREAMS: DIP (ACC) Y2S1

TIME: 2 HOURS

DAY/DATE: THURSDAY 09/08/2018

11.30 AM – 1.30 PM

INSTRUCTIONS:

Answer Question One and any other Two

Question One

- (a) Explain any 4 accounting principles and assumptions applicable to cooperatives. [4 marks]
- (b) Describe any 3 accounting systems applied by cooperatives. [3 marks]
- (c) Outline the importance of accounting systems in cooperatives. [3 marks]
- (d) The following trial balance was extracted from the books of Mwaminifu Cooperative Society for the year ended 30th September 2015

Trial Balance

	Debit (sh)	Credit (sh)
Interest income		1,850,000
Agency commission		550,000
Computer	550,000	
Motor vehicle	300,000	
Furniture	250,000	
Advertising	8,000	
Rent	80,000	
Salaries	120,000	
Electricity	15,000	

DIAC 0223

Stationery	3,000	
Long term securities	420,000	
Agency fees	12,000	
Tax payable		33,000
Provision for bad debts		12,000
Cash in hand	207,000	
Cash at bank	950,000	
Members' loan	1,200,000	
Reserves		320,000
6 year medium term loan		340,000
Members shares		635,000
Provision for depreciation : Computer		32,000
Furniture		18,000
Motor vehicle		<u>25,000</u>
	<u>4,115,000</u>	<u>4,115,000</u>

Additional information:

- (i) Accrued expenses include salaries of sh 12000
- (ii) Interest income of sh 30,000 was accrued
- (iii) Prepaid expense include rent of sh 8000
- (iv) A provision for non performing loans is made each year at 15%
- (v) Furniture is depreciated on a straight line basis and has a useful life of 25 years.
- (vi) Computer is depreciated at 20% on reducing balance
- (vii) Computers are depreciated at end of the year at 10% reducing balance for 6 year

This transaction has not been deducted from the books of accounts.

Required:

- (i) Record the transactions in the ledger accounts. [10 marks]
- (ii) Prepare an income statement [4 marks]
- (iii) Prepare a statement of financial position [6 marks]

Question Two

The following transactions took place in the books of Ufanisi cooperative society

- 1.6.15 Accountant withdrew sh 50000 from the cooperative bank account
- 2.6.15 Ufanisi bought furniture from kelele carpenters worth sh 12000 on credit
- 3.6.15 The following members made their share contribution in cash
Member No: 256 8000

	Member No. 332 6500
6.6.15	Ufanisi paid salaries by cheque worth sh. 15000
8.6.15	Ufanisi bought equipment worth sh. 6000 and received a discount therefore paying sh 5400 by cheque
15.6.15	Ufanisi wrote cheques to members borrowing loans at 15% simple interest per annum. The installments are to be paid on a monthly basis
	Member No:001 sh 40000
	Member No.112 sh 18000
20.6.15	Received deposit from member No 080 of sh 5000 by cash
22.6.15	Deposited cash in bank of sh 12000
30.6.15	Received all installments on loan by member No 001 and member No.112

Required:

- (i) Record these transactions in a ledger. [10 marks]
- (ii) Prepare a trial balance [5 marks]
- (iii) Describe the advantages of cooperatives to members. [5 marks]

Question Three

The following balance sheets were obtained from Edna cooperative for the year ended 2012 and 2013.

	Edna Cooperative Balance sheet	
	2012	2013
<u>Assets</u>		
Office building	100	100
Equipment	40	44
Long term securities	22	18
Bank balance	62	84
Member's loan	<u>1120</u>	<u>1250</u>
	1344	1495
	=====	=====
 <u>Liabilities & Equity</u>		
Share capital	250	320
Reserves	63	83
Members deposits	980	1050
Tax payable	9	5
Accrued interest on deposit	<u>42</u>	<u>38</u>
	1344	1496
	=====	=====

Required:

- (i) Prepare a cashflow statement [10 marks]
- (ii) Explain some of the accounting challenges faced by cooperatives in Kenya. [10 marks]

Question Four

- (a) Jambo cooperative wants to prepare a cash budget for the first quarter of 2017. It has the following information.

	January	February	March	April
Members deposits	350,000	600,000	1,000,000	1,200,000
Members withdrawal	60,000	30,000	15,000	20,000
Commission income on salary advance	150,000	18,000	19,000	22,000
Disbursement of loan to members	300,000	420,000	450,000	500,000
Loan repayment by members	1,020,000	1,500,000	2,000,000	2,030,000
Commission from agency services	30,000	35,000	42,000	51,000
Membership withdrawal	60,000	30,000	15,000	20,000

Administration expenses incurred in January is sh 15000 and are expected to increase by 15% every month.

Every month of April the cooperative is expected to incur computer servicing the of sh 8000

In the month of February a meeting will be held with the supervisory committee hence the Sacco will pay sitting allowance of sh 32000

Required:

- Prepare a cash budget. [10 marks]
- (b) Outline the principles of cooperatives. [3 marks]
- (c) The following information relates to Uzuri cooperative opening balances

Members loan a/c	3,400,000
Share capital	2,500,000
Bank a/c	2,300,000 – credit balance
Members deposits	4,800,000
Cash in hand	650,000

In the month of April the following transactions took place

- 1/4 The cooperative deposited sh 60,000 cash to bank a/c

DIAC 0223

- 3/4 Member No. 152 and member No. 226 paid deposit in cash of sh 3000 and 10000 respectively.
- 4/4 The cooperative advanced loans to members as follows:
Member 006 - sh 150,000
Member 182 – sh 80,000
The loans were given 15% simple interest per annum. The installments are to be paid on a monthly basis
- 15/4 New members joined the cooperative and made their contribution as follows
Member 352 - sh 15,000
Member 353 – sh 8,000
Member 254 – sh 7,000
They all paid by cheque and 20% of their contribution is part of share capital
- 22/4 Paid staff salaries by cheque sh. 160,000
- 30/4 The loan installments were paid in full by cheque by member No 006 and member No. 182

Required:

Prepare members subsidiary ledger accounts

[7 marks]
