The Co-operative University of Kenya

END OF SEMESTER EXAMINATION DECEMBER-2016

EXAMINATION FOR THE DEGREE OF BACHELOR OF CO-OPERATIVE BUSINESS
(BCOB YR I SEM II)

UNIT CODE: HCOB 2107

UNIT TITLE: INTRODUCTION TO CO-OPERATIVE ACCOUNTING I

DATE: 9TH DECEMBER, 2016 **TIME: 2:00 PM – 4:00 PM**

INSTRUCTIONS:

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

QUESTION ONE

(a) Define co-operative accounting? (3 Marks)

(b) Majani farmers Co-operative Limited had the following transaction during the year. The society operates an account with Co-operative Bank of Kenya.
1st Nov received sh. 20,000 as share capital from members in cash.
2nd The Society on the same day banked cash sh. 20,000
3rd Nov bought fixtures and fittings paying by cheques No. 634 sh. 5,000
7th Nov purchased goods for resale by cheque No. 635 sh. 7,000
10th Nov sold goods on credits to members sh. 2,500
11th Nov Members paid in cash for goods purchased earlier sh. 1,300
14th Nov withdrew sh. 3,000 from the bank cheque No. 636
16th Nov sold goods received in cash sh. 11,000 on the same day sales of goods were banked which was sh. 11,000
17th Nov paid rent by cheque No. 637 sh. 6,000 (000-198)
20th Nov received transport incomes of sh. 2800
23rd Nov purchased goods on credit sales sh. 6900
25th Nov sold goods on credit to members' sh. 900
26th Nov sh. 3000 was withdrawn from the bank cheque No. 638.
28th Nov Salaries paid in cash sh 2,900
30th Nov Members paid in cash for goods previously bought on credit sh. 2,400

Required:
Write the cash journal for the month of November. (15 Marks)

(c) Explain the benefits of co-operative accounting to:
(i) A co-operative society
(ii) Co-operative staff (12 Marks

QUESTION TWO

(a) State and explain at least (5) advantages and (3) disadvantages of Standardized Accounting System. (12 Marks)

(b) Explain the step followed when giving loan to members. (8 Marks)

QUESTION THREE

(a) The information below related to Kalasha co-operative society C.S. No. 2440 in respect of its transport activity for the month of July 2015. The society operates an account at the Co-operative Bank Kitengela branch.

Opening balances cash in hand 400
Cash at bank 12,600
Motor vehicle 185,000
Share capital 20,000
Loans from co-operative bank 160,000 Creditors 18,000
Transactions for the month July were:
2nd purchased fuel for sh. 900 by cheque No. 901
4th repaid bank loan for sh. 10,000 by cheque No. 901
5th received from transport sh. 6,300 cash
6th purchased fuel by cash sh. 800
10th paid salaries sh. 1,400 by cash
12th paid sundry expenses sh. 160 cash
13th bought fuel by cash sh. 940
18th banked sh. 3000
19th paid creditors by cheque sh. 3,500 cheque No. 903
20th purchase fuel on credit sh. 850
22nd received from transport sh. 12,000 by cash
23rd banked sh. 10,000
23rd paid insurance by cheque No. 904 sh. 5,500
24th paid salaries sh. 1400 by cash.
26th received from transport sh. 6,000 by cash
28th bought fuel by cash sh. 700
31st paid for the fuel bought on credit on 20th by cash

Required:

(i) Enter the transactions into the cash journal
(ii) Post them (all) in the Loose Ledger
(iii) Prepare a Journal or work sheet for trial balances or check list. (20 Marks)

QUESTION FOUR

(a) Define the term Activity
(b) Identify what each of the Xs in numbering of accounts stands for;
X XX - X X X (4 Marks)
(c) Member Transactions System have been designed to achieve certain objectives. Discuss. (10 Marks)
(d) Soweto Matatu co-operative wants to design a budget for the year 2016/2017. What features should this budget consist? (5 Marks)

QUESTION FIVE

(a) Define a leaf ledger and explain the merits and demerits of a loose leaf ledger system. (10 Marks)
(b) The following trial balance was extracted from the books of Mananasi Co-operative as at 31st December 2015.

	Dr shs.	Cr shs.
sales		186,140
Purchases	115,700	
Stock 1/1/2014	37,760	
Carriage outwards	3,260	
Carriage inwards	2,340	
Return inwards	4,400	
Return outwards		3,550
Salaries and wage	24,470	
Motor expenses	6,640	
Rent	5,760	
Miscellaneous expenses	12,020	
Motor vehicles	340,000	
Fixtures and fittings	60,000	
Debtors	45,770	
Creditors		30,450
Cash at bank	38,760	
Cash in Hand	1,200	
Drawings	20,500	
Capital		498,440
	718,580	718,580

Additional information;

(i) Stock on 31/12/2015 was sh. 40,000

(ii) Depreciation is to be charged at the rate of 10% on cost of furniture and fittings and 25% on motor vehicles.

(iii) Bad debts of sh. 8,000 are to be written off.

Required:

Prepared the trading, profit and loss account for Mananasi Co-operative for the year ended 31st December, 2015 and the balance sheet as at that date. (10 Marks)