



THE CO-OPERATIVE UNIVERSITY OF KENYA

END OF SEMESTER EXAMINATION DECEMBER -2022

**EXAMINATION FOR THE DEGREE OF BACHELOR OF SCIENCE IN ACCOUNTING
(YR II SEM I)**

UNIT CODE: BACC 2106

UNIT TITLE: ACCOUNTING FOR FOR CO-OPERATIVES

DATE: 14TH WEDNESDAY DECEMBER, 2022

TIME: 2:00 PM – 4:00 PM

INSTRUCTIONS:

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

QUESTION ONE

- (a) Define the following terms; (5 Marks)
- Amalgamation of co-operative societies
 - Dissolution of co-operative societies
 - Co-operative Accounting
 - Division of co-operative societies
 - Numbering system
- (b) Explain six disadvantages of amalgamations (6 Marks)
- (c) Discuss the reasons for division of co-operatives (6 Marks)
- (d) List and explain three functions of the trial balance in a co-operative society (3 Marks)
- (e) The following information was obtained from ABC Co-operative Society Limited for the month of December 2019 in relation to the following activities.

Dairy Activity

Sales of Milk	600,000
Payment to producers	460,000
Grading charges	900
Salaries to permanent staff	8,200
Transport	7,000
Depreciation	1,250
Dairy expenses	1,200

Transport Activity

Vehicle hire	20,000
Salaries & wages	9,500
N.S.S.F	400
Fuel and electricity	10,500
Repairs & maintenance	6,000
Licenses	3,500

Cotton Activity

Sales of cotton	750,000
Payment to producers	450,500
Grading expenses	9,850

Salaries to permanent staff	9,600
Depreciation	2,500

Required:

- (f) Prepare activity statement for Ndege Chai Farmers' Co-operative society limited and the accumulated surplus and loss account for the month of May 2016. (10 Marks)

QUESTION TWO

- (a) Challenges facing cooperative organisation in developing a working budget (5 Marks)
 (b) Identify and explain what each of the following stands for in the numbering system and give an illustration (5 Marks)

X XX X X X

- a. Mamboleo transport activity had an income of shs 1,440,000 for last year. We expect & that due to increase in membership, the sales income in the following year will increase to sh 1,800,000.

The budgeted income for the previous year was spread as follows:-

	3 months	6 months	9 months	12 months
Sales (ksh)	547,200	806,400	1,080,000	1,440,000

Suppose that we have the following information relating to the following year's expenses:

Purchase of goods	shs 600,000
Transport of goods	shs 300,000
Salaries	shs 180,000

Required:

- i. Prepare a working budget for stores activity for the following year. (10 Marks)

QUESTION THREE

- (a) Discuss three budgeting styles in cooperatives including their disadvantage (6 Marks)
 (b) Explain five uses of the Cash flow Statement. (5 Marks)
 (c) Discuss the powers of the commissioner of co-operatives during liquidation (6 Marks)
 (d) List three reasons why the registration of a co-operative society maybe cancelled (3 Marks)

QUESTION FOUR

Given below is comparative balance sheet of Daima Co-op. Society as at 31st December 2018 & 31st December 2019

Assets	31st Dec.2018	31st Dec.2019
	Shs.'000'	Shs.'000'
<u>Non-Current Assets</u>		
Land & Buildings	200,000	450,000
Motor Vehicles	120,000	100,000
Furniture & Fittings	140,000	80,000
	460,000	630,000
<u>Current Assets</u>		
Stock	70,000	80000
Debtors	90,000	120000
Cash & Bank Bal.	30,000	20000
	190,000	220000
Total Assets	650,000	850,000
<u>Capital & Reserves</u>		
Ordinary Share Capital	300,000	400,000
Share premium	50,000	150,000
Profit & Loss A/C	80,000	130,000
	430,000	680,000
<u>Non-Current Liability</u>		
Loan	150,000	100,000
<u>Current Liabilities</u>		
Trade Creditors	40,000	52,000
Accruals	20,000	10,000
Proposed Dividends	10,000	8,000
	70,000	70,000
Total Capital & Liabilities	650,000	850,000

Additional Information

1. The Co-op. Soc. Made a net profit after tax of Kshs.70,000,000 after charging taxation amounting to Kshs.40m.
2. Land & Building were purchased at Kshs.300,000,000 & furniture & fittings having a net book value of Kshs.50m were sold for Kshs.60m.
There was no Disposal or purchase of Motor vehicle in the year
3. The loan interest charged to profit & loss A/C for the year amounted to Kshs.10m
4. Both the current taxation & interest on loan were paid in the year
5. The Management committee has proposed a dividend of Kshs.20m for the year.

Required

(a) Cash Flow Statement for the year ended 31st December 2019

(20 Marks)

QUESTION FIVE

The following information relates to Jamii Ltd SACCO is for the year ended 31st December 2018

Water, Rent & Electricity 152,467.0

Ushirika Day Celebrations	17,544.0
Administrative Expenses	1,161,775.0
AGM expenses	107,260.0
Committee Sitting Allowance	10,800.0
Interest on loans granted to members	7,126,350.0
Cash in Hand	41,950.0
Pre-payments	6,350.0
NSSF Contribution	398,750.0
NHIF Contribution	102,034.0
Pension Contribution	84,890.0
General Reserve	125,000.0
Statutory Reserve	253,120.0
Share Capital	28,575,000.0
Retained Earnings b/f	396,400.0
Land	1,000,000.0
Creditors & Accruals	955,375.0
Motor Vehicles	250,000.0
Investment Income	26,800.0
Fixtures & Computers	150,000.0
Investment in Share in Co-op Bank	381,375.0
Development Loans	27,995,100.0
School Fees & Emergency Loans	1,000,000.0
Entrance Fee	93,750.0
Savings A/C Bal.	4,285,250.0
Other investments	306,350.0

Additional Info: as at 31st December 2018

1. Corporation tax is provided at Kshs.129,716/= and was not paid.
2. Depreciation is to be provided using the straight line method at the rate of 150,000 on M/Vehicles and 50,000 on fixtures & Computers
3. Audit fees have been agreed at Kshs.28,000/=
4. Supervision Fees should be provided for (10% Audit fees)
5. Management committee after the AGM recommended the following transfers & payments
 - Committee honorarium Kshs.70,000/=
 - Transfer to General Reserve Kshs.125,000/=
 - Dividends to members Kshs.500,000/=
6. A transfer to the statutory Reserve Fund is to be made in accordance with the Co-operative Societies Act as amended in 2004
7. An amount of Kshs.200,000/= owed to the Society by a Deceased member in respect of school fees loan should be written off.

Required

1. Income & Expenditure A/C for the year ended 31st December 2018
2. Appropriation A/C for the same period
3. Balance Sheet as at 31st December 2018 (20 Marks)