# MACHAKOS UNIVERSITY COLLEGE

**(A Constituent College of Kenyatta University)**
**University Examinations for 2015/2016 Academic Year**

**SCHOOL OF BUSINESS AND ECONOMICS**

**DEPARTMENT OF BUSINESS ENTREPRENEURSHIP AND MANAGEMENT SCIENCES**

**SECOND SEMESTER EXAMINATION FOR DIPLOMA IN CO-OPERATIVE MANAGEMENT**

**2807/301 CO-OPERATIVE ACCOUNTING**

**Date: 5/8/2016** **Time: 8:30 – 10:30 AM**

---

**INSTRUCTIONS**

***Answer any five questions***

1. a) Explain four reasons for maintaining a fixed asset register in a co-operative society. (8 marks)

   b) Co-operative societies are required to prepare annual budgets by the Co-operative societies Act.Explain the benefits of preparing such budgets. (12 marks)

2. a) Explain five powers that may be exercised by the commissioner for co-operative Development during liquidation of a co-operative society. (10marks)

   b) The following information relates to product XX 88 used by Taibu Co-operative society.

| | |
|---|---|
| Expected annual demand | 50,000kg |
| Unit purchase price | Ksh 200 |
| Ordering cost per order | Ksh 250 |
| Carrying cost per unit per annum | Ksh 25 |
| Lead time | 6 days |

Take one year to have 360 days

Calculate:

i) The EOQ (Economic Order Quantity)

ii) Number of orders per year

iii) The re-order point (10 marks)

3. a) Explain four reasons for maintaining a work ticket for motor vehicles in a co-operative society. (8 marks)

b) Mjengo Co-operative society Ltd has one lorry for its transport activity. It serves members and non-members. The charges for members and non-members are sh.180 and sh.210 per kilometer respectively. The following are the estimated costs of the activity.

| | Shs. |
|---|---|
| Depreciation | 380,000 |
| Licenses | 65,000 |
| Insurance | 120,000 |

Repair and maintenanceshs. 36 per kilometer

Fuel and oil shs. 70 per kilometer

Tyresshs. 44 per kilometer

The driver and turn boy are paid a salary of shs. 3000 and shs. 2000 per month respectively. The lorry can operate to a maximum of 13500 kms.

i) Determine the break-even point for serving members and non-members

ii) Advise the management on whether to serve members or non members.

(12marks)

4. a) Sherehe co-operating society undertakes Dairy and maize activities. The following are the society's ledger accounts balances at 30th June 2016.

| | Ksh |
|---|---|
| <u>Dairy Activities</u> | 500,000 |
| Animal feeds | 30,000 |
| Salary to herdsman | 12,000 |
| Veterinary services | 8,000 |
| Sale of skins | 19,000 |
| Insurance of animals | 5,000 |
| Payment of products | 150,000 |

Maize Activities

| | |
|---|---|
| Sale of maize products | 600,000 |
| Payment for fertilizer and manure | 70,000 |
| Payment for pesticides | 15,000 |
| Payment for pesticides | 7,000 |
| Farm equipment depreciation | 8,000 |
| Maintenance of farm equipment | 17,000 |
| Farm salaries | 280,000 |
| Payment to producers | |

Other Activities

| | |
|---|---|
| Rates | 7,000 |
| Insurance of society | 18,000 |
| Auditors fees | 25,000 |
| Committee allowances | 13,000 |
| Bank charges | 8,000 |
| Stationery | 6,000 |
| Telephone expenses | 7,000 |
| Transport charges | 70,000 |

Other balances

| | |
|---|---|
| Share capital | 1,010,000 |
| Statutory reserve | 25,000 |
| Members bonus due | 220,000 |
| Loans due from members | 15,000 |
| Closing stock (maize) | 400,000 |
| Creditors | 7,000 |
| Closing stock (dairy) | 352,000 |
| Appropriation account | 9,000 |
| Cash at hand and bank | 20,000 |
| Members contribution due | 17,000 |

| | |
|---|---|
| Bank loan | 13,000 |
| Farm equipment | 50,000 |

Prepare;

i) Activities statements for: - Maize

- Dairy

ii) Surplus and loss and appropriation account

iii) Balance sheet as at 30th June 2016 (vertical format) (20 marks)

5. a) Unga co-operative society went into voluntary liquidation on 30 September 2010. The assets realized Ksh 50,000 and there was a cash balance of Ksh 5,500. The unsecured creditors were Ksh 15,000, while preferential creditors were Ksh 13,000. The 5% secured debentures and a floating charge amounting to ksh 10,000. The debentures and the accrued debentures interest was paid on 30 September 2010. The liquidation expenses were ksh 12,000. the liquidators remuneration comprise of 15% of amount realized and one percent commission after charging unsecured creditor's dividends.

Prepare liquidators final statement of accounts (10 marks)

b) Explain five reasons that would lead to the amalgamation of co-operative societies (10 marks)

6. a) The following is the balance sheet of SananaFarmers Co-operative society as at 31 December 2010.

| | Ksh'000' |
|---|---|
| Non-current Assets: | |
| Freehold land and building | 400,000 |
| Motor vehicles | 300,000 |
| Furniture | 180,000 |
| | 880,000 |
| Current Assets: | |
| Debtors | 80,000 |
| Stock | 240,000 |
| Members contribution due | 200,000 |
| Bank | 50,000 |
| **1,450,000** | |
| Capital and liabilities | |
| Share capital | 640,000 |

| | |
|---|---|
| Long term liabilities | |
| 10% Debentures | 400,000 |
| Current liabilities | |
| Creditors | 120,000 |
| Payment due to members | 240,000 |
| Debentures interest due | 50,000 |
| | **1,450,000** |

**Additional information:**

- The members of the society decided to slit the co-operative into two, Sasa co-operative society, and Nana co-operative society, on the following terms:
- The assets and liabilities were shared in the ratio 3:2 respectively.
- Assets were revalued as follows:

| | Ksh |
|---|---|
| - Freehold land and building | 450,000 |
| - Furniture | 130,000 |
| - Motor vehicles | 200,000 |
| - Stock | 200,000 |

- Debtors paid Ksh 640,000
- Creditors were paid Ksh 100,000
- The division expenses amounted to Ksh 20,000. These expenses were paid by Nana co-operative society.

Prepare the balance sheets of Sasa Co-operatives Society and Nana Co-operative Society after division. (12 marks)

b) Vundanyi Co-operative Society deals in gunny bags.the following transactions took place during the month of December 2010.

| | | |
|---|---|---|
| December 1 | 500 bags were in stock valued at Ksh 12 each | |
| | 3 | Issued 400 bags |
| | 4 | Purchased 300 bags at Ksh 15 each |
| | 9 | Purchased 600 bags at Ksh 20 each |
| | 12 | Issued 500 bags |
| | 17 | Issued 200 bags |
| | 22 | Purchased 700 bags at Ksh 22 each |
| | 25 | Issued 400 bags |

The market price of a bag on 25 December was Ksh 30. The standard price was Ksh 22 per bag. Prepare a stores ledger account using the LIFO methods of stores valuation. (8 marks)