

**CHUKA**



**UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

**RESIT/SPECIAL EXAMINATION**

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

**DIAC 0223: COOPERATIVE ACCOUNTING**

**STREAMS: DIAC**

**TIME: 2 HOURS**

**DAY/DATE: THURSDAY 31/08/2023**

**8.30 A.M – 10.30 A.M.**

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**INSTRUCTIONS:**

- a) **Answer question one and any other TWO questions**
- b) **Do NOT write anything in the question paper**

**QUESTION ONE**

- a) Explain the meaning and necessity of the following accounting concepts
  - i. Materiality concept (4 marks)
  - ii. Prudence concept (4 marks)
  - iii. Dual aspect concept (4 marks)
- b) Highlight the importance of cooperative accounting data on the following parties:
  - i) Government of Kenya (3 marks)
  - ii) Creditors of Cooperative SACCOs (3 marks)
- c) Mtumishi Cooperative society was purposely formed to buy milk from the farmers and sale it on their behalf. The following information was extracted from the accounts records of the society for purpose of projecting its budget of the year end of 2023

Projected information from August to December 2023

Month	Sales sh 000	Purchases sh 000	Wages sh 000	Admin. expenses sh 000
August	300,000	180,000	20,000	16,000
September	340,000	220,000	24,000	20,000
October	350,000	224,000	24,000	24,000
November	360,000	260,000	30,000	24,000
December	50,000	2400,000	36,000	34,000

Additional information.

1. The company is expecting to have an opening cash balance of sh 20,000,000 on 1st October 2023.
2. The society purchases the milk on credit from the farmers and pays them after two months
3. The milk is sold to Broke-Side where the policy is to receive a pay of 25% in cash and the balance in one month later
4. Delay in payment of wages is one month
5. Receive of government grants from AFC sh 20,000,000 in November
6. Purchase of motor vehicles in November sh 160,000,000
7. Income tax is paid in December sh 90,000,000 and dividends payment to farmers sh 100,000,000

Required to prepare the projected cash budget for October to December 2023. (12 marks)

**QUESTION TWO**

Nyakemincha Cooperative Society has provided the following transactions during the month of July 2023 (CS 8890). The society operates an account with cooperative bank Ltd Nyamira branch

June 1st: Share capital paid in cash 80,000

June 2nd: Banked 80,000

June 3rd: Fixtures and fittings bought (cheque No 234) sh 37,000

June 7th: Purchased stores by chequesh 34,000 (cheque No 235)

Not 10th: Sold goods on credit to members sh 56,000

June 14th: Withdrew from bank sh 9,000 (cheque No 236)

June 16th: Sold fertilizer to the farmers in cash sh. 79,000

June 17th: Banked sh. 18,000

June 18th: Paid rent by cheque sh. 4,500 (cheque No 237)

June 23rd: Purchased goods on credit sh. 23000

June 25th: sold seeds to members on credit sh 32,000

June 27th: a member paid by chequesh 10,000 (cheque No 490)

**Required:**

- (i) Cooperative society cash journal [8 marks]
- (ii) Loose ledger non-cash [8 marks]
- (b) Explain what constituted Member Transaction System (M.T) in cooperative accounting. [4 marks]

**QUESTION THREE**

- a) Highlight the main importance of standardized accounting systems (SAS) in cooperatives. [8 marks]
- b) The following information was provided by Nyakongo Farmers Cooperative societies in relation to the transactions that took place during the month of November 2022.
- 1st Nov: 1,000 new members joined the society each paying sh 100 entrance fees and sh 500 for share capital required as minimal in cash.
- 6th Nov: The accountant banked sh 450,000 into the account at cooperative bank
- 10th Nov: Received a credit notice in respect of dividends from investments sh. 120,000
- 13th Nov: Received a cheque No: e0792 of sh 200,000 from a member to be distributed as follows: share capital 110,000, loan principal payment sh 70,000, interest on loan 20,000
- 18th Nov: Loan approval to Karagitacheque No KC 234 for sh. 250,000
- 23rd Nov: Received cash payment for loan due as follows: Sh: 52,000 for principal amount and Sh 5,000 for interest on loan
- 28th : Sent invoice for debt due to Mwakirunge Farmers Association sh, 180,000

Required to record the above transactions in a journal. [12 marks]

QUESTION FOUR

- a) In relation to cooperative societies act 2004, explain the requirements of the societies in relation to preparation and maintenance of cooperative accounting. [10 marks]
- b) Describe the main objectives of cooperative accounting (8 marks)
- c) Cooperative Societies are recommended to keep Loose-Leaf ledger and Card System forms of accounts records. Outline the advantages of keeping the system. (6 marks)
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