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**UNIVERSITY EXAMINATIONS**  
**2022/2023 ACADEMIC YEAR**  
**SECOND YEAR FIRST SEMESTER**  
**MAIN EXAMINATION**

**FOR THE DEGREE OF BACHELOR OF COOPERATIVES AND  
ENTREPRENEURSHIP MANAGEMENT**

**COURSE CODE: CMP 225**

**COURSE TITLE: COOPERATIVE ACCOUNTING I**

**DATE: 26<sup>TH</sup> APRIL, 2023      TIME: 2.00PM – 4.00PM**

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**INSTRUCTIONS TO CANDIDATES**

1. Answer a total of **three** questions; question **one** and any other **two** questions.
2. Question **one** carries **30 marks** and each of the other two questions carry **20** marks each.

This Paper Consists of 5 Printed Pages. Please Turn Over.

## SECTION A (COMPULSORY)

### Question one (30 marks)

- a) Explain how the following concepts are applied in cooperative accounting :
- i) Historical cost accounting concept (3 marks)
  - ii) Materiality concept (3 marks)
  - iii) Prudence concept (3 marks)
  - iv) Going concern concept (3 marks)
- b) Discuss the demerits of the standardized accounting systems in maintaining financial accounting reports in a cooperative society (8 marks)
- c) In light of cooperative accounting, discuss the main users of the cooperative accounting financial statements (10 marks)

## SECTION B

Answer any Two questions from this section

### Question Two (20 marks)

- a) Explain the documents that are used in member transaction systems (10 marks)
- b) Discuss the components of standardized accounting system (10 marks)

### Question three (20 marks)

- a) The following information was extracted from the books of Kitinda cooperative society for the year ended 31 March 2021.

	Account	Sh.
Sale of milk	001-002	3,000,000
Transport	001-170	40,000
KCC charges	001-132	10,000
Union commission	001-101	12,000
Wages and salaries	001-123	50,000
Milk for processing	001-142	42,000
Fuel	001-140	7,000
Factory premises	000-620	400,000
Members shares	000-701	75,000
Sundry creditors	000-740	20,000
Factory machinery	000-625	140,000
Bank charges	000-172	4,200
Debtors –non members	000-888	14,000
Committee sitting allowance	000-183	8,000

Postage and airtime	000-197	4,200
Stationary	000-127	2,500
Bank	000-810	2,500,00
Loan interest	001-180	45,000
Bungoma county cess levy	000-129	30,000
Bank loan	000-920	650,000

Additional information:

- i) Stock of milk for processing as at 31 March 2021 was sh. 30,000
- ii) Payments to members was 85% of the total sales

**Required:**

- a) Surplus and loss appropriation account for the year ended 31 March 2021 (10 marks)
- b) Statement of the financial position as at 31 March 2021 (10 marks)

**Question Four (20 marks)**

- a) Discuss the principles under which a cooperative society is managed in Kenya (10 marks)
- b) The following transactions relate to Ushirika Cooperative Society for the month of February 2022.

Date	Transaction
2/2/2022	1000 members joined Ushirika cooperative society by paying sh.500 and sh. 2000 each as joining fees and share capital respectively
4/2/2022	The society banked the amount received on 2 <sup>nd</sup> February 2022
7/2/2022	Received a loan from cooperative bank sh. 1.2 million
14/2/2022	Paid sh. 500,000 as dividends to members
20/2/2022	Invoiced sh. 80,000 as transport cost incurred by the management committee to motor transporters

**Required:**

Extract journal entries to record the above transactions (10 marks)

**Question Five (20 marks)**

- a) Suggest any four reasons why a cooperative society should prepare a bank reconciliation statement (8 marks)



b) The balance in the cash book of Namwela Coffee cooperative Society as at 31 January 2023 was sh. 30,000. On the same date, the balance as per the bank statement received from the cooperative bank was sh.50, 000 (credit).

On examining the bank statement and the cash book, the following differences were observed:

- i) Cheques amounting sh.8,000 had been paid into the bank on 31 January 2023
- ii) Bank charges amounted to sh. 600
- iii) A standing charge of sh.800 had been paid by the bank but not entered into the cash book
- iv) Interest income amounting to sh. 13,000 collected by the bank did not appear in the cash book
- v) Amount paid to suppliers but not presented for payment to the bank amounted to sh. 16,400.

**Required:**

- a) Adjusted cash book (6 marks)
- b) Bank reconciliation statement (6 marks)