

**UNIVERSITY EXAMINATIONS: 2014**  
**MURANG'A UNIVEERSITY COLLEGE**  
**MOCK EXAMINATION FOR DIPLOMA IN COOPERATIVE MANAGEMNET.**  
**BS1308**

**CO-OPERATIVE ACCOUNTING**  
**DATE: OCTOBER 2014 TIME: 3 HOURS**  
**INSTRUCTIONS**

1. This paper consists of six questions
2. Answer any five questions
3. All questions carry equal marks
4. Show All your workings.

**QUESTION ONE**

- a) Explain the duties of the liquidator during the liquidation process. (10 marks)
- b) The following table shows the estimated production and sales of Wakulima cooperative society for the year 2015.

MONTH	PRODUCTION	SALES
	UNITS	UNITS
January	10,000	4,200
February	6,500	5,400
March	5,000	4,000
April	6,000	4,000
May	6,000	5,300
June	6,000	5,000

Additional information

- i. Estimated stock on 1 January 2015 is 8,600 units valued at shs 300 each.
- ii. Selling price per unit is shs 500.

**Required**

For each of the six months ending june 2015, prepare

- i. Production budget (5 marks)
- ii. Sales budget (5 marks)

**QUESTION TWO**

- a) Explain factors that should be considered when determining the stock levels to hold in a cooperative society. (10 marks)

- b) Bidii cooperative society Ltd operates a resale store. The society uses the last in first out method of stock valuation. The following data relates to purchases and sales of animal feed for the first six months for the year 2014.

purchases			sales		
date	units	Unit cost	Date	units	Unit cost
Jan 3	900	600	Jan 29	750	740
Feb 6	1,200	700	Feb 27	1,300	800
March 4	400	750	March 25	300	800
April 5	600	850	April 30	200	750
May 6	900	800	May 29	1,000	850
June 7	1,000	840	June 30	1,200	900

### Required

Prepare a stores ledger card and determine the value of closing stock. (10 marks)

### QUESTION THREE

- a) Upendo multipurpose cooperative society has two main activities, coffee and dairy. The following are the estimates for the year 2014

Coffee activity- 101	Kshs
Income :	
Sales of clean coffee	80,000,000
Expenditure:	
Milling charges	1,000,000
Transport	1,900,000
Union commission	2,000,000
Wages and salaries	1,000,000
Fuel and oil	2,500,000
Bags and containers	800,000
Depreciation	1,300,000
Dairy activity- 225	
Income:	
Sales of dairy products	40,000,000

Expenditure :

Electricity	1,000,000
Union commission	500,000
Transport	1,200,000
Wages and salaries	2,000,000
Depreciation	600,000

Society general activity- 999

Income:

Rental income	1,000,000
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Expenditure :

Wages and salaries	1,600,000
Staff education	500,000
Committee sitting allowance	800,000
Audit fee	200,000

Stores for resale activity- 466

Income:

Sale of goods	2,000,000
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Expenditure:

Storage	400,000
Transport	800,000
Wages	100,000

Additional information:

The investment plan is to construct a warehouse at an estimated cost of Kshs 6,000,000. This will be financed by surplus earnings retained during the budget period.

**Required :**

- i. Determine the required contribution from each activity to finance the new warehouse. (8 marks)
- ii. Prepare activity budgets each for coffee and dairy for the year 2012. (12 marks)

### QUESTION FOUR

- a) Describe the procedure followed during the division of a cooperative society. (8 marks)
- b) The following information relate to Kufilishika consumers cooperative society Ltd that went into voluntary liquidation on 10<sup>th</sup> June 2014.

	Book value	estimated realizable value
Land and buildings	2,000,000	1,500,000
Motor Lorries	8,500,000	6,200,000
Machinery	5,400,000	2,000,000
Furniture	800,000	200,000
Debtors	900,000	500,000
Bank loan secured on land and buildings		1,300,000
Unsecured creditors		900,000
Preferential creditors		2,000,500

The society's paid up capital consists of 1,000 shares of Kshs. 200 each fully paid.

A dividend of 8% on shares for the previous year had not been paid.

#### Required

Prepare a statement of affairs to be submitted to a meeting of creditors and members.

(12 marks)

### QUESTION FIVE

- a) Highlight four important details that should be recorded in an asset register. (8 marks)
- b) On 1<sup>st</sup> Oct 2013, the members of Mawe cooperative society Ltd and those of Kuni cooperative society Ltd passed a resolution to amalgamate and form Moto cooperative society Ltd.  
Their balances as at 30<sup>th</sup> Sept 2013 were as shown below.

Mawe farmers' cooperative society Ltd balances as at 30<sup>th</sup> Sept 2013

	Kshs '000'
Share capital	70,000
Fixed assets	63,000
Reserve fund	25,900
Stock	28,000

Debtors	17,500
Sundry creditors	12,250
Surplus and loss account	2,100
Cash at bank	1,750

Kuni cooperative society Ltd balances as at 30<sup>th</sup> Sept 2013

	Kshs
	'000'
Share capital	42,000
Fixed assets	66,500
Surplus and loss account	21,000
Debtors	14,000
Stock	17,500
Creditors	35,000

### Required

For each of the two cooperative societies prepare;

- i. Realization account (8 marks)
- ii. Sundry share holders account (4 marks)

### QUESTION SIX

- a) Mazao cooperative society intends to purchase a new lorry whose estimated value is Kshs 1,500,000. The lorry is expected to cover 20,000 kilometers per annum. The society will charge Kshs 2000 per Km. the variable costs per Km is Kshs 1,000. The fixed operating cost of the lorry per annum is Kshs 800,000. The lorry is expected to last 8 years with an estimated scrap value of Kshs 100,000. The society's cost of capital is 16%.

### Required

- Calculate the break-even point for the lorry in kilometers. (6 marks)
- b) The following balances were extracted from the books of Kuweza cooperative society Ltd as at October 2013

Activity	Dr Kshs'000'	Cr Kshs '000'
<b>Transport</b>		
Transport hire		70,000
Wages and salaries	16,400	
NSSF	600	
Fuel and oil	25,000	
Repair and maintenance	12,000	
Insurance	10,000	

Depreciation	3,000	
<b>Coffee</b>		
Sale of clean coffee		2,409,500
Payment to producers	2,210,000	
Milling charges	39,700	
Salaries and wages	29,000	
Factory expenses	17,000	
<b>Society general</b>		
Rent		12,500
Bank interest		2,800
Committee allowance	4,240	
Travel allowance	20,400	
Telephone charges	2,760	
Salaries and wages	33,600	
Audit fees	11,000	
<b>Assets</b>		
Buildings and equipment	184,000	
Furniture	35,000	
Shares in cooperative bank	4,000	
Stock of fuel	9,000	
Debtors	13,000	
Cash at bank	19,600	
Cash in hand	400	
<b>Liabilities</b>		
Share capital		160,000
Entrance fees		10,000
Statutory reserve		1,000
Long term loan		30,000
Accrued payment to member		<u>3,900</u>
	<u>2,699,700</u>	<u>2,699,700</u>

**Required**

- Prepare the surplus & loss account for the year ended 31<sup>st</sup> Oct 2013. (10 marks)
- Prepare the society balance sheet as at 31<sup>st</sup> Oct 2013. (4 marks)