

# *Co-operative Book-keeping*



## **1 Marketing Co-operatives**



INTERNATIONAL CO-OPERATIVE ALL'ANCE

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This CEMAS' series on Co-operative Book-keeping comprises four manuals:

- 1 Marketing Co-operatives
- 2 Consumer Co-operatives
- 3 Savings and Credit Co-operatives
- 4 Industrial Co-operatives

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# Foreword

It is a common complaint that, in many primary co-operatives, the standard of book-keeping is poor. The need has long been recognised for a basic, simplified system of book-keeping, for use in primary co-operatives in developing countries, in order to help improve that situation. The system described in this manual has been specially designed to meet that need. It makes no claim to be revolutionary, nor to advocate new techniques. On the contrary, it is based on customary double-entry practice; its only claim is that it is simple and that it works, and can easily be adapted to meet particular local requirements.

The system was originally introduced in Botswana, where it has been extensively field-tested and used for many years, with considerable success. In 1970, the British Ministry of Overseas Development, in association with the Intermediate Technology Development Group (ITDG), published three manuals based on the system (one each for Consumer, Marketing, and Thrift and Credit Co-operatives), which have been widely distributed and used in several countries. The ILO International Centre for Advanced Technical and Vocational Training at Turin used these manuals for the book-keeping sections of their Co-operative Management Training Courses. The original manuals have now been substantially revised, to make them more suitable for training purposes, and reissued as CEMAS/ICA publications. A fourth manual, for Industrial Co-operatives, has been added to the original series.

The purpose of book-keeping is *three-fold*:

- 1 to maintain an accurate financial picture of the business, in such a way, that the state of its finances can be simply, clearly and accurately revealed at any time;
- 2 to make it possible for the accuracy of the accounts to be quickly checked, to avoid errors or fraud;
- 3 to serve as a management tool by providing the information required for decision-making and for planning future activities.

This system satisfies those criteria and, in doing so, takes account of the circumstances within which it has to be used, and of the essential need for the book-keeper to know *what* he is doing and *why* he is doing it. The intention is to provide a system which, while fully adequate, in terms of good book-keeping practice, does not make unnecessary demands on the user's time, ability and comprehension.

The manuals have been so designed as to serve both training and operating purposes. They may be used as *handbooks* for co-operative teachers, as *textbooks* for students attending training courses, and as *working manuals* for on-the-job guidance of secretaries and book-keepers. They will be found of most value wherever training courses, based upon them, are provided, and where, after the courses, students are encouraged to use them on return to work.

## **ACKNOWLEDGEMENTS**

The International Co-operative Alliance gratefully acknowledges the permission of the Ministry of Overseas Development, London, and of the Intermediate Technology Development Group, to revise and reissue these publications.

The major work of revision was undertaken by Mr D W Heffer, former adviser on co-operative accounting in Botswana and the West Indies. The manuals at draft stage were also submitted to the criticism of several other co-operative experts, and in particular, Mr A Boberg, of Sweden, formerly co-operative accountancy expert with the Nordic Co-operative Project in Kenya, and consultant to the Co-operative Department, Zambia, contributed much useful advice. We are grateful for the help of all these colleagues.

Publication of the manuals is made possible by the financial assistance and encouragement of the Swedish Co-operative Centre and the Swedish International Development Authority, which finances the CEMAS project.

## **NOTE FOR TEACHERS**

This manual describes a book-keeping system concerned with the maintenance of ledger accounts up to trial balance stage. In the final sections, a brief description of control systems and preparation of final accounts is given in order to complete the sequence of operations up to that stage, but these are deliberately not described in detail.

As a follow-up to the present series, CEMAS/ICA is producing a more advanced manual on Co-operative Accountancy, which extends the system to the stage of preparation of final accounts and budgets, to meet the needs of larger co-operatives.

When the manual is used for training purposes, it will normally be desirable for the teacher to prepare and use his own exercises (additional to the three in chapter 7, on page 48), and particularly so when it is necessary to adapt these to the specific requirements of local practice.

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# 1 Introduction

## 1.1 The marketing co-operative book-keeping system

The book-keeping system described in this manual has been prepared for use by agriculture marketing co-operative societies, or other primary societies conducting similar trading activities. This system uses the double-entry method of book-keeping applied to the columnar form of accounts. All the entries for the financial transactions involving the society are posted into a working ledger and all the accounts are controlled in the main ledger. The system is illustrated by practical examples of the typical transactions, forms, accounts and records with which a co-operative society of this type will be involved.

## 1.2 Objectives of marketing co-operatives

The objectives of agricultural marketing co-operatives will be stated in their by-laws. Generally, they operate for the better marketing of members' agriculture produce or livestock. They can also arrange for the supply to members of farm inputs, such as seeds, fertilizers, and implements. Sometimes they even operate small consumer trading outlets as well. Where funds are available, agriculture loans are sometimes made to members.

## 1.3 Operations of marketing co-operatives

### *Marketing*

There are two main ways of conducting the marketing operations:

- 1 The society makes an *outright purchase* of the produce from its members. The price paid to the member will be that which the committee of the society estimates the produce will fetch in the market, *less* (at least) an amount to cover the costs of running the society, including the costs of transporting the goods to the market.

When the society operates in this way, as the owner of the produce, it takes the risks of loss, or damage. If the produce is sold for less than the estimated price, the society will lose money.

This type of operation requires that there is a reasonably certain market for the produce and that the society has considerable amounts of cash available to finance the purchase of the produce.

- 2 In view of the risk of loss and the need for large sums of money involved with the outright purchase of produce, an alternative method of conducting the marketing operations is for the society to *act as an agent* for its members. When the society operates in this way, the member hands his produce to the society and is given a receipt.

Sometimes an *advance payment*, based on an agreed percentage of the expected proceeds of the sale of the produce received, is made to the member. This again depends upon funds being available.

In any case, the *main payment* can only be made to the member after the society has obtained the proceeds of the sale of the produce. The society sells the produce for the best price that can be obtained. An agreed percentage to cover at least the cost of running the society is then deducted as a commission, or levy, from the proceeds of sale and the balance belongs to the member.

#### *Farm inputs and consumer goods*

These are purchased from wholesale suppliers, usually on credit terms, and sold for immediate cash to members. Where the society is able to offer loan facilities to members, sometimes loans are advanced in farm inputs rather than as cash.

#### *Loans*

Some marketing co-operatives are able to advance loans to their members. This enables the members to bridge the gap between the sowing season, when they need funds to buy seeds, fertilizers and equipment, and the time when the produce has been marketed and the proceeds have been received.

Loans are generally advanced on the security of the expected crop, which the members undertake to market through their society. In this case the society deducts the amount of the loan advanced, together with any interest due, as well as the commission and any

advance, from the money it receives for the produce, and pays the balance to the member.

Loans can, of course, only be available to members when the society itself can obtain the funds for these. Where there is, for example, a co-operative bank or other development bank providing the society with these funds the society can in turn provide this service to members.

### *General*

The business operations are financed from funds obtained from members, from funds borrowed from outsiders, and by making use of credit facilities available from wholesale suppliers. The society trades as efficiently as possible to cover at least the costs of the operations and to provide for reserves to give financial stability to their independent co-operative enterprise.

When any net surplus remains, rebates are usually made to members in the form of a limited interest on shares and as a bonus on their trade with their society. As the society builds up funds and business skills, so it will develop and expand to provide a wide range of services, farm inputs and other goods to the members. These developments stem from good co-operative business, recorded and controlled by good book-keeping systems.

## **1.4 The book-keeper's job**

This manual is about the work of the book-keeper and how this work can be used in the control of the co-operative business enterprise. The duties of the book-keeper will include:

- (a) keeping complete and accurate records of every financial transaction in which the society is involved
- (b) checking the accuracy of these records at regular intervals
- (c) preparing final accounts and a balance sheet at the end of every financial year, ready for audit and later consideration by the committee and the members
- (d) preparing reports for the manager and the committee on the financial position of the society during the financial year.

## 1.5 Importance of book-keeping

The members are the owners of the society. They need to know how their business is doing and how their funds are being used. The members elect a committee to direct and control the affairs of their business and a manager is appointed to run the day to day operations. This committee and the manager need information on the operations of the society to be able to make decisions and to take managerial action. Members, committees and managers require that the information they get is complete, accurate and up to date. The book-keeping system in use must therefore show:

- (a) How much the society *owes*. These are its *liabilities* and indicate the source of the funds in use in the society.
- (b) How much the society *owns*. These are its *assets* and show the use being made of these funds.
- (c) Whether the society has *financial stability* and is able to pay its debts as they arise.
- (d) Whether the society is *operating efficiently*, covering its costs and providing a net surplus.

In most countries there are laws which require that co-operatives keep proper books and records. This underlines the importance of a good book-keeping system. In this manual, the system described will meet the needs of members, committees, managers and the main requirements of most co-operative laws.

The examples in this manual will be related to a society marketing the produce of members on an *agency basis*. The society also supplies farm inputs to members and has a small consumer outlet. Agricultural loans are made to members. The basic book-keeping system, using the working ledger and the main ledger, can be expanded or adapted to meet the needs of societies having several trading units or several separate trading activities. In many cases these expansions or adaptations will merely involve the opening of more columns in the working ledger and more pages in the main ledger.

# 2 Book-keeping system

## 2.1 Double-entry system

Book-keeping is concerned with correctly entering permanent written records of *financial transactions* into the books of account of the society.

A *financial transaction* arises in the course of the business when there is a transfer of money, or something having a money value.

These two sentences give a clear definition of what book-keeping is, and it is useful to have them in mind. Examples will be considered later when the working ledger is examined.

In every financial transaction there are two aspects. There is the *imparting* (giving) of the benefit transferred and there is the *receiving* of this benefit. This imparting and receiving takes place between the accounts in the books of the society. The double-entry system of book-keeping is used to record this transfer between the imparting account and the receiving account.

In this system details of the money, or money value, of the benefit transferred are recorded twice into the accounts of the society. The account which imparts or provides is credited (CR) and the account which receives is debited (DR). For every credit entry there must be a corresponding debit entry and, vice versa, for every debit entry there must be a corresponding credit entry.

When there has been corresponding postings made into the books of account they will balance. *The debits will equal the credits*. In this way the balancing of the books is similar to the balancing of a beam-scale. When the goods in one pan of the scale are the same weight as the metal weights in the other pan, the scale will balance.

## 2.2 Trial balances

The book-keeper can check that the books balance by the preparation of a trial balance. These are statements prepared after the posting of the debit and credit entries have been completed for a given period. They show the list and total of all debits and a list and total of all credits. Since all entries of any financial transactions are recorded twice, once as a debit then correspondingly as a credit, the total of all debits on the trial balance must be the same as the total of all the credits. If these totals do not agree with one another then an error has been made. The book-keeper then must check all the additions, then all the postings, for a trial balance *must* balance.

The book-keeper will be concerned with two trial balances:

### 1 *Working ledger trial balance*

The working ledger, shown in Example 1, contains the debit and corresponding credit entries for all the financial transactions. These entries are made as they arise into the records of original entry, then at the end of every week they are posted from these records into the working ledger. The working ledger is closed off and balanced at the end of every week after these postings have been completed. This is checked by the preparation of a *trial balance* of all the *debit and credit totals of entries* to be made from the working ledger into the main ledger. This trial balance is shown in the working ledger in Example 1.

### 2 *Main ledger trial balance*

The main ledger shown in Example 2 contains the balances on the various accounts of the society. After the debit and credit entries have been made from the working ledger, the new balances on these accounts in the main ledger are ascertained. Then a trial balance of all the debit and credit balances in the main ledger will be prepared to check that the main ledger balances. This trial balance is shown in Example 23, page 38.

### **2.3 Records of original entry**

The essential books and records used in this book-keeping system are outlined in the sections which follow. The entries to be made in them flow from the initial entries made into the records of original entry. These entries are made immediately the financial transactions occur. They become the source of postings to the ledgers. In the marketing co-operative the following documents are used to record the original entries (see list of examples).

- (a) receipts and payment vouchers
- (b) produce receipts and proceeds forms
- (c) invoices and credit notes
- (d) cheque books, bank paying-in books, and the bank statement for bank charges
- (e) cash sales receipts

These original documents can either be specially printed, or standard forms, available from most stationers, can be purchased and adapted to the specific needs of a society. All unused original documents should be kept safely locked away and be consecutively numbered to assist in their control.

The forms and records shown as examples in this manual include entries obtained from the exercises on page 48.

In a society, details of individual transactions are always posted into the records of original entry on the date on which they occur.



## 2.4 Working ledger: Example 1

This ledger combines the functions of the traditional cash book and the journals. It is a summary ledger. Details of all the financial transactions of the society are posted from the records of original entry into the working ledger. This is kept on the double-entry system, so that for every debit entry (DR) there is a corresponding credit entry (CR).

This ledger is a columnar cash analysis book which is usually available from a local bookshop and the columns are headed by the book-keeper as required. Two separate cash ruled columns, one for debit entries, the other for credit entries, are kept for each type of account. The number and type of separate accounts kept by a society will depend upon its own particular needs and circumstances.

This book shows the typical accounts which need to be kept. To avoid this ledger containing many columns for accounts which are not used frequently, two columns headed 'Other Accounts' can be opened. Then debit, or credit entries concerning these accounts can be posted into these columns, but are posted into their separate accounts in the main ledger.

As entries are made into the working ledger from the original records, they show the *date* of the transaction, the *details* and any *reference number* from the original record. Then the appropriate debit and credit entries are made into the columns provided. All of this information is shown on the same line for each transaction. At the end of every week the working ledger is closed off and balanced. The totals of the debit and credit entries then to be posted to the main ledger are first checked by the preparation of a trial balance. See the working ledger (Example 1, page 6).

The working ledger, shown in Example 1, has been posted from the summary of the financial transactions for the whole of 1975, and all of these entries are dated as December 31 (see Exercises, page 48). When used in a society, the working ledger will have daily postings, and it will be closed off, totalled and balanced every week.

**WORKING**

Week no 52 Ending 31<sup>st</sup>

Date 1975	Detail	Ref no	1 Cash		2 Bank		3 Produce		4 Farm inputs		5 Consumer trade		6 Expenses		7 Fixed assets		D
			DR	CR	DR	CR	DR	CR	DR	CR	DR	CR	DR	CR	DR	CR	
Dec 31	Allocation of 1974 surplus																
" 31	Invoices from creditors								800		1700		100		200		
" 31	Cheque to creditors					2700											
" 31	Cash discounts												40				
" 31	Cash sales		2650							750		1900					
" 31	Credit sales to debtors									50		100					
" 31	Cash from debtors		140														
" 31	Cash banked			2050	2050												
" 31	Bank charges					20							20				
" 31	Investment deposit					50											
" 31	Investment interest													12			
" 31	Share contribution		1000														
" 31	Share withdrawal					40											
" 31	Deposit		440														
" 31	Deposit interest												40				
" 31	Deposit withdrawal			80													
" 31	Cash for expenses			260									260				
" 31	Cheque for expenses					100							100				
" 31	Advances			1000			1000										
" 31	Invoice for produce							7000									
" 31	Loans to members - kind									200							
" 31	Loans to members - cash			800													
" 31	Members' loan interest													50			
" 31	Society loan repaid					500											
" 31	Society loan interest												40				
" 31	Received produce proceeds				7000												
" 31	Cashed own cheque		4620			4620											
" 31	Paid produce proceeds			4620			4620										
" 31	Produce proceeds for loans						1030										
" 31	Bad debts - members' loans												20				
TOTALS TO MAIN LEDGER			8850	8810	9050	8030	6650	7000	800	1000	1700	2000	580	102	200		
Account no			1	1	2	2	3	3	4	4	5	5	6	6	7		

Example 1



## 2.5 Main ledger: Example 2

For the purpose of this manual Example 2 shows the accounts of the society together. In the main ledger of a society a separate page is kept for each account as shown in Example 2(a). This example shows the cash account, included within Example 2, as it would appear on its separate page in the main ledger of the society.

Since they are posted from the working ledger, these accounts will be kept in the same order as they are kept in the cash ruled columns of the working ledger. The pages kept for each account are numbered consecutively and contain columns for the date, the details, the reference number and then three cash ruled columns. In the first cash

CASH ACCOUNT (in main ledger)						No 1
Date 1975	Detail	Ref no	DR	CR	Balance	
Jan 1	Balances from balance sheet	b/f			DR 15 00	
" 7	Entries from working ledger	6	1000 50	950 61	DR 64 89	
" 14	" " " "	7	2002 16	2026 14	DR 40 91	
" 21	" " " "	9	860 29	860 00	DR 41 20	
" 28	" " " "	11	960 00	900 00	DR 101 20	
			and so on		DR 55 00	
Dec 31	Asset to balance sheet	c/f		55 00	—	
1976						
Jan 1	Balances from balance sheet	b/f			DR 55 00	

Example 2(a)

Example 2

						MAIN	
Date 1975	Detail	Ref no	DR	1 Cash CR	Balance	DR	2 C
Jan 1	Balances from balance sheet	b/f			DR 15		
Dec 31	Entries from working ledger	52	8850	8810	DR 55	9050	803
" 31	Stocks to end	c/f					
" 31	Goods received not invoiced	c/f					
" 31	Credits outstanding	c/f					
" 31	Other expenses prepaid	c/f					
" 31	Property expenses prepaid	c/f					
" 31	Interest accrued	c/f					
" 31	Depreciation charge and provision						
" 31	<u>Income and expenditure to trading account</u>						
" 31	<u>Transfer net surplus from trading account</u>						
" 31	<u>Assets and liabilities to balance sheet</u>	c/f		55	—		204
1976							
Jan 1	Balances from balance sheet	b/f			DR 55		

ruled column, debit (DR) entries are posted. In the second the credit (CR) entries are posted. The third column contains the running balance, prefixed to show whether it is DR or CR.

At the end of every four weeks the DR and CR balances in the main ledger are separately listed on a trial balance, Example 23 (page 38). This checks that the main ledger balances. Also at the end of every four weeks, after this trial balance is prepared, the monthly report to the committee in Example 26 (page 41) is prepared. At the end of the financial year the trading account for the year together with the surplus disposable account and balance sheet, Example 29 (page 46), will be prepared.

### 2.6 Members' share and deposit ledger: Example 3 (page 10)

Within this ledger a separate page is kept in share number order, for each member. These records can be kept in a loose-leaf ledger or on a card system with separate accounts for each member. The share and deposit transactions are posted to this ledger from the details of their original entries after these have been posted to the working ledger. At the end of every four weeks the individual balances for shares, then deposits, are separately add-listed. The resulting share total then has to be agreed with the CR balance for shares in the trial balance of the main ledger. The resulting balance for deposits is agreed with the CR balance for these in this trial balance. Sometimes a separate *loan ledger* will also be kept for members; this will depend on the volume of loan transactions of the society.

Example 2 continued ►

LEDGER																
Bank		3 Produce			4 Farm inputs			5 Consumer trade			6 Expenses			7 Fixed assets		
R	Balance	DR	CR	Balance	DR	CR	Balance	DR	CR	Balance	DR	CR	Balance	DR	CR	Balance
	DR 1020						DR 300			DR 600			CR 20			DR 3000
0	DR 2040	6650	7000	CR 350	800	1000	DR 100	1700	2000	DR 300	580	102	DR 458	200		DR 3200
						200	CR 100		750	CR 450						
						50	CR 150	50		CR 400						
												50	DR 408			
												50	DR 358			
											2		DR 360			
		7000	6650	—	1000	850	—	2000	1600	—		360	—			
0	—				200 stocks						50 other					
					50 credit 0/5	250	DR 250	750 stocks	GRNI 50	DR 700	50 property	2 int	DR 98		3200	—
	DR 2040						DR 250	750	50	DR 700	100	2	DR 98			DR 3200

Example 3

MEMBERS' SHARE AND DEPOSIT LEDGER										
Name of member: S Anybody						Share no: 22				
Address: The Street, Anywhere										
Date	Ref no	SHARES					DEPOSITS			
		Contributions	Interest	Bonus	Withdrawals	Balance	Deposits	Interest	Withdrawals	Balance
1975		CR	CR	CR	DR	CR	CR	CR	DR	CR
Jan 1	1					1400				600
Dec 31	31	1000	40	98	40	2498	440	40	80	1000

8 Depreciation provision			9 Shares			10 Deposits			11 Members' loans			12 Creditors			13 De	
DR	CR	Balance	DR	CR	Balance	DR	CR	Balance	DR	CR	Balance	DR	CR	Balance	DR	C
		CR 600			CR 1400			CR 600						CR 845		
			40	1138	CR 2498	80	480	CR 1000	1050	1050	-	2740	2800	CR 905	7150	7140
340	340	CR 600														
	340	CR 940														
940		-	2498		-	1000		-				905				3
		CR 940			CR 2498			CR 1000						CR 905		

**2.7 Members' trade ledger: Example 4**

Within this ledger a separate page or card is kept in share number order, for each member. Sometimes the members' trade records can be kept within the share and deposit ledger so all the transactions of each member are shown on their own separate page or card. The purpose of this record is to enable all the trade transactions made by the member with the society to be summarised. This enables the trade of a member for a financial period to be totalled for each class of trade (Example 4, page 12).

This will enable the calculations and distributions of any net surplus as a bonus to be properly made. Postings to this ledger for produce sold through the society are made from the *produce proceeds forms* (Example 12, page 21) after their details have been posted to the

working ledger. All entries for farm inputs or consumer goods bought from the society are made from the *cash sales receipts* (Example 17, page 24) made out as these items are sold.

At the end of every financial period all the columns in the trade ledger are added to show the trade of each member. These totals are summarised using the members' trade summary, (Example 21, page 32) which has similar column headings as in the trade ledger, except that the 'date' column will be used for the member's name and share number and columns for the bonus are included. Totals should be agreed with the main ledger totals of trade – shown in the trial balance and the trading account.

Debitors		14 Investments			15 Society loans			16 Surplus			17 Reserve fund			18 Education fund		
DR	CR	DR	CR	Balance	DR	CR	Balance	DR	CR	Balance	DR	CR	Balance	DR	CR	Balance
DR 20				DR 200			CR 1000			CR 240			CR 400			CR 50
DR 30		62		DR 262	500	40	CR 540	238		CR 2		70	CR 470		30	CR 80
			262		540			202	200	CR 202	470			80		
DR 30				DR 262			CR 540			CR 202			CR 470			CR 80

Example 4

MEMBERS' TRADE LEDGER								
Name of member: S Anybody						Share no: 22		
Date	Receipt no	PRODUCE		FARM INPUTS				Consumer trade value
		Quantity	Value	Fertilizer		Seeds		
1975				Quantity	Value	Quantity	Value	
May 15	16	10	70					100
July 21	27	5	35					20
Dec 19	40			5	10	2	4	
TOTALS TO SUMMARY		15	105	5	10	2	4	120

2.8 Creditors' ledger (accounts payable): Example 5

Creditors are suppliers who are owed money by the society for farm inputs, consumer goods or services supplied on credit terms to the society. In this ledger a record of the transactions of the society with these individual suppliers will be kept.

A separate page will be opened for each of these suppliers. These pages will be kept in surname alphabetical order. These pages contain columns for the date of the transaction, the details and the reference number.

There are also three cash ruled columns. The first column is used for debit entries (DR) for cash paid, discounts allowed to the society and credit notes. The second is used for credit (CR) entries for invoices. The third column shows the running balance, prefixed DR when there is a balance due to the society, or CR when there is a balance due to the supplier. Postings are made to this ledger from the original records after their details have been posted to the working ledger.



At the end of every four weeks the balances in this ledger will be add-listed to produce the net credit (CR) balance due to suppliers. This total is then agreed with the CR balance for creditors shown in the trial balance of the main ledger at that date.

*Example 5*

CREDITORS' LEDGER						
Name of supplier: HONEST TRADER LTD.				Account no: 16		
Address: Warehouse Rd. Anytown				Credit terms: 2½% discount 14 days		
Date		Detail	Ref no	DR	CR	Balance
1975						
Jan	1	Balance	b/f			CR 845
Dec	31	Invoices	52		2800	CR 3645
"	31	Cheque	52	2700		CR 945
"	31	Discounts	52	40		CR 905

**2.9 Debtors' ledger (accounts receivable): Example 6**

Debtors are customers of the society who owe money to the society for goods or services supplied to them on credit. Generally, they will be the purchasers of the produce, for in the main the members will pay immediate cash for the farm inputs or consumer goods they buy from the society. The balances due from debtors will be kept as low as possible and the society should try to obtain immediate cash even for the sale of produce.

The debtors' ledger contains separate pages for each customer who is given credit by the society. Each page contains columns for the date, details and reference number. There are also three cash ruled columns. The first column is used for debit (DR) entries for invoices issued by the society. The second is used for credit (CR) entries for cash received or credit notes issued. The third column shows the running balance, prefixed DR or, where the society owes money to the customer, prefixed CR.

Postings are made to the accounts in this ledger from the original records after their details have been posted to the working ledger.

At the end of every four weeks, the balances in this ledger are added to produce the net debit (DR) balance due to the society. This is agreed with the (DR) balance for debtors, shown in the trial balance of the main ledger at that date.

*Example 6*

DEBTORS' LEDGER						
Name of customer: J Goodpayer			Account no: 4			
Address: 14 Bank St. Anytown			Credit terms: cash 7 days			
Date		Detail	Ref no	DR	CR	Balance
1975						
Jan	1	Balance	b/f			DR 20
Dec	31	Sales	52	150		DR 170
"	31	Cash	52		140	DR 30
"	31	Produce invoice	52	7000		DR 7030
"	31	Cheque	52		7000	DR 30

**2.10 Other books and records**

There are other books and records in use in the society in which are entered the many details connected with the business operations and controls. These will be described one by one as the accounts are considered from section 3 onwards.

## 2.11 Other book-keeping terms

Book-keeping is a technical subject. Technical book-keeping terms are used in this manual as follows:

(a) *Financial, or accounting, period*

This is the period of time covered by the final accounts. This period is often of one year ending on a date stated in the by-laws of the society.

(b) *Final accounts*

These are prepared at the end of the financial period. This marketing co-operative uses two final accounts.

(c) *Trading account*

This is one of the final accounts. It is a summary of all the income and expenditure for the financial period. This summary reveals the surplus or loss.

(d) *Surplus disposal account*

This account shows the proposed disposal of any net surplus. It contains the recommendations of the committee on the allocations for reserves, education, share interest and bonus.

(e) *Balance sheet*

This is a list of the liabilities and of the assets on a given date. A balance sheet is prepared after the final accounts have been completed at the end of the financial period.

(f) *Surplus and loss*

The *income* of the society is earned from the sale of produce on behalf of members and from the sale of farm inputs and consumer goods to members. The expenditure includes the payments made to the members for their produce and the costs of purchasing and selling the inputs and goods. There is a net *surplus* when income is greater than expenditure. There is a net *loss* when expenditure is greater than income.

(g) *Liabilities and assets*

*Liabilities* show what the society *owes*. They include members' shares and deposits, reserve funds, surplus not distributed and balances owed to creditors. They indicate the source of the funds in use in the society.

*Assets* show what the society *owns*. They include land, buildings, fixtures, equipment, stocks, investments, cash and balances owed by debtors. They show the use being made of the funds of the society.

*Fixed assets* are held permanently to be used to earn income and include land, buildings, fixtures and equipment.

(h) *Interest and bonus*

*Interest* is the distribution of net surplus that is based on the share capital. In some by-laws this is called *dividend*.

*Bonus* is the distribution of any net surplus based on the trade of the members. In some places this is called 'patronage refund'.

(i) *Auditors*

The auditor is a skilled accountant whose responsibility it is to check and verify the accounts of the society at the end of the financial year and at any other time as the registrar of co-operatives may consider necessary. The auditor is independent of the society and reports to the registrar and the members.

*Internal auditors* are elected under some by-laws by the members at their annual general meeting. They are elected to conduct regular checks for the members on the books, assets and activities of their society. They report to the members at the annual general meeting.



# 3 *The working ledger*

The working ledger is shown in Example 1 (page 6). This ledger is posted at the end of every week from original records which are prepared immediately the financial transactions occur. The entries to be posted into this ledger are outlined as follows:

## 3.1 Cash account

### (a) *Security*

Cash must be handled with the utmost care and wherever possible only one person should be responsible for receiving and paying all cash. This person should not be the book-keeper. At all times cash, other than that which is in use in the cash register (till), must be placed in the safe. The safe must be kept locked and only the person so instructed by the committee should hold the key.

The cash in hand should be checked from time to time by the committee and the internal auditors appointed by the members. The auditor appointed by the registrar of co-operatives will also check this on his visits to the society.

Apart from the cash float, or other cash held to make expected payments, all cash should be banked as soon after receipt as possible. The cash float is a set sum held back in the society for change.

### (b) *Cheques received*

For book-keeping purposes all cheques, postal orders or money-orders received by the society are treated as cash. Cheques should only be accepted if prior arrangements have been made with the manager of the society. Generally, post-dated cheques (cheques with a date in the future) should not be accepted.

(c) *Cash receipts*

A receipt as shown in Example 7 must be issued whenever cash is received.

*Example 7*

CASH RECEIPT		Number: <u>15</u>
RECEIVED FROM:	<u>S. Smith</u>	
	<u>One</u> dollars and <u>five</u> cents \$ <u>1.05</u>	
IN PAYMENT OF:	<u>Share contribution A/c no 77</u>	
DATE: <u>20.12.75</u>	FOR: MARKETING CO-OPERATIVE SOCIETY LTD	
<i>(New balance in pass book \$9.61)</i>	Signed: <u>H. Jones</u> <u>Cashier</u>	
	Posted to working ledger page no <u>50</u>	

The receipt will show the following details:

- 1 Cash receipt number
- 2 Name of co-operative society
- 3 Name of person paying the cash
- 4 Purpose for which cash received
- 5 Amount of cash received in words and figures
- 6 Date cash received
- 7 Signature of person receiving the cash

Usually the receipt is made out in duplicate using a carbon paper. The *top copy* is issued to the person paying the cash. The *bottom copy* is kept by the society as the record of original entry from which the working ledger will be posted as follows:

*Date* ..... received  
*Detail* ..... from receipt book  
*Ref no* ..... receipt number  
*DR* ..... *cash account* – with amount received  
*CR* ..... *impairing account* e.g. debtors, shares or other impairing account with amount received.

(d) *Cash payments*

A receipt, similar to Example 7 must be obtained, or a *payments voucher* be made out, in support of all cash paid out. On the receipt, or payments voucher, the person receiving the cash from the society will sign his name. From the receipt, or payments voucher, which forms the record of original entry, the working ledger is posted as follows:

*Date* ..... paid  
*Detail* ..... from receipt or voucher obtained  
*Ref no* ..... receipt or voucher number  
*DR* ..... *receiving account* ie bank, expenses or other receiving account with amount paid  
*CR* ..... *cash account* – with amount paid

### 3.2 Bank account

(a) *Current account*

A current account should be opened at the nearest bank. The bank will issue a *paying-in book* and a *cheque book* after they have received a copy of the resolution of the committee to open the account. The committee will also inform the bank of the officers authorised to sign cheques on behalf of the society. The bank will require specimen signatures from these officers. The person appointed to handle the cash of the society will make the deposits to this current account at the bank.



(b) *Bank deposits*

Pages in the bank paying-in book are made out in duplicate and the cash is taken to the bank. The bank will keep the top copy and will stamp the bottom copy as the receipt for the society. From this record of original entry, entries to be made into the working ledger are:

*Date* ..... taken to bank  
*Detail* ..... from the paying-in slip, stamped and  
received by the bank  
*Ref no* ..... number of paying-in slip  
*DR* ..... *bank* – with amount deposited  
*CR* ..... *cash* – with amount deposited

(c) *Bank payments*

Payments will be made using cheques from the cheque book which should be kept locked in the safe. The book-keeper will present the bills to be *paid by cheque* to the manager. The manager should make out the cheques. The officers of the society authorised to sign the cheques should only do so after they have compared the cheques with the bills for payment. The cheques are sent off to the creditors concerned. The working ledger is posted from the cheque book stubs:

*Date* ..... of cheque as shown in the stub retained  
in the cheque book  
*Detail* ..... name of creditor (payee) from the stub  
*Ref no* ..... number of cheque  
*DR*..... *payee* – creditor or other receiving  
account with amount of cheque  
*CR*..... *bank* – with amount of cheque

(d) *Bank statements and reconciliation statement*

From time to time the bank will send a statement showing all the transactions posted to the account of the society by them, with the used cheques. When these are received the following procedure is undertaken:

- 1 The balance to begin on the statement is checked to ensure that it is the same amount as shown on the previous statement as the balance to end.
- 2 The cheque entries on the statement are ticked (✓) to ensure that all cheques posted on the statement have been enclosed.
- 3 Items then remaining as withdrawals on the bank statement are for such items as commission, interest, or cheque books, as will be seen by checking the prefix number of the posting with the number code shown at the bottom of the statement.
- 4 These *bank charges* are added and the total is posted to the working ledger as follows:

*Date* ..... posted to working ledger  
*Detail* ..... bank statement – charges  
*Ref no* ..... number of bank statement  
*CR* ..... *bank*  
*DR* ..... *expenses* – bank charges

- 5 When this entry and all entries in the working ledger have been posted to the main ledger, the last balance shown on the bank statement has to be reconciled with the last balance shown on the bank account in the main ledger.
- 6 Cheques are sorted into their numerical order and ticked against the entries which were made in the working ledger when the cheques were drawn.
- 7 Deposits as shown on the statement are ticked against the entries which were made in the working ledger when the deposit was made.
- 8 The bank columns of DR – Deposits, and CR – Payments, now show ticked entries indicating they have been posted by the bank to the statement.

9 The reconciliation is then prepared as follows:

Example 8

<b>BANK RECONCILIATION STATEMENT</b>	
<i>as at 31<sup>st</sup> December 1975</i>	
	\$
Balance in bank on bank statement	1750 61
ADD deposits in transit (deposit entries in working ledger not ticked ✓ as having been shown on bank statement)	650 25
TOTAL	2400 86
DEDUCT cheques not presented (cheque entries in working ledger not ticked ✓ as having been shown on bank statement)	360 86
TOTAL - being balance in bank account in main ledger	2040 00

- 10 Where an overdraft (red) is shown as the balance on the statement, cheques not presented are added and deposits in transit are deducted to produce the balance on the bank account in the main ledger.
- 11 Overdrafts arise when cheques have been paid from the account with the bank in excess of the funds held in the account. The bank has then in fact made a loan to the society. Overdrafts should first be arranged with the bank manager. They should only be used for short periods, since the rate of interest charged by the bank for an overdraft is very high.

### 3.3 Produce account

This account is concerned with the transactions arising from the sale by the society as an agent of the members for their produce.

(a) *Receipt of produce*

A produce receipt must be issued as the society takes possession of the produce being sold after this has been checked, graded and weighed.

*Example 9*

PRODUCE RECEIPT				
Date: .....			Receipt no: <u>164</u> .....	
Name of member: .....			Membership no: .....	
Number of bags	Description	Grade	Advance per bag	Total advanced
1000			1 00	1000 00
1000	Bags total		TOTAL	\$ <u>1000.00</u>
Received: The above produce: signed: ..... <div style="text-align: right;">Manager</div>				
Received: The above advance: signed: ..... <div style="text-align: right;">Member</div>				

Members must be fully advised by the committee on the terms of agency sale before they hand possession of their crops to the society. The terms must in any case be in accordance with the by-laws of the society.

Where the society has the funds and is making *advance payments*, these are also shown on the produce receipt. See Example 9. These receipts are made out in duplicate. The top copy is issued to the member. From the bottom copy, the book-keeper posts the working ledger with the details of the

advance: DR *produce account*, CR *cash* with amount advanced. Then the book-keeper enters the details from the produce receipt to the *produce summary*, as shown in Example 10.

The entries in the produce summary are made as follows:

- 1 The number and name of every member are entered from the membership records.
- 2 The number of the receipt issued to each member is recorded from the produce receipt.
- 3 The amount of produce received is recorded from the same receipt.
- 4 The price per bag will have been agreed with the buyer of the produce and the proceeds per bag will be calculated when the total proceeds are received.
- 5 The amount of money owing to each member can now be calculated and will be distributed when the sale proceeds have been received.
- 6 From this amount commission is deducted at an agreed rate.
- 7 Any balance on loans owing to the co-operative are entered from the loan ledger or record.
- 8 Any advances made to the member are entered from the produce receipt.
- 9 The balance owing to the member is calculated. This is the proceeds of the produce he has marketed through the co-operative, less commission, less any loan balance owing and less any advances made.
- 10 On the appointed day the member will bring his produce receipt to the co-operative. The details are checked on the produce summary and the member is paid.
- 11 The member signs the produce proceeds form, acknowledging that he has received his money (Example 12, page 21).

Example 10

PRODUCE SUMMARY									
Date: 31.12.75									
Share no	Name of member	Recpt no	Number of bags	Proceeds per bag	Total owing to member	Less commission at 5%	Less loans owing	Less advances owing	Net cash due to member
1	A Masinge	4	10	7	70	3 50	10 50	10	46
2	L Wong	10							
3	Z Sikorski	16							
4	C Smith	18							
5									
6									
7									
8									
9									
TOTAL			1000	7	7000	350	1030	1000	4620

(b) Sale of produce

When the society sells the produce, the instructions given by the buyer as to delivery must be rigidly followed.

In all cases of sale an *invoice* in duplicate, from an *invoice book* kept by the society, is made out to show the following details as in Example 11, page 20:

Name and address of society

Date

Buyer and address

Description of produce

Weight: number of bags

Price per bag

Total value (payment due)

Terms of payment

Example 11

(c)

INVOICE				No: 62	
BOUGHT FROM: MARKETING CO-OPERATIVE SOCIETY LTD THE STREET ANYTOWN      Telephone number: 246					
SOLD TO: <i>Co-operative Union Ltd</i> <i>The Warehouse</i> <i>Anytown</i>					
Date: <i>5.1.75</i> .....					
Description	Weight or number	Price		Total value	
<i>A1 Sorghum 100kg bags</i>	<i>20</i>	<i>5</i>	<i>00</i>	<i>100</i>	<i>00</i>
Total due:				<i>100</i>	<i>00</i>
Terms: <i>Cash within 14 days of invoice</i>					

(d)

The top copy is sent to the buyer for payment. From the bottom copy the book-keeper posts the working ledger to show:

*Date* ..... of invoice

*Details* ..... name of buyer

*Ref no* ..... invoice number

*DR* ..... debtors – with total of invoice

*CR* ..... produce account – with total of invoice

The details of the invoice will also be posted to the individual account for the buyer kept in the debtors' ledger (Example 6, page 13).

*Receipt of proceeds of produce*

As soon as the payment for the produce has been obtained from the buyer, the proceeds are *banked*. Entries in the working ledger are:

*Date* ..... of receipt of proceeds  
*Details* ..... name of buyer  
*Ref no* ..... receipt number  
*DR* ..... *bank* – with amount of proceeds received and banked  
*CR* ..... *debtor* – with amount of proceeds received and banked

The details of the payment are also entered in the account of the buyer, kept in the debtors' ledger.

*Payment to members*

As soon as the proceeds have been received, the produce summary is completed by the book-keeper. From this summary, *produce proceeds forms* (shown in Example 12) are made out for the members concerned and arrangements are made for payments to be made to members. Cash is obtained from the bank for these payments to be made.

The produce proceeds forms are made out in duplicate. The members take the top copies with their cash. From the bottom copies the book-keeper posts the working ledger as follows:

*Date* ..... of payment  
*Details* ..... name of member  
*Ref no* ..... produce proceeds form number  
*DR* ..... *produce account* – with net cash paid to member  
*CR* ..... *cash* – with net cash paid to member



Example 12

PRODUCE PROCEEDS FORM						No: 91	
Name of member: .....				Share no: .....			
Number of bags	Weight/grade	Description	Unit proceeds		Total proceeds		
1000			7	00	7000	00	
LESS DEDUCTIONS:					GROSS TOTAL		
		Commission at 5 %					
		Loan repayments					
		Advance repayments					
					2380	00	
					NET CASH		
					4620	00	
CASH RECEIVED BY: .....							
				Member		Date: .....	

Any loan balance owing is cleared by posting the working ledger from the produce proceeds form as follows:

- Date ..... of payment
- Details ..... name of member
- Ref no ..... produce proceeds form
- DR ..... produce account – with amount of loan repayment deducted
- CR ..... members' loans – with amount of loan repayment deducted

The detail of the repayment will also be posted to the account for the member concerned in the *members' loan record* shown in Example 22 (page 34). The *members' trade ledger* (Example 4, page 12) is posted with the details of the sale of the individual members of their produce through the society.

(e) *Balance in the produce account*

After all the proceeds have been received and all the payments made to members, the credit balance on this account in the main ledger should equal the commission charged to members by the society. See calculation below referring to Example 12.

<i>CR Entries</i> = income from sales of produce		7000	
LESS:			
<i>DR Entries</i> = Advances	1000		
Loan repayments transferred	1030		
Net cash to members	4620	6650	
= <i>CR balance</i> = commission charged by society			350

### 3.4 Farm inputs account

(a) *Ordering inputs*

These can include seeds, fertilizers, pesticides, empty bags, twine, etc and farm implements. The advice of the agricultural department officers should be obtained to ensure that the most suitable inputs are available for sale to members at the time required. The demand for most of the inputs will be seasonal. Before the appropriate season begins, the manager should try to obtain firm orders for, or reasonable estimates of, the inputs required by members. The manager in consultation with the committee must decide:

- 1 What is to be ordered
- 2 When the order should be made
- 3 Where the inputs should be purchased
- 4 The price range of the inputs.

After these decisions have been made, the manager writes out the order for the inputs in duplicate in the *order book* in Example 13 (page 22). After he has signed the order, the top copy is sent to the supplier by the manager.

Example 13

ORDER BOOK						Order no: 59	
From: Name: <i>Marketing Co-operative Society Ltd</i>							
Address: <i>The Street, Anytown</i>							
To: Name: <i>Co-operative Union Ltd</i>							
Address: <i>The Warehouse, Anytown</i>							
Please supply:							
Quantity	Description	Catalogue no	Cost price \$				
			Unit		Total		
40	20 kg bags seeds type 3	41	10	00	400	00	
20	100 kg bags fertilizer type 4	19	12	00	240	00	
32	50 kg " " " 6	21	5	00	160	00	
TOTAL \$					800	00	
Special delivery instructions: <i>Deliver Fridays before 3pm</i>							
Date: <i>29.12.75</i>				Signed: <i>A. Maribe</i> Manager			
Date received: <i>31.12.75</i>				Delivery note no: <i>147</i>			

(b) Receipt of inputs

When the inputs are received from the supplier, they are checked against their *delivery note* at Example 14 and against the bottom copy of the order which is then marked to indicate that the order has been completed. Any claims against the supplier for short delivery or damage are made immediately in the *claim for credit book* in Example 15. A copy of the claim is sent to the supplier. After the inputs delivered have been checked, their details are entered in the *goods received book* kept in the farm inputs section as shown in Example 16.

Example 14

DELIVERY NOTE							
From: Name: <i>Co-operative Union Ltd</i>					Number: <i>147</i>		
Address: <i>The Warehouse, Anytown</i>					Date of despatch: <i>31.12.75</i>		
To: Name: <i>Marketing Co-operative Society Ltd</i>							
Address: <i>The Street, Anytown</i>							
Please receive order number: <i>59</i>							
Quantity	Description	Catalogue no	Cost price \$				
			Unit		Total		
<i>40</i>	<i>20 kg bags seeds type 3</i>	<i>41</i>	<i>10</i>	<i>00</i>	<i>400</i>	<i>00</i>	
<i>20</i>	<i>100 kg bags fertilizer type 4</i>	<i>19</i>	<i>12</i>	<i>00</i>	<i>240</i>	<i>00</i>	
<i>32</i>	<i>50 kg " " " 6</i>	<i>21</i>	<i>5</i>	<i>00</i>	<i>160</i>	<i>00</i>	
TOTAL \$						<i>800</i>	<i>00</i>
Received in good order and condition <i>except 10x50 kg bags fertilizer type 6 appear to be damaged</i>							
Date: <i>31.12.75</i>		Signed: <i>A. Maribe</i>			Manager		
		Signed: <i>P. Moya</i>			Driver		
ANY CLAIMS FOR SHORT DELIVERY, DAMAGES ETC TO BE MADE WITHIN 3 DAYS OF DELIVERY							

Example 15

CLAIM FOR CREDIT BOOK		Claim number: 16
From: Name: <u>Marketing Co-operative Society Ltd</u>		
Address: <u>The Street, Anytown</u>		
To: Name: <u>Co-operative Union Ltd</u>		
Address: <u>The Warehouse, Anytown</u>		
Delivery note no	Details of claim	Amount claimed \$
147	10 x 50 kg bags fertilizer type 6 found damaged after further checking & returned.	50 00
Date: <u>31.12.75</u> Signed: <u>A. Maribe</u> Manager		

(c) Charge for inputs

The supplier will send his *invoice* for the despatched goods. This will be consecutively numbered by the book-keeper. The invoice will show details of the inputs sent, together with their cost prices and their total cost value charged by the supplier. These details will be checked against the entry made in the 'goods received' book when the inputs were received. The entry in the *goods received book* will be marked-off to show the invoice number and details of the entry made for the invoice in the working ledger.

When *credit notes* are received they too will be given a separate consecutive number. Their details will be checked against the bottom copy of the *claim for credit* which will be marked-off to show that the credit note has been received. From the accepted invoices, or credit notes, the working ledger will be posted as follows:

- |   |  |
|---|--|
| <p>(i) <i>Charges from invoices</i></p> <p>Date ..... of invoice</p> <p>Details ..... name of supplier</p> <p>Ref no ..... invoice number</p> <p>DR ..... farm inputs – with total cost from invoice</p> <p>CR ..... creditors – with total cost from invoice</p> | <p>(ii) <i>Credits from credit notes</i></p> <p>Date ..... of invoice</p> <p>Details ..... name of supplier</p> <p>Ref no ..... credit note number</p> <p>DR ..... creditors – cost value of credit note</p> <p>CR ..... farm inputs – cost value of credit note</p> |
|---|--|

Example 16

GOODS RECEIVED BOOK								Page 6
								Section: Farm inputs
Date received 1975	Supplier	Quantity of goods	Description of goods	Cost value	Selling value	Delivery note no	Invoice no	Working ledger page/date
Dec 31	Co-operative Union	40	20 kg bags seeds type 3					
		20	100 kg " fertilizer " 4					
		32	50 Kg " " " 6					
				800	900	147	67	52, 31 Dec 75

After these entries have been made in the working ledger, their details will be posted into the individual account of the supplier, kept in the creditors' ledger. The invoices and credit notes will then be separately filed in their society number order ready for audit.

Later when a creditor is paid, the entries from the cheque sent to him will be posted into the working ledger as a DR to *creditors* and a CR to *bank*. The details of the payment will also be posted to the supplier's account in the creditors' ledger.

Should the supplier allow any *cash discounts*, these will be deducted from the amount owed to him and the cheque will be made out for the net amount. Entries for *cash discount* in the working ledger will be DR *creditor*, CR *expenses* with the cash discount taken. The details of the cash discount would also be posted to the supplier's account in the creditors' ledger.

(d) *Pricing of inputs*

To calculate the selling price of the inputs, a *mark-up* is added to their cost prices. This mark-up is usually expressed as a percentage rate of the cost price. The rates of mark-up to be applied to cost prices will depend upon at least the following:

- 1 Pricing policy of the society
- 2 Local prices set by competitors
- 3 Estimated expenses of the society
- 4 The type of goods – quick selling items like seeds will have a lower mark-up than higher priced, slower selling items like plough parts.

The manager will calculate the selling prices and these will be marked on the inputs or displayed on a notice to members.

(e) *Sale of inputs*

*Cash control.* One person should receive and control the cash for the sale of inputs. Sales are recorded using *sales receipt books*. Receipts will be made out in duplicate to show the following as in Example 17:

- the name and share number of the member
- the date of the sale
- description and quantity of inputs sold

- selling prices of inputs
- total value of the sale.

Example 17

CASH SALES RECEIPT				No: 40	
SOLD TO: <i>S. Anybody</i> .....				Share no: <i>22</i> .....	
Quantity	Description	Unit price		Value	
5	<i>Fertilizer (type)</i>	2	00	10	00
2	<i>Seeds (type)</i>	2	00	4	00
TOTAL				14	00
Received <i>fourteen</i> ..... dollars and <i>no</i> ..... cents					
Date <i>19.12.75</i> ..... FOR MARKETING CO-OPERATIVE SOCIETY LTD					
<i>A. Jumo</i> ..... Cashier.....					

The member pays the cash, takes the inputs, and is given the top copy of the sales receipt.

At the end of the day the total sales are obtained by add-listing the total value of each sale as shown on the bottom copies of the sales receipts. The cash is counted, agreed with this total and paid over to the manager. The entries to be made in the working ledger are:

DR: *Cash* – with total cash

CR: *Farm inputs* – with total sales.

*Loan advances.* Where loans are advanced as inputs, instead of cash, the manager will authorise this. A sales receipt will be used but will be marked to show 'loan advanced'. The member will sign a *loan agreement form* acknowledging receipt of the loan in this way. The contents of these forms will depend upon local needs and conditions.

The entries to the working ledger for these items will be:

DR: *members' loans* – with selling value of these items

CR: *farm inputs* – with selling value of these items.

Details will also be posted to the *loan record* of the member concerned.

*Members' trade record.* After the daily sales have been balanced, details of the sales made to the members concerned will be posted to their records in the members' trade ledger. The value of inputs advanced as loans will be treated as sales.

(f) *Control*

*Management.* As far as possible one member of the staff will be in charge of the farm inputs section under the direction and control of the manager.

*Stock control.* Details of *receipts* of inputs will be posted from the goods received book to the *weekly stock control record* shown under section 5.3 *Stock control accounts* (page 42).

Details of *sales* of inputs are posted to this control record from the cash sales receipts.

(g) *Stocks*

The total cost value of stocks to begin the financial period is shown as a debit in the farm inputs account in the main ledger. After stock to end has been listed and valued at the end of the financial period, this account will be credited on the last day of the financial period with the total cost value of stock to end. The corresponding debit will be shown in this account on the first day of the new financial period. This value will also be shown under 'stocks' in the balance sheet as an asset.



(h) *Balance on account*

The credit balance on the account for farm inputs in the main ledger at the end of the financial period will be the *gross surplus* on this trade as follows:

Credit entries		\$
Sales	1000	
+ Stock to end	<u>200</u>	
		1200
LESS		
Debit entries		
Stock to begin	300	
Purchases ( – any credit notes)	<u>750</u>	
		<u>1050</u>
<i>Credit balance</i> being gross surplus		<u><u>150</u></u>

### 3.5 Consumer trade

(a) *Records*

The purchase, pricing and sales records used in this trading section are similar to those used in the farm input section.

Book-keeping records are kept in a similar manner as well:

*Debits* to this account are made for stock to begin and purchases.

*Credits* to this account generally are made for sales and stock to end.

*Credit balance* remaining will be the *gross surplus*.

(b) *Stock controls*

Where the leakage control account is kept as shown under section 5.3, *Stock control accounts*, a separate record would need to be kept of all consumer goods purchased at their selling values as well as their cost. Stocks would also be valued at their selling value for leakage control purposes and reduced to cost for the trading account and balance sheet.

(c) *Goods used in the society*

Whenever any goods are taken from stock for authorised use in the society, a record of them will be kept. These goods are usually cleaning materials and similar items. The entry for them in the working ledger will be made as follows:

DR: *expenses* – with the cost value of these goods.

CR: *consumer trade* – with the cost value of these goods.

### 3.6 Expenses account

(a) *Analysis*

Expenses are incurred in operating the society. They include wages, transport charges, property expenses, insurance, repairs, stationery, stamps, interest charges, etc. A separate account is shown in the main ledger, and separate columns are kept in the working ledger for expenses in the examples shown. Debit entries will be made for charges made for expenses from invoices or cash receipts. Some credits are made to ‘expenses’ for interest received on members’ loans, interest on investments and entrance fees received, unless these fees are credited direct to the reserve fund.

To enable some control over expenses, some system of analysis is essential. For example, expenses could be grouped as follows:

<i>Wages</i> .....	payments to employees
<i>Property expenses</i> ...	repairs, insurance, rates
<i>Transport</i> .....	hire of transport
<i>Interest</i> .....	interest charges less interest received
<i>Other expenses</i> .....	all other expenses

The analysis could then be obtained by opening separate columns in the working ledger and separate pages in the main ledger for each of these groups.

Example 18 shows another method of keeping an analysis of expenses. Separate columns are kept in the working ledger for ‘expenses’. All charges concerned with expenses would be *debited* in the DR column, and any *credits* would be entered in the CR column.

The analysis would be kept in the main ledger for 'expenses'. On the left hand page of the open main ledger the normal record is kept, showing the debit and credit entries posted from the working ledger together with the running debit or credit balance. Then, on the right hand page, columns are ruled and headed with the groups within which expenses are to be analysed.

Details of the financial transactions concerning expenses are posted to the working ledger from their records of original entry:

*Charges*      DR: *expenses*      CR: *cash, bank or creditors*  
*Credits*      DR: *receiving account*      CR: *expenses*

These details would then be posted to the main ledger in the normal way and analysed within the columns provided.

Example 18

EXPENSES (left hand page)						No 6	ANALYSIS (right hand page)				
Date 1975	Detail	Ref no	DR	CR	Total	Wages	Property expenses	Transport	Interest	Other expenses	
Jan 1	Balance accrued	b/f			CR 20	-20					
Dec 31	Invoices	52	100		DR 80		+100				
" 31	Cash discounts	52		40	DR 40					-40	
" 31	Bank charges	52	20		DR 60					+20	
" 31	Investment income	52		12	DR 48				-12		
" 31	Deposit interest	52	40		DR 88				+40		
" 31	Cash	52	260		DR 348	+200		+60			
" 31	Cheques	52	100		DR 448					+100	
" 31	Members' loan interest	52		50	DR 398				-50		
" 31	Society loan interest	52	40		DR 438				+40		
" 31	Members' loans-bad debts	52	20		DR 458					+20	
" 31	Other expenses-prepaid	52		50	DR 408					-50	
" 31	Property expenses-prepaid	52		50	DR 358		-50				
" 31	Interest accrued	52	2		DR 360				+2		
" 31	Transfer to trading A/c	-		360	-	180	50	60	20	50	
1976											
Jan 1	Balances: prepaid	b/f	100		DR 100		+50			+50	
	accrued	b/f		2	DR 98				-2		

(b) *Wages*

The payments to employees usually form the greatest part of the total expenses. There should be a written *contract of employment* for each employee. A page will be kept for each employee in the *wages book* in Example 19 showing their personal and their wages details.

The manager should pay the cash due to each employee on the agreed dates at the agreed rates of pay. Receipts should be obtained from the employees by their signing in the columns provided in the wages book. Deductions made from the gross wages for tax, etc should be paid over to the authorities as these will instruct.

*Example 19*

WAGES BOOK					
Name of employee:		Date started:		Position:	
Salary: \$				Date left:	
Date	Gross wages	Less: tax	Less: other deductions	Net cash	Signature of employee
1975					
Dec 31	200	10	5	185	

(c) *Apportionment of expenses*

At the end of each financial period the expenses should be apportioned over the various trading sections of the society. As far as possible, expenses should be charged *direct* to the section for which the expense was incurred.

For example, the analysis column for wages kept in the expenses account in the main ledger would be examined. The wages for the consumer trade section staff could be extracted and charged direct to this section by a debit to their trading account.

Those expenses which cannot be directly charged to a particular section of the business will need to be *apportioned* over the sections. This spreading of the expenses can be done on the trade *ratio basis*, as in this example:

Manager's wages    \$500

<i>Section</i>	<i>Trade</i> \$	<i>Total</i> <i>trade</i> %	<i>Apportionment</i> <i>of wages</i> \$
Produce	7000	70	350
Farm inputs	1000	10	50
Consumer trade	2000	20	100
TOTALS	10000	100	500

This apportionment was based on the relationship of the trade of each section to the total trade, then this ratio was applied to the expenses to be apportioned, ie produce 70%, farm inputs 10%, consumer trade 20%.

The actual basis of apportionment in a society for the total, or each, expense will depend upon particular circumstances. For example, depreciation of buildings and other property could be apportioned based on the floor space used by each section.

Whatever basis is decided upon should be fair and be applied consistently.

After the apportionment of expenses has been completed, using the agreed basis of apportionment, the details of the charges to be made to each trading section are shown in the columns of the sections concerned in the trading account at the end of the financial period (CR: *expenses*, DR: *trading account*).

### 3.7 Fixed assets and depreciation

(a) *Purchase of fixed assets*

Fixed assets are acquired and held permanently for the purpose of earning income and include land, buildings, fittings, fixtures, equipment and machinery. This is called *capital expenditure* and acquires these fixed assets for use by the society in more than one financial period. From the invoices obtained when the items were purchased, the following entries will be made into the working ledger:

*Date* ..... of purchase  
*Detail* ..... supplier/fixed assets  
*Ref no* ..... invoice number  
*DR* ..... *fixed assets* – with cost (capital expenditure)  
*CR* ..... *creditor* – with cost

Details of all fixed assets are also entered into the *fixed assets inventory and schedule of depreciation* in Example 20 (page 30). This inventory can also be kept on a card system in which the details of each fixed asset are kept on a separate card.

An *inventory* should also be kept of all brooms, brushes, buckets and similar items purchased. These are usually small items and their cost would have been charged to expenses. However, a check should be kept on them and their whereabouts always be known to the manager.

(b) *Depreciation*

Cash has to be paid for wages, property expenses and similar expense items. Depreciation is called a *non-cash* expense, since charges made for depreciation in the accounts of the society are internal entries, representing the allocation of the cost of the fixed asset over its estimated working life. The years of useful working life will depend upon the type of asset and local conditions. The charge for depreciation is made each financial year. These depreciation charges are aggregated year by year so that the book value of the fixed asset is correspondingly reduced by the total charge for depreciation.

The *equal instalment method of depreciation* is recommended here. This method spreads the cost of the fixed asset equally over its years of useful working life. The annual charge for depreciation will be calculated as follows:

$$\frac{\text{cost of fixed asset}}{\text{estimated years of useful working life}} = \text{annual charge}$$

As a guide the cost of buildings could be depreciated over 20 years and the cost of fixtures, fittings, etc over 5 years. In some societies land is not considered to be a wasting asset and no depreciation charge is made; however in this manual depreciation has been charged at the same rate as for buildings.

After the calculations of the charges have been made, at the end of the financial year, the details are posted into their inventory. The working ledger is posted:

<i>Date</i> .....	last day of financial year
<i>Detail</i> .....	depreciation fixed assets
<i>Ref no</i> .....	inventory page number
<i>DR</i> .....	<i>depreciation provision</i> – with annual charge for depreciation from inventory to be included in the trading account
<i>CR</i> .....	<i>depreciation provision</i> – with annual charge for depreciation from inventory to be shown in the balance sheet

(c) *Insurance*

There are many risks of loss or damage to the property of the society. The society can be covered against some of these risks by taking out insurance cover with reputable companies. The full replacement value of the fixed assets rather than their cost or book value should be covered. The society will pay an annual premium, and receive a policy. These premiums are charged as *property expenses* and the policies are safely kept in a separate file.



Example 20

**FIXED ASSETS INVENTORY AND SCHEDULE OF DEPRECIATION**  
for financial year ended: 31.12.75

Date purchased	Detail	COST				DEPRECIATION				Book value (Cost - deprec.)
		b/g	+ Purchased this year	- Sold or written off	c/g	b/g	+ Charge this year	- Written off	c/g	
	<u>Land &amp; buildings</u>									
1973	Land	1000			1000	100	50		150	850
1973	Store	700			700	70	35		105	595
1973	Office	300			300	30	15		45	255
	TOTAL	2000			2000	200	100		300	1700
	<u>Fixtures &amp; fittings</u>									
1973	Shelves	300			300	120	60		180	120
1973	Furniture	500			500	200	100		300	200
1973	Safe	200			200	80	40		120	80
	TOTAL	1000			1000	400	200		600	400
	<u>Equipment &amp; machinery</u>									
31.12.75	New scale		200		200		40		40	160
	TOTAL		200		200		40		40	160
	<b>TOTAL FIXED ASSETS (1+2+3)</b>	<b>3000</b>	<b>200</b>		<b>3200</b>	<b>600</b>	<b>340</b>		<b>940</b>	<b>2260</b>
					(Balance sheet)		(Trading A/c)			(Balance sheet)

### 3.8 Shares and deposits

(a) *Entrance fees*

An *application for membership form* should be completed by applicants wishing to join the society. After acceptance into membership the applicant pays an entrance fee to the society as may be required by the by-laws. A receipt for the fee is issued.

A new member is issued with a *pass-book* showing the member's share number. These numbers run consecutively. The details of the new member are entered into the *share and deposit ledger* shown in Example 3 (page 10) and the *members' trade ledger* in Example 4 (page 12).

The pass-book will be held by the member. It will contain pages ruled in the same way as the *members' share and deposit ledger* in Example 3. The pass-book can also contain pages on which details of the trade of the member can be recorded. These pages will be ruled in the same way as the pages of the *members' trade ledger* in Example 4. Entries will be made on these pages as the share, deposit or trade transactions occur.

From the copy of the receipt issued for the entrance fee, the working ledger is posted:

*Date* ..... of receipt of fee  
*Detail* ..... name of member  
*Ref no* ..... share number  
*DR* ..... *cash* – with amount of entrance fee  
*CR* ..... *expenses* (or reserve fund if so stated in the by-laws) – with amount of entrance fee

The *membership register* consists of the completed and accepted *application for membership forms*, duly filed in surname alphabetical order.

(b) *Share contributions*

Contributions of at least the minimum share holding shown in the by-laws should be paid in by each member. Receipts as shown in Example 7 (page 15) are issued and the details will be posted to the working ledger as follows:

*Date* ..... of receipt

*Detail* ..... name of member

*Ref no* ..... share no/receipt no

*DR* ..... *cash* – with amount of contribution

*CR* ..... *shares* – with amount of contribution

Entries are also made for share contributions into the pass-book of the member and the share and deposit ledger account for that member.

(c) *Share withdrawals*

Share capital is in the nature of the permanent capital of the society. Withdrawals can only be made in accordance with the provisions in the by-laws. When withdrawals are paid, the entries into the working ledger will be made from the cheque drawn or receipt obtained. The *bank account* will be *credited* (CR) and the *share account* will be *debited* (DR). Entries will also be made into the member's pass-book and share and deposit ledger account.

(d) *Share interest*

At the end of the financial year, should there be any net surplus and an interest on shares be declared, it can be distributed by credit to the share accounts of the members.

After the annual general meeting the interest due to each member will be calculated based on the lowest balance of shares held by the member for each complete three months.

After a separate calculation has been made for each account, the total interest due is ascertained by add-listing the amount calculated for each member. The individual share accounts will be posted and the total interest entered into the working ledger as a *debit* (DR) to *surplus* and a *credit* (CR) to *shares*.

The entries to be made into the pass-books will be made when the members bring these in for audit.

Example 21

MEMBERS' TRADE SUMMARY										
year ended : 31.12.75										
Name of member	No	PRODUCE			FARM INPUTS			CONSUMER TRADE		Total bonus (1+2+3)
		Quantity	Value	Bonus 1	Quantity	Value	Bonus 2	Value	Bonus 3	
A Masinge	1	10	70	3.50	5	10	0.20	30	1.20	4.90
L Wong	2									
Z Sikorski	3									
C Smith	4									
		and so on								
TOTAL		1000	7000		500	1000		2000		
Note: totals of value columns are to be agreed with trade totals as shown in the trading account.										

(e) Bonus

Should there be any net surplus at the end of the financial year, and a bonus be declared, it will be distributed in relation to the trade of the members during the period in which the surplus was earned. The trade record of each member kept in the members' trade ledger (Example 4, page 12) will be totalled. Then the *members' trade summary*, Example 21, will be prepared. This is the summary of the total trade of the members with each of the separate sections of the business.

Where separate trading accounts are prepared, the trading results of each of the separate sections will be revealed. The society will then be able to decide whether to distribute a bonus

at one rate on all the trade, or at different rates for each trading section based on their results. For example:

	Total	Produce	Farm inputs	Consumer goods
Net surplus for bonus:	500	400	20	80
Trade: from members' trade ledger	11000	8000	1000	2000
Rates of bonus <u>net surplus x 100</u> trade	say 4.5%	5%	2%	4%

The society could in this case, either distribute bonus at an overall rate of 4.5%, or at 5% on produce trade, 2% on farm inputs and 4% on consumer goods trade.

The amount of surplus available to be distributed as a bonus will be divided by the amount of trade on which the bonus is to be distributed. This result will be multiplied by 100 to produce the percentage rate of distribution. Individual members will receive their bonus calculated as follows:

$$\frac{\text{trade of member} \times \% \text{ rate of bonus}}{100} = \text{bonus to that member}$$

The *members' trade summary* (Example 21) will be used to calculate and distribute the bonus. The distribution can be made by transfer to the share accounts of the members. The entries to be made in the working ledger would be:

*Date* ..... of transfer  
*Detail* ..... bonus  
*Ref no* ..... trade summary page no  
*DR* ..... *surplus account* – with total bonus transferred  
*CR* ..... *shares account* -- with total bonus transferred

Entries would be also made in the *individual share ledger* pages and *pass-books* of the members. Any later cash withdrawals of bonus, or interest, will be treated in the same way as any other withdrawals of shares.

(f) *Deposit accounts*

Since share holdings are not easy to withdraw, members could be encouraged to invest with their society in deposit accounts. Withdrawals are easier, and interest on deposits is at a rate agreed when the deposit is accepted. Such interest is treated as an expense rather than as an allocation of surplus.

As an expense the interest is calculated and distributed by credit to the deposit accounts before the final accounts are closed. The *deposit columns* in the *working ledger* are *credited* (CR) when deposits are *received* and *debited* (DR) when *withdrawals* are paid. When the *interest* has been calculated, the total is *credited* (CR) to *deposits* and *debited* (DR) to *expenses*.

## 9 Members' loans account

### (a) *Loans to members*

When a co-operative makes a loan to a member to buy seeds or fertilizers, pesticides or farm implements, the member enters into an agreement with the co-operative, promising to repay the loan plus interest. This *agreement* or *bond* has to be carefully prepared to ensure that it is a legal and binding document and its contents will depend upon local needs and conditions. In agricultural co-operatives it is normal to grant loans in the planting season and to receive the repayment when the produce proceeds are distributed. Loans can be repaid at any time before the repayment date if the member wishes.

### (b) *Making loans*

- 1 The member applies for a loan to the co-operative committee.
  - 2 The committee will consider the application.
  - 3 A loan will be granted only if the committee think that the member will be able to repay the amount within a stipulated period.
  - 4 The member enters into a bond (or written agreement) to repay the loan.
  - 5 The member undertakes to market his produce through the society. This acts as the security for the loan.
  - 6 The loan is made to the member, it might be in cash or in the form of seeds or fertilizer supplied by the co-operative (in kind).
  - 7 The advance of the loan is recorded in the working ledger and in the member's loan record, kept on the back of the loan agreement, or in a separate loan ledger.
  - 8 Interest is added to the loan at an agreed rate. The interest is recorded in the working ledger and added to the member's loan record.
  - 9 The member may repay part or all of the loan at any time.
  - 10 In practice the loan will probably be repaid on an agreed date. This will usually be when the member's crop has been marketed and the proceeds are distributed. The loan will be repaid including any interest added.
-

When a loan is made to a member, the working ledger entries are:

DR ..... *members' loans account* – with the amount of loan advanced

CR ..... *cash or bank account* – with the amount of loan advanced *in cash*

*or*

CR ..... *farm inputs* – when the loan is advanced *in farm inputs (in kind)*

When loan repayments are made, the reverse entries are made to members' loans account:

DR ..... *cash* – with the amount of loan and interest repaid *in cash*

*or*

DR ..... *produce account* – where the repayment is made *by deduction from produce proceeds*

CR ..... *members' loans account*

(c) *Loan interest*

When a loan is advanced, a charge is made by way of an interest at the rate agreed in the loan agreement or bond. Interest is added at regular intervals to the amount owing. This will probably be done monthly and will be calculated on the balance outstanding of the amount advanced. The working ledger entries are:

DR ..... *members' loans account* – with interest

CR ..... *expenses*

(d) *Members' loans records*

Where the number of loan accounts so justifies, a separate *members' loans ledger* will be opened and kept. Otherwise this record can be kept on the reverse side of the loan agreement or bond. These forms should be kept safely on a separate file. The separate page for the member in the loan ledger or the account kept on the back of the loan agreement would be as shown in Example 22.

Example 22

MEMBERS' LOANS RECORDS						
Name of member:				Share no:		
Loan agreement / bond no:						
Date		Receipt	Loan	Interest	Repayments	Balance
1975		no	advanced	DR	CR	DR
			DR			
Dec	31	(Farm inputs)	200			200
"	31	(Cash)	800			1000
"	31	(Interest)		50		1050
"	31	(Produce proceeds)			1030	20
"	31	(Bad debt)			20	—

Details of loans advanced, interest charged and repayments received will be posted from the original entry records to the working ledger, and then to the individual accounts of the members concerned. At the end of every four weeks the balances in the members' loans records will be add-listed and their total agreed with the DR control total for members' loans kept in the main ledger.

(e) *Bad debts*

When loans are made, there are unfortunately sometimes people who do not repay the money they owe. This might be because they have wasted the money, because their crop has failed, they could be dishonest or they might have died. This means that the co-operative can be owed money which it knows that it will never receive.

In the balance sheet money owed by debtors, including members with loans, appears as an asset. This can be misleading if the co-operative knows that the money will never be recovered. When it is quite certain that a loan is not going to be repaid, it is written out of the books. The working ledger entries are:



DR: *expenses*

CR: *members' loans*

with the amount of the loan, including the interest, written off. The members' loans record is also entered to show the details of this transaction.

### 3.10 Creditors and debtors

#### (a) *Creditors*

Entries concerning creditors are made in these columns in the working ledger, and then into the creditors' ledger. When goods or services are obtained by the society on credit, the creditors accounts are *credited* (CR). When the creditors are paid, their accounts are *debited* (DR).

Should the society obtain a cash discount from the creditor, the entries to be made in the working ledger are:

DR: *creditors* – with discount

CR: *expenses* – with discount.

When statements are received from creditors, the entries they contain are checked against the entries in the account kept for the creditor concerned in the creditors' ledger. In some cases a reconciliation statement has to be prepared in a similar way as is done when the bank statement is received.

#### (b) *Debtors*

Entries concerning debtors are made in these columns in the working ledger, and then into the debtors' ledger. Any bad debts written off are debited (DR) to *expenses* and credited (CR) to *debtors*, and the details are shown in the debtors' ledger.

### 3.11 Investments

#### (a) *Approved investments*

Generally all the funds of the society will be used within the business in providing the inputs, goods and services required by the members. Sometimes there may be funds available not immediately required for the trading or development needs of

the society. These funds should not be left idle in the bank current account but should be put to work as investments in other co-operative organisations, banks or other bodies approved by the registrar and authorised under the by-laws, to earn interest income for the society.

The society could be a member of a co-operative union. In accordance with the requirements of the by-laws of such a secondary co-operative, the society would be required to invest some funds in this union as share capital. The union would then be able to provide the inputs, goods and services required by its member primary co-operatives financed by these investments.

As an added safeguard to the financial stability of the society, funds representing the reserve funds, if not being used in trade, should be invested *outside the society*.

Funds invested outside the society should be invested with care to give security, interest income and ease of withdrawal.

Usually the longer the initial period for which the funds can be invested, the higher the rate of interest which can be earned.

For example, banks may be offering interest at 4% on investments which can be withdrawn at short notice and 8% for investments made for a complete year. The book-keeper should make known to the committee the amounts which may be available for investment and indicate the periods for which these funds could be invested. Wherever possible, investments should be made in other co-operative organisations. In any case, places of investment must be approved and authorised.

(b) *Deposit of investments*

When funds are deposited as investments in approved organisations, deposit slips issued by these bodies are completed, usually in duplicate. The funds are paid over and the society is issued with a receipt which is usually the bottom copy of the deposit slip. The society may also be issued with an investment pass-book or certificate showing details of the investment.

These pass-books, or certificates, will be kept in the safe of the society. From the receipt the book-keeper will post the entries into the working ledger:

- Date* ..... of deposit
- Detail* ..... name of approved organisation
- Ref no* ..... receipt number
- DR* ..... *investments* – with amount of deposit
- CR* ..... *cash* – with amount of deposit

A society will not have many separate investments. Where there is more than one, a separate page for each investment will be kept in the main ledger. These pages will be headed to show the name of the approved organisation together with the interest rates, withdrawal and the other terms of the investment.

(c) *Withdrawal of investments*

Withdrawals can only be made in accordance with the terms agreed when the investment was made. Proper notice would need to be given to the approved organisation. Details of the withdrawal would be shown in the investment pass book. When the cheque for the withdrawal is received by the society, entries would be made into the working ledger as follows:

- Date* ..... cheque received
- Detail* ..... name of approved organisation
- Ref no* ..... cheque number
- DR* ..... *cash* – with amount of withdrawal
- CR* ..... *investments* – with amount of withdrawal

(d) *Interest on investments*

Generally interest on investments is a minor source of income to the society. Since interest charged to the society for overdrafts and interest paid by the society on members' deposits are debited to *expenses*, interest income will be credited to *expenses*.

*Interest* paid to the society is posted into the working ledger by *debit* (DR) to *cash* and a *credit* (CR) to *expenses* with the amount of the interest received. Where the *interest is distributed by being added to the investment account* by the approved organisation, the entries are posted from the details in the investment pass book to the working ledger as follows:

DR: *investments account* – with interest earned

CR: *expenses* – with the interest earned.

### 3.12 Society loans account

For some developments, and to be able to make loans to members, the society may need to borrow funds from outside sources. These may be from other co-operative organisations, agricultural development banks or even commercial banks. The society will enter into an agreement with these lending organisations for any loans obtained.

Separate columns are opened in the working ledger and separate accounts are opened in the main ledger for each loan obtained.

When the loan is received, the society loan columns in the working ledger and the account in the main ledger will be *credited* (CR). When repayments are made, the society loan columns and account will be *debited* (DR). Interest charges on loans owed by the society will be posted as a *credit* (CR) to *society loans* and as a *debit* (DR) to *expenses*.

At the end of the financial year the lender will be requested by the society to send a statement of the loan account, showing the balance, including interest, due at that time.

### 3.13 Surplus account

At the end of the financial year any net surplus from the trading account would be transferred as a *credit* to this account.

After the annual general meeting, the allocations from surplus to reserves, education or for share interest or bonus would be made, in accordance with the co-operative law, the by-laws and the resolutions of members, by *debit* (DR) to *the surplus account* and *credit* (CR) to the *reserve fund, education fund, share* or other account concerned.

### **3.14 Reserve fund**

The reserve fund is created, held and used in accordance with the by-laws of the society. Allocations are made to *reserves* (CR) from *surplus* (DR). The society should build up its reserves to provide a source of operating funds and to give greater financial stability to the society.

### **3.15 Education fund**

Allocations are made to this *fund* (CR) from *surplus* (DR). These funds should be increased from year to year so that eventually the society can take a more active part in member and staff training and education.

### **3.16 Balancing**

At the end of every week the working ledger is ruled off and balanced. The entries in each of the columns are separately totalled and shown at the bottom of each column. This is checked by the preparation of a trial balance of these totals, (see working ledger, Example 1, page 7). When this balances, the main ledger is posted.



# 4 *The main ledger*

## 4.1 Posting

The main ledger is kept as a control record of all the accounts of the society. It contains separate pages for each of the accounts for which columns are kept in the working ledger. An example of the accounts of the main ledger is shown (Example 2, page 8). The opening balances in the main ledger will be the assets and liabilities brought down from the previous financial year and shown in the last balance sheet of the society.

At the end of every week the debit and credit entries in the working ledger are posted to the main ledger. The number of each account so posted is entered into the working ledger underneath the total of entries posted to facilitate checking and ease of reference. The new running balance of each account posted in the main ledger will be ascertained and prefixed DR or CR as the case may be.

## 4.2 Balancing

At the end of every four weeks a trial balance will be prepared from the balances in the main ledger. An example is shown (Example 23). The cash balance will be checked with the actual cash-in-hand. The bank balance will be checked with the bank statement. The share balance, the members' loan balance, the deposit balance, the debtors' balance and the creditors' balance shown on the trial balance will be checked with the totals of lists made from the individual accounts for these kept in the various ledgers and so on. The actual results of the trading activities will be ascertained and compared with the forecasted results shown in the annual budget.

This trial balance shows the balances on each of the accounts in the main ledger. Where, for example, the total income from consumer trade is required to be known for the preparation of reports or final accounts all the relevant credit entries on the consumer trade account will be added together. In a similar manner other debit, or credit, entries on other accounts can be 'grossed up' in this way to give other totals rather than balances, eg total purchases of farm inputs, total share contributions.

Example 23

TRIAL BALANCE OF MAIN LEDGER at 31.12.75			
Detail	Ref no	DR	CR
Cash	1	55	
Bank	2	2040	
Produce	3		350
Farm inputs	4	100	
Consumer trade	5	300	
Expenses	6	458	
Fixed assets	7	3200	
Depreciation provision	8		600
Shares	9		2498
Deposits	10		1000
Members' loans	11	-	-
Creditors	12		905
Debtors	13	30	
Investments	14	262	
Society loans	15		540
Surplus	16		2
Reserve fund	17		470
Education fund	18		80
TOTAL		6445	6445



# 5 Control systems and final accounts

The business operations of the society need to be controlled and summarised. The sections which follow outline some control systems, as well as the preparation of the final accounts and balance sheet. These are explained in greater detail in the next manual in this series: *Accounting for consumer and marketing co-operatives*.

## 5.1 Annual budget

The annual budget is a forecast of what the committee hopes to achieve from its management of the society. It is prepared by the manager in consultation with the book-keeper and the committee at least one month before the beginning of the financial year to which it relates. The annual budget is prepared in two parts. The first part is the operating budget; the second is the cash budget.

### (a) Operating budget: Example 24

This part contains the forecasts of the income and expenditure of the society. The expected allocations of net surplus are also shown. The books and ledgers will reveal the actual current results, which will be measured against the results anticipated in the budget. The book-keeper, by keeping the records of the financial transactions up to date, takes a full and active part in the preparation and use of the budget.

### (b) Cash budget: Example 25 (page 40)

The forecasts made of the income and expenditure in the operating budget must be related to the funds available to finance the operations of the society. A forecast is then made of the flow of *cash in* and of *cash out*. This will enable the committee to be prepared to seek loans, or overdrafts, when required or to invest funds revealed as not being immediately required for the operations of the society.

Both the operating and cash budgets can be prepared for shorter periods than a complete financial year. In particular, the cash budget is made for often only one month ahead.

Example 24

OPERATING BUDGET						
for financial year ending .....						
Detail	Budget this year		Actual this year		Actual last year	
	\$	%	\$	%	\$	%
Number of bags of produce						
Sales of farm inputs						
Sales of consumer goods						
<b>INCOME</b>	\$	%	\$	%	\$	%
Commission on produce						
Gross surplus on farm inputs						
Gross surplus on consumer goods						
<b>TOTAL GROSS SURPLUS</b>						
<b>EXPENDITURE</b>						
Wages						
Property expenses						
Transport						
Interest						
Other expenses						
<b>TOTAL CASH EXPENSES</b>						
Depreciation						
<b>TOTAL EXPENSES</b>						
<b>NET TRADING SURPLUS</b>						
ADD: Balance brought forward						
<b>TOTAL SURPLUS FOR DISPOSAL</b>						
<b>PROPOSED ALLOCATIONS</b>						
Reserve fund						
Education fund						
Interest on shares						
Bonus on trade						
Balance carried forward						
<b>TOTAL</b>						

*Example 25*

CASH BUDGET FOR PERIOD ENDING .....		
Detail	Budget this period	Actual this period
FUNDS AVAILABLE b/f		
ADD Share contributions		
Deposits		
Produce proceeds from buyers		
Sales: Farm inputs		
Consumer goods		
Investment withdrawals		
Loans: Society (received)		
Members' (repayments)		
TOTAL (1)		
LESS Share withdrawals		
Deposit withdrawals		
Produce proceeds to members		
Creditors (purchases)		
New fixed assets		
Expenses (excluding non-cash items eg depreciation)		
Investment deposits		
Loans: Society (repayments)		
Members' (granted)		
TOTAL (2)		
FUNDS AVAILABLE c/f (1 – 2)		

## **5.2 Monthly report to committee**

The members are the owners of their co-operative society. At their annual general meeting they elect a committee who shall conduct the business and be responsible for the general direction and control of the affairs of the society. A manager is appointed to run the day-to-day business under their direction. The manager is often required to submit his report to the committee at the end of every four weeks, when the trial balance of the main ledger has been prepared by the book-keeper. This report is shown in Example 26. In a society which may do most of its trade in a few months of the year and for the rest is not very active, these reports could be prepared quarterly.

Example 26

MONTHLY REPORT OF MANAGER TO COMMITTEE

Page 1

..... weeks ended .....

1 Membership

To date this year \_\_\_\_\_  
 To date last year \_\_\_\_\_  
 Increase or decrease \_\_\_\_\_

2 Share capital balance

To date this year \$ \_\_\_\_\_  
 To date last year \$ \_\_\_\_\_  
 Increase or decrease \$ \_\_\_\_\_

3 Trade to date

	Number of bags			Value (\$)		
	This period	Last period	Increase (+) Decrease (-)	This period	Last period	Increase (+) Decrease (-)
Produce:						
Farm inputs:						
Seeds						
Fertilizer						
Other						
Consumer:						
goods	—	—	—			
<b>TOTALS</b>						

4 Estimated net surplus to date \$ %

Commission on produce  
 Gross surplus: on farm inputs  
                   on consumer goods \_\_\_\_\_

TOTAL GROSS SURPLUS

LESS: Wages  
 Property expenses  
 Transport  
 Other expenses  
 Depreciation \_\_\_\_\_

TOTAL EXPENSES \_\_\_\_\_

ESTIMATED NET SURPLUS \$ %

MONTHLY REPORT (continued)

5 Cash balances

Cash in hand

Cash at bank \_\_\_\_\_

TOTAL \$ \_\_\_\_\_  
\_\_\_\_\_

Creditors due for payment \$ \_\_\_\_\_

6 Members' loans

Advanced this month \$ \_\_\_\_\_

Balances outstanding \$ \_\_\_\_\_

Loans overdue for repayment \$ \_\_\_\_\_

7 Report on staff matters including average trade per employee

8 Report on action taken on committee instructions

9 Report on educational activities

10 Other matters requiring attention of committee

11 Trial balance of main ledger attached

Date ..... Signed .....

Manager

### 5.3 Stock control accounts

(a) *Produce and farm inputs*

The range of produce and farm inputs handled by the society is not very wide. Therefore their stock control system is based on the recording and controlling of separate units, eg bags of produce, packets of seeds.

The control system in use must clearly show that the *stock to begin the week* (balance brought forward) plus *stock received* (total of produce received or total inputs from goods received book) less *sold* (total of invoices or cash sales receipts) equals *the stock to end the week*. Checking of the actual stock is done at the end of every week, and where possible, during the week as well. Any differences between the actual stock and the book stock must be located and a *weekly stock control record* must be kept (Example 27).

*Example 27*

WEEKLY STOCK CONTROL RECORD			
week ending:.....			
Number of units (bags, packets)			
Produce	FARM INPUTS		
	Seeds	Fertilizers	
Stock to begin (from last week's control)	-	30	10
+ Received (from produce receipts; goods received book)	1000	350	130
TOTAL	1000	380	140
- Sales (invoices or cash sales receipts)	1000	360	125
Stock to end c/f (to be agreed with actual stock)	-	20	15

c) *Consumer goods*

The stock control system in use in the consumer goods section would depend upon the size of the operations.

- 1 Where this section is selling a limited range of basic goods (tea, sugar, flour, rice) generally only one rate of mark-up will be applied to their cost price to calculate their selling price. In this case some control is possible by comparing the actual rate of gross surplus earned from their sale with the expected rate of gross surplus expected from their sale.

The rate of gross surplus expected on sales would be calculated from the rate of mark-up being applied to cost. The actual rate of gross surplus earned, as revealed for this section in the trading account, would be compared with the expected rate, and any differences explained. For example:

Rate of mark-up on cost = 12.5%

Therefore where cost price is \$100 the selling price will be

$$\$100 + \frac{12.5 \times 100}{100} = \$112.50$$

Selling price – cost price = gross surplus

$$\$112.50 - \$100.00 = \$12.50$$

Rate of gross surplus on sales

$$\begin{aligned} &= \frac{\text{gross surplus} \times 100}{\text{sales}} \\ &= \frac{12.50 \times 100}{112.50} = 11.1\% \end{aligned}$$

In this example where the rate of *mark-up on cost* was 12.5%, the expected rate of *gross surplus on sales* will be 11.1%. Where, after stocktaking, the actual rate of gross surplus earned was different from 11.1%, a full explanation would be required from the person in charge of this section.

- 2 Where a wide range of consumer goods is being sold and different rates of mark-up are in use, a *leakage control account* (Example 28) would be prepared after each stock-taking. This control uses selling values throughout the system. Therefore *separate records of the selling values* of goods purchased and stocks have to be kept, because in the working ledger, the main ledger and the trading accounts all stocks are recorded at their cost values.

*Example 28*

LEAKAGE CONTROL ACCOUNT		
<i>for ... 52 ..... weeks ended 31.12.75</i>		
	\$	\$
Stock to begin (at selling values from last stock sheets)		756
ADD purchases (at selling values from separate records)		2200
TOTAL		2956
LESS sales (from main ledger)	2000	
Stock to end (at selling values from present stock sheets)	920	2920
<u>Leakage (or surplus)</u>		36
$\frac{36 \times 100}{2000} = 1.8\% \text{ of sales}$		

The leakage is expressed as a percentage of sales:

$$\frac{\text{amount of leakage} \times 100}{\text{sales}} = \text{leakage in percent}$$

Should this rate be above that anticipated to cover expected natural leakage, a full explanation would be required from the person in charge of the section.



## 5.4 Final accounts and balance sheet

### (a) *Sectional accounts*

At the end of the financial year the *final accounts and balance sheet* (Example 29, page 46) are prepared. Since the society dealt with here is involved in three separate trading activities, the books of account and the trading account have been set-up to enable the trading results of each of these sections to be revealed.

This separation is important for two main reasons. The first reason being that each separate section can be better controlled. The second is that where there are wide differences in the rates of net surplus earned from each section, different rates of bonus can be distributed on each class of trade. This could help to avoid an unfair situation like the following example from an imagined society:

#### Rates of net surplus earned

Produce 3%, consumer trade 3%, farm inputs 0%

#### *Farm inputs*

These were sold at a price set to just recover their costs. This was decided upon by the committee to help encourage better farming by the use of approved seeds and fertilizer.

#### *Members' trade*

Because of these low prices many members purchased seeds and fertilizers. But some of these members sold their produce and bought their consumer goods elsewhere.

Unless separate rates of bonus are declared, these members will gain a further reduction on the cost of the farm inputs by way of a bonus. But they would have contributed nothing to the earning of this bonus from the produce and consumer sections.

### (b) *Preparation of final accounts and balance sheet*

The following is a short outline of the procedure to be followed in the preparation of the final accounts and balance sheet. This procedure is explained in more detail in the manual on *accounting for consumer and marketing co-operatives*.

## 1 *Stocktaking*

The trading stock should be listed and valued after the close of business on the last day of the financial year. Generally stock will be valued at cost prices. Since, even in the consumer section, the range of goods and inputs is generally not wide, the cost prices are easily obtained from the invoices concerned.

Where there is a wide range of goods in the consumer section stocks could be valued at selling price and an agreed deduction made to reduce their total selling value to 'cost' value. This agreed deduction would take into consideration the rates of 'mark-ups' applied to calculate selling prices. Separate stock sheets will be prepared for each section in a duplicate book ruled to show:

Date of stock taking..... Section ..... Page no .....

Description of goods/inputs	Number of units 1	Unit cost price 2	Total cost value 1 x 2
-----------------------------	----------------------	----------------------	---------------------------

Only stock which the society owns should be included as part of the total value. For example, produce only being stored for members is not included.

## 2 *Purchases adjustments*

*Goods/inputs received not invoiced.* Any goods or inputs delivered on, or before, the day the financial year ended for which no debit has been made to the books of the society will be listed at cost values. These will be listed from entries not cleared in the goods received books of the farm inputs and the consumer section. The entries into the main ledger in respect of this adjustment would be:

- DR Account of trading section concerned to be included in the trading account
- CR Account of trading section concerned to be included in the balance sheet.

*Credits outstanding.* Any credits outstanding in the claims for credit book will be listed at cost value. Adjustment entries to be made are:

- CR Account of trading section concerned to be included in the trading account
- DR Account of trading section concerned to be included in the balance sheet.

The *net purchases* at cost value for the trading account for each section will be calculated as follows:

	Farm inputs	Consumer goods
Purchases from main ledger (before adjustment)	800	1700
ADD goods/inputs received not invoiced	—	50
	<hr/>	
TOTAL	800	1750
LESS credits outstanding	50	—
	<hr/>	
NET PURCHASES	\$750	\$1750
	<hr/> <hr/>	

### 3 *Expenses adjustments*

*Expenses prepaid.* The full benefit of expenses that have been debited may not be received until the next financial period. In these cases credit adjustments are made to carry forward part of the debit charged to the next financial period. Adjustment entries to be made are:

- CR Expenses account to be included in the trading account
- DR Expenses account to be included in the balance sheet.

*Expenses accrued.* The benefit of an expense may have been obtained during the financial period, but no charge has been made in the accounts. In these cases adjustments are made for these expenses accrued, or owing, by making an adjustment of a debit charge in the financial period in which the benefit was obtained. Adjustment entries to be made are:

- DR Expenses account to be included in the trading account
- CR Expenses account to be included in the balance sheet.

*Expenses apportionment.* Each trading section would be charged with their portion of the expenses of the society on the bases agreed in the society.

4 *Fixed assets and depreciation.*

The charge for depreciation will be calculated and the inventory of fixed assets and schedule of depreciation will be completed and balanced off. The actual fixed assets will be checked against the inventory. Adjustment entries to be made for the depreciation charge are:

DR Depreciation provision — with total charge to be included in the trading account

CR Depreciation provision — to be included in the balance sheet.

5 Deposit interest will be calculated and posted through the working ledger to the deposit accounts. Adjustment entries to be made are:

CR Deposits to be included in the balance sheet

DR Expenses to be included in the trading account.

6 The cash in hand will be checked and certified.

7 The bank statement will be obtained and a bank reconciliation statement will be prepared.

8 Investment balances will be checked.

9 Share, deposit, loan, creditors' and debtors' balance in their ledgers will be add-listed and agreed with their control balances in the main ledger.

10 The trial balance of the main ledger will be prepared.

11 Any adjustments will be posted into the main ledger.

12 The income and expenditure accounts in the main ledger will be closed and their balances will be transferred to the trading account for the year. The entries in the produce, farm inputs and consumer trade accounts will be separately 'grossed up' by adding the appropriate debit or credit entries in the main ledger accounts concerned together so that the entries for stocks, trade income, purchases and produce proceeds payments will be separately shown in the trading account.

- 13 The surplus disposal account will be prepared.
- 14 The balance sheet will be prepared from the balances of assets and liabilities remaining in the accounts in the main ledger.
- 15 The audit will be completed.
- 16 The annual return will be prepared and sent to the registrar.
- 17 The annual general meeting will be held.
- 18 Any net surplus will be distributed as resolved by the annual general meeting.

Example 29

FINAL ACCOUNTS AND BALANCE SHEET					
(note: figures for the previous year are usually included for comparison purposes)					
I Trading account for financial year ended ...31.12.75.....					
	Produce	Farm	Consumer	Society totals	
	\$	inputs \$	trade \$	\$	%
TRADE	7000	1000	2000	10000	100.0
Stocks to begin	-	300	600	900	
ADD: Purchases and produce payments	6650	750	1750	9150	
TOTAL	6650	1050	2350	10050	
LESS: Stocks to end		200	750	950	
Cost of goods and produce	6650	850	1600	9100	91.0
GROSS SURPLUS	350	150	400	900	9.0
LESS: Wages	126	18	36	180	1.8
Property expenses	35	5	10	50	0.5
Transport	42	6	12	60	0.6
Interest	14	2	4	20	0.2
Other expenses	35	5	10	50	0.5
Depreciation	80	40	220	340	3.4
TOTAL EXPENSES	332	76	292	700	7.0
NET SURPLUS TO ACCOUNT II	\$ 18	\$ 74	\$ 108	\$ 200	2%
II Surplus disposable account at ...31.12.75.....				\$	
Balance b/f from previous period				2	
ADD: Surplus from A/c I				200	
TOTAL SURPLUS FOR DISPOSAL				202	
LESS: Proposed allocations:					
Reserve fund				100	
Education fund				10	
Interest on shares				21	
Bonus on trade				70	
Balance c/f to new period				201	
				\$ 1	

Example 29 continued

III Balance sheet at 31.12.75.....	This year	Last year	
<b>Source of funds (liabilities)</b>	<b>\$</b>		
Share capital	2498		
Deposits	1000		
Reserve fund	470		
Education fund	80		
Surplus for disposal	202		
Total funds of members	4250		
Creditors (A/c 5+6+12)	957		
Society loans	540		
TOTAL \$	5747		
<b>Use of funds (assets)</b>			
Fixed assets			
Cost	3200		
LESS: Depreciation provision	940		
Book value	2260		
Investments	262		
Stocks (A/c 4+5)	950		
Members' loans	-		
Debtors (A/c 4+6+13)	180		
Cash at bank	2040		
Cash in hand	55		
TOTAL \$	5747		

# 6 Summary

## 6.1 Book-keeping system

The outline of the book-keeping system for marketing societies is now completed. The system can be summarised as follows:

- 1 All transactions are immediately recorded in records of original entry.
- 2 Details of these are posted into the *working ledger* which is ruled off and balanced at the end of every week.
- 3 The working ledger total of entries are posted every week into the *main ledger*.
- 4 A *trial balance* of the main ledger is prepared at the end of every four weeks.
- 5 At the end of the financial period the *final accounts* and *balance sheet* are prepared.
- 6 Any *surplus* revealed is distributed.



## 6.2 Control systems

Within the book-keeping system control systems operate as follows:

### 1 *Efficiency*

The actual business performance of the society is compared from time to time with the forecasted results in the annual budget.

### 2 *Stocks*

All stocks are checked as soon as received. All sales are recorded. Stock control records are kept.

### 3 *Cash*

Receipts are issued for all cash received. Receipts are obtained for all cash paid. Cash is banked as soon as possible. Cash in hand is checked frequently.

### 4 *Reports*

Regular reports are submitted to the committee. The auditor and the internal auditors examine the records and report on the business.

### 5 *The book-keeper*

The book-keeper is the key person in the efficient maintenance of these systems and controls.

# 7 Exercises

To illustrate the book-keeping procedures outlined, the information from the following five exercises has been posted into the examples of the forms, books and ledgers shown in this manual. Teachers can change the figures given in these exercises and in that way prepare exercises for further teaching purposes. Naturally other changes and additions can be made in order to adapt the exercises to local conditions.

## **Exercise A**

In this exercise the main ledger for the new financial year beginning 1.1.75 was opened from the details shown in the trial balance. The balances in the accounts for the assets and the liabilities shown were posted to their pages in the main ledger (Example 2, pages 8–11).

## **Exercise B**

From the summary of the financial transactions for 1975 the working ledger (Example 1, page 6) was posted and the trial balance was prepared. The main ledger Example 2 was posted and the trial balance (Example 23, page 38), was prepared.

As far as is possible the other examples within this manual show the entries and balances included in the working ledger and the main ledger.

## **Exercise C**

The closing entries for the stocks and the other adjustments were posted to the main ledger. Then the final accounts and balance sheet (Example 29, page 46) were prepared.

## **Exercise D**

The weekly stock control record (Example 27, page 42) and the leakage control account (Example 28, page 43) were completed from the information shown in this exercise.

## **Exercise E**

This exercise shows the preparation of the bank reconciliation statement (Example 8, page 17).

**Exercise A****Opening balances from balance sheet at 31.12.74**

1.1.75. Post to main ledger the following opening balances:

Detail	Ref no	DR \$	CR \$
Cash	1	15	
Bank	2	1020	
Farm inputs -- stocks	4	300	
Consumer trade -- stocks	5	600	
Expenses -- wages accrued b/f	6		20
Fixed assets	7	3000	
Depreciation provision	8		600
Shares	9		1400
Deposits	10		600
Creditors	12		845
Debtors	13	20	
Investments -- Co-operative Union	14	200	
Society loans	15		1000
Surplus	16		240
Reserve fund	17		400
Education fund	18		50
<b>TOTALS</b>		<b>\$5155</b>	<b>\$5155</b>

*Notes*

- 1 Round dollars (\$) are given in the exercise here. In the books of the society the exact amounts are recorded.
- 2 To show the use of as many ledgers and records as possible, the totals of transactions have been posted to the examples given of these. In the books of the society, individual transactions and accounts are posted.

**Exercise B****Summary of financial transactions for 1975 from records of original entry**

31.12.75 (a) *Post and balance working ledger*  
(b) *Post and balance main ledger*

---

		\$
Allocation of 1974 surplus:		
Bonus transferred to shares	98	
Interest transferred to shares	40	
Transfer to reserve fund	70	
Transfer to education fund	<u>30</u>	
	TOTAL	238
Invoices from creditors:		
Farm inputs purchases	800	
Consumer goods purchases	1700	
Property expenses	100	
New scale	<u>200</u>	
	TOTAL	2800
Paid creditors by cheque		2700
Cash discounts allowed by creditors		40
<i>Sales: Cash sales</i>		
Consumer trade		1900
Farm inputs		750
<i>Credit sales</i>		
Consumer trade		100
Farm inputs		50
Received cash from debtors		140
Cash paid into bank		2050
Bank charges		20
Investment in Co-operative Union by cheque		50
Interest added to investment		12
Received share contribution		1000
Paid share withdrawal by cheque		40
Received deposits from members		440

	\$
Deposit interest	40
Paid deposit withdrawal in cash	80
Paid expenses in cash: wages and tax	200
transport	60
Paid expenses by cheque: Other expenses	100
Produce advances to members paid in cash	1000
Invoices to debtors for produce	7000
Loans advanced to members in farm inputs	200
Loans advanced to members in cash	800
Members' loan interest	50
Society loan repaid by cheque	500
Society loan interest added to account	40
Produce proceeds received from debtors deposited in bank	7000
Cashed own cheque to pay produce proceeds	4620
Produce proceeds paid to members in cash	4620
Produce proceeds deducted to repay members' loans	1030
Members' loans — bad debts written off	20

**Exercise C****Stocks and adjustments at 31.12.75**31.12.75 (a) *Post main ledger*(b) *Prepare final accounts and balance sheet*


---

	\$
1 Stocks at cost: Farm inputs	200
Consumer goods	750
2 Consumer goods received not invoiced (GRNI)	50
3 Credit outstanding for farm inputs	50
4 Other expenses prepaid	50
5 Property expenses prepaid	50
6 Interest accrued	2
7 <i>Depreciation:</i> Land and buildings	5% 100
Fixtures and fittings	20% 200
Equipment	20% <u>40</u>
TOTAL	340
<p>The committee have instructed that this be charged to the trading sections, based on the floor space they use, as follows, produce \$80, farm inputs \$40, consumer \$220</p>	
8 Apportion the remaining expenses to the trading sections on the sales ratio basis.	
9 Proposed allocations of net surplus for disposal:	\$
Reserve fund	100
Education fund	10
Interest on shares	21
Bonus	70

**Exercise D**  
**Stock and leakage controls**

Complete the *Weekly Stock Control Record* in Example 27 from the following details:

	<i>Stocks to begin</i>	<i>Received</i>	<i>Sold</i>
Produce – bags	—	1000	1000
Seeds – packets	30	350	360
Fertilizers – bags	10	130	125

Complete the *Leakage Control Account* in Example 28 from the following details:

<i>Consumer goods at selling values</i>	
Sales	\$2000
Purchases	\$2200
Stocks to begin	\$756
Stocks to end	\$920

**Exercise E**

**Bank reconciliation statement**

Complete the *Bank Reconciliation Statement* in Example 8 from the following details:

	\$
Balance on bank statement	1750.61
Balance in main ledger	2040.00
Deposits in transit 30.12.75.	500.00
31.12.75.	150.25
Cheques not presented number 2458	300.00
number 2461	60.86







