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# SOCIETY OPERATING MANUAL

A guide with specimens on preparation of operating manuals  
for agricultural and consumer co-operatives

INTERNATIONAL CO-OPERATIVE ALLIANCE

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# Foreword

Since establishing CEMAS we have received many requests for advice about the preparation and use of operating and training manuals for primary societies. This guide is an attempt to respond effectively to such requests. It is intended to assist co-operative unions and government departments in the preparation of 'model' manuals for use within their own movements and to serve as a teaching guide at courses for society managers and staff.

In preparing this guide, we have had the opportunity to study several examples of manuals from various parts of the world, and we gratefully acknowledge the help thus given. We have in particular, used material from manuals produced in Zambia and Botswana. With the help of these examples, the guide has been prepared by Mr J Bjärsdal, CEMAS Project Director, and Mr D Heffer, who was temporarily employed as a consultant on CEMAS publications. As a compound of ideas collected from many sources and added to by CEMAS specialists, it represents a co-operative contribution to a co-operative need. We hope our colleagues in many parts of the world will find it useful.

T N BOTTOMLEY  
Secretary for Education  
International Co-operative Alliance

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# Introduction

## Aim of this guide

This is a guide on how to prepare and use operating manuals for primary co-operative societies.

Some explanations may be needed. First, by *operating manual* we mean a set of rules, instructions, forms and examples, which the manager of a society usually keeps in a file in his office.

Such an operating manual will have two closely related functions. First, it should describe in detail the procedures to be used in given situations so that some standardisation of practice can be secured. In this way, it becomes an operating handbook to which the society manager can refer when he is uncertain about procedure or when he wishes to revise his knowledge. When a new manager takes over it is also the best possible 'handover' document. Second, it is a manual which can be used for management training purposes. It is, in effect, the programme and content of a basic course in co-operative business and administration for primary society managers and their staff.

Next, it may be appropriate to explain the intended function of this guide in relation to the society operating manuals. The function of the guide should be to help those who have to prepare 'model operating manuals' for primary societies, and to be of use for those who have to teach society staff, and even committee members, at courses.

Lastly an explanation may also be needed of the term 'standardisation of practice', which was mentioned above. The operating procedures established and followed in any society will depend upon that society's particular needs and circumstances. Ideally, however, and this is increasingly the practice, within a national co-operative movement there should be as much standardisation of operating systems as is compatible with local autonomy. This in no way undermines the identity or independence of local co-operatives. On the contrary, by improving their efficiency, it helps to strengthen them. Just as there are certain basic principles which distinguish a co-operative, so co-operative business practice can and should follow some standard forms. Training can then more easily be related directly to actual practice and procedures used, and in that way be much more effective; promotion and transfer of personnel within the movement is greatly facilitated; trading relationships between primary and federal societies are assisted; and the processes of advice, supervision and control are made more efficient.

## How to use this guide?

As has been said above, we think that this guide will mainly be used for two separate purposes. First, when drafting 'model' society operating manuals, second, when teaching society staff and possibly also committee members.

In the first situation, when drafting a model operating manual, we hope that this guide can be of help in providing an outline of what to include and that the specimens will provide useful starting points for the preparation of rules and forms suited to the local conditions.

In training situations, we think that this guide will be useful as a handbook for the teacher. If a 'model operating manual' for the area and type of societies does exist, this guide will provide the teacher with a valuable background to base his teaching on. If no 'model operating manual' exists, the teacher will be helped by the guide to prepare such an operating manual for the societies in question. The ideal method would be, with the aid of this guide, to work out together with the participants of a course, an operating manual for a typical society of the area.

### **The structure of this guide**

The guide consists of general text and examples, here called specimens.

The general text gives explanation and advice on different parts of a society operating manual. The specimens illustrate the text by presenting examples of rules, instructions, forms and so on. It should be noted that they are *examples, not models*. Most of them are based on conditions in a particular country. Others have been invented, but can still never be valid everywhere, without modification. The name 'XYZ' on the specimens is used merely to indicate that all forms in use should be headed with the name of the society concerned. This name does not imply that the examples are from the same society.

The general text is printed on yellow loose-leaf, and the specimens on white loose-leaf paper and all are kept in the ring binder. Within the guide, all specimens are placed in their respective sections, following the text to which they refer. Since all the pages are loose-leaf, the users of the guide can easily rearrange, replace or add to the material in whatever way seems useful for them. For ease of reference, the specimens have a number S1, etc which is used in the text when referring to them, and they also have a reference to the section of the text which they illustrate. When society operating manuals are prepared with the aid of this guide, we suggest that they too should always be kept in a loose-leaf system, making replacements and additions easy.

# Committee

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# 1 Committee

The committee is elected by the members to direct and control the affairs of the society in meeting the needs of the members. The manager is responsible to the committee for the day-to-day running of the society. Provision needs to be made in an operating manual for the law, regulations and by-laws, and procedures for committee meetings. Each of these is discussed below.

## 1.1 Law, regulations and by-laws

The society has to conduct its business within the law of the land and within its own by-laws. Copies of the law of the country which relate to co-operatives together with any rules or regulations made under the law should be kept in the manual. The by-laws of the society should also be kept within this section for ease of reference.

Since the manager will usually be the chief officer of the society, he will sometimes also undertake the duties of the secretary. In this capacity he will need to guide the committee from time to time on the terms and the application of laws, regulations and rules. The secretary/manager should make himself aware of these so that he can give sound advice and so that he observes them in the operations of the society.

## 1.2 Procedures for committee meetings

The committee should meet as required but not less than is stated in the by-laws. The duties of the secretary/manager can be listed as follows:

### *Action before the meeting*

- Discuss agenda with chairman
- Prepare and distribute notice and agenda (*see S1*)
- Prepare meeting place
- Prepare reports and papers.

### *Action during the meeting*

- Report and reply as required
- Take notes for minutes.

### *Action after the meeting*

- Collect papers and secure meeting place
- Write up and distribute copies of minutes (*see S2*)
- Act on committee resolutions and instructions.

## EXAMPLE OF NOTICE AND AGENDA FOR A SOCIETY COMMITTEE MEETING

---

XYZ Society, PO Box 123

To: All committee members

Date: 1 April 1976

### NEXT MEETING

The next meeting of the committee will be held on Thursday, 15 April 1976 at 7 pm at the store of the society. I hope you will be able to attend.

S Khan  
Secretary/Manager

### AGENDA

- 1 Opening and apologies
- 2 Minutes of last meeting
- 3 Matters arising out of previous minutes
- 4 Correspondence
- 5 Applications for membership
- 6 Accounts for payment
- 7 Manager's monthly report
- 8 Date of next meeting
- 9 Any other business



## EXAMPLE OF MINUTES OF A COMMITTEE MEETING

*Minutes of a committee meeting held at the store of the XYZ society on Thursday, 15 April 1976 at 7 pm.*

- 1 *Present:* D Mwansa was in the chair  
J Jackson, P Rana, T Chan  
F Salmon, M Pule, B Buck  
Mr S Khan, Secretary, was in attendance
- 2 *Apologies:* were received and accepted from M Brown, who was sick.
- 3 *Minutes of last meeting*  
The minutes of the last committee meeting held on 18 March 1976 were read, confirmed and duly signed as a correct record.
- 4 *Matters arising*
  - Insurance*  
The secretary reported that the insurance policies to cover the fire risks of the store and stock had now been arranged.
- 5 *Correspondence*
  - a *Book-keeping course*  
A letter from the registrar of co-operatives inviting the society to nominate a member of the staff to attend the next course on book-keeping was read.  
*Resolved:* that Miss J Green, shop assistant, be nominated to attend the book-keeping course to be held from 10-21 May.
  - b *Purchase of scale*  
A letter dated 10 April 1976 from the Regional Co-operative Union Ltd, indicating that they could supply the new scale for \$120 was read.  
*Resolved:* that the secretary should obtain other quotations from the Right-O Scale Company Ltd and these be later considered by the committee.
- 6 *Applications for membership*  
Four applications for membership. All were found to be in order and there were no objections.  
*Resolved:* that F Bowa, J Kite, T Tucker and Z Prince be accepted as members.

7 *Accounts for payment*

*Resolved:* that the following payments be made by cheque:

	\$
<i>Goods:</i> Regional Co-operative Union Ltd	1024.60
J Sinker Ltd	44.20
F Bell	24.40
<i>Others:</i> Water Supply Co Ltd	4.10
Fast Transport Ltd	<u>59.00</u>
TOTAL	<u>\$ 1156.30</u>

8 *Manager's monthly report*

The report from the manager for March was considered. Sales for March were \$5210 and for the 13 weeks to 31 March 1976 they were \$14 620. The increase to date was \$2134, or 17% when compared with the same 13 week period of last year. The cash in hand to date was checked by the committee. The report was accepted.

9 *Next meeting*

It was agreed that the next meeting be held on Wednesday, 12 May 1976 at 7 pm.

10 *Other business*

*Bicycles*

The sale of bicycles by the society was considered. The secretary was instructed to examine and report on this.

The meeting closed at 9.30

signed: D. Mwansa Chairman

dated: 12-5-76

# Staff

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## 2 Staff

The success of the day-to-day operations of the society depends upon the staff. Staff will be appointed as the need arises and the income of the society permits. The manual needs to include rules for the Number of staff, Job description, Appointment and dismissal, Contracts of employment, Staff rules, Training, Staff records and Work programmes. Each of these is discussed below.

### 2.1 Number of staff

This section of the manual should show the rules and standards to be applied in determining the number of staff to be engaged. Staff should be engaged as the need arises and as income permits. In the society's budget, target standards should be set. These would help to give some guide as to the number of staff to be employed.

The cost of wages should be measured as a percentage of trade. A maximum rate could be set and the cost of wages would then be required to be kept within this limit.

For example, if the maximum budgeted rate for wages is 3% of trade and the trade for the month is \$5000 then the maximum income available for the wages for the month can be calculated as follows:

$$5000 \times \frac{3}{100} = \$150$$

The target annual trade for each employee should also be established. Then the staffing needs of the society can be calculated.

For example, if the target annual trade for each employee is \$7500 and the annual trade is \$31 500, then the maximum staff required can be calculated by dividing the annual trade (\$31 500) by the target annual trade for each employee (\$7500) as follows:

$$\text{Maximum staff} = \frac{31\,500}{7\,500} = 4$$

Generally the ability to pay local wages from income being earned determines the number of staff who can be employed. Other factors affecting staff requirement are the needs of members and the duties to be undertaken. Full-time staff should only be engaged if there is full-time work to be done. In view of this the employment of part-time staff to cover peak, busy periods should be considered.

### 2.2 Job description

The manager should allocate and control all duties. It is his responsibility to see that the work of the society is done correctly, quickly and efficiently. The individual members of the staff should be clear about their duties and responsibilities. In addition to an informal face-to-face orientation by the manager, a written *job description* should be given to each member of staff. Copies of these should be kept within the manual.

The job description should contain the title of the position, details of the duties of that position and the place of the position in the organisation of the society. The first step in the preparation of job descriptions is to list all the jobs to be done. Then jobs of a similar nature should be grouped together to make up a list of duties for any one member of the staff (*see S3*).

The number of jobs to be done, together with the income available to pay the wages for these, will help determine the number of staff to be employed. Within the budgeted amount available to pay the wages the value of the work of each employee has to be decided. This will depend upon the degree of skill required to do the work. In some countries labour departments of government have established minimum rates of pay for many jobs. Of course, as with all matters relating to the employment of staff, any such directives have to be followed.

To enable the staff to relate their position to the organisation of the society an *organisation chart* should be placed on the wall of the store (*see S4*).

### **2.3 Appointment and dismissal**

The procedures to be followed for the appointment of staff should be listed in this section. Any vacancies should be given wide publicity to attract the best available people. The actual procedures to be followed would be those established in the society. In some societies the committee makes all appointments, in others the manager can appoint all the other staff or those up to a certain level.

A procedure could be:

- Prepare and distribute notice of vacancy  
(use local newspapers, notice boards or radio and contact schools and training institutions for leavers)
- Invite applications in writing
- Consider letters
- Select candidates for interview
- Check references
- Test and interview
- Select and offer appointment.

Procedures for dismissal need to be carefully drawn up. The local labour officer should be requested for information on procedures to be followed. Contracts of employment should clearly indicate the actions for which dismissal will result.

### **2.4 Contracts of employment**

These show the terms and conditions of employment agreed between the employee and the society. Since these contracts will be in writing and signed by both parties some future disputes can be avoided. Before they are signed, the manager should go through the details with the new employee so that they are understood. The society will keep one copy on the *staff file* and the employee will keep a copy. The contract should contain details of the agreement made, the title of the position, the duties, the hours of work, wages and leave entitlement (*see S5*).

## 2.5 Staff rules

The 'staff rules' should be set by the committee guided by the secretary/manager. These rules will help employees understand their duties and responsibilities. The information sheet *Know your own business* (see S6) issued to new members should also be given to the staff. One copy of the staff rules, signed by the employees should be kept in the staff file and the employee will keep a copy (see S7).

## 2.6 Training

Provision should be made for the training of all staff. As far as possible all available courses should be supported. These courses need to be supplemented by on-the-job training. All staff should receive on-the-job training in their own duties and to some extent in the duties of other members of the staff so that staff shortages through holidays or sickness can be overcome.

The policies on staff training and promotion should be set by the committee. However, where there are regular recognised courses, attendance at these together with the passing of any following examinations, could be accepted as a qualification towards promotion.

## 2.7 Staff records

A *staff file* should be kept. On this the signed contracts of employment and staff rules will be filed as well as the letters of application together with the references obtained for employees.

As soon as a new employee joins the society a *staff record card* should be prepared which will show the personal details of the employee together with his holiday, sickness and wages record. Sometimes the staff record card can be used as part of the wages payment system as well (see S8).

## 2.8 Work programmes

Within the work of the manager and staff there will be regular duties which are to be performed daily, weekly or monthly. The manager should prepare work schedules for these so they are not forgotten. These *work schedules* showing the regular duties should be kept in the operating manual. They would show:

- Activity:* The duties to be undertaken
- Action:* The action to be taken to complete the duties
- By Whom:* The person required to undertake the duties
- When:* The day and time for undertaking the duties.

An example of work programmes for a single activity – ordering goods, and an example of a daily programme, showing several specific activities to be undertaken of a single member of staff are given (see S9).

## EXAMPLES OF JOB DESCRIPTIONS

*Job description for the secretary/manager**XYZ Society*

Generally, the duties of the secretary/manager will be to conduct and manage the daily business and other affairs of the society in accordance with the Co-operative Societies' law, regulations, the by-laws and the decisions of the committee.

In particular, these duties, under the direction and control of the committee, shall include the following:

- 1 To establish and develop the society along strict co-operative business lines for the benefit of members.
- 2 To direct and supervise all other members of the staff of the society.
- 3 To have custody of all property, plant, cash, goods, merchandise, and buildings of the society and to be responsible for their safe keeping.
- 4 To organise and supervise all the business procedures including those for receiving, stocking, merchandising, promoting and selling goods.
- 5 To maintain a true and correct record of all money received and expended and to keep true and correct records of all income and expenditure and of all assets and liabilities.
- 6 To prepare for the committee plans and financial budgets for the proper development and operation of the society.
- 7 To prepare monthly financial reports, including details of trade and expenses, for the information of the committee in such form as they may from time to time direct.
- 8 To prepare and submit for audit an annual trading account and balance sheet, for final presentation to the members at the annual general meeting.
- 9 To issue notices of all meetings when they are summoned by persons having authority to do so.
- 10 To give publicity to the objectives and activities of the society and to develop good public relations as well as member relations.
- 11 To promote, organise and supervise the education and training activities in the society.

- 12 To conduct the correspondence of the society, subject to the directions of the committee.
- 13 To attend all meetings of the society and to maintain correctly and up to date the register of members and the minute books of the society.
- 14 To receive and place before the committee all applications for membership and to ensure that these are properly completed.
- 15 To undertake such other duties as may be delegated from time-to-time by the committee.

*Job description for deputy store manager*

*XYZ Society*

PURPOSE

To assist the manager in the running of the store.

To deputise in the absence of the store manager.

*Responsible to:* Store manager

*Responsible for:* In the absence of the store manager – store, equipment, stock, cash, staff (excepting engagement and dismissal).

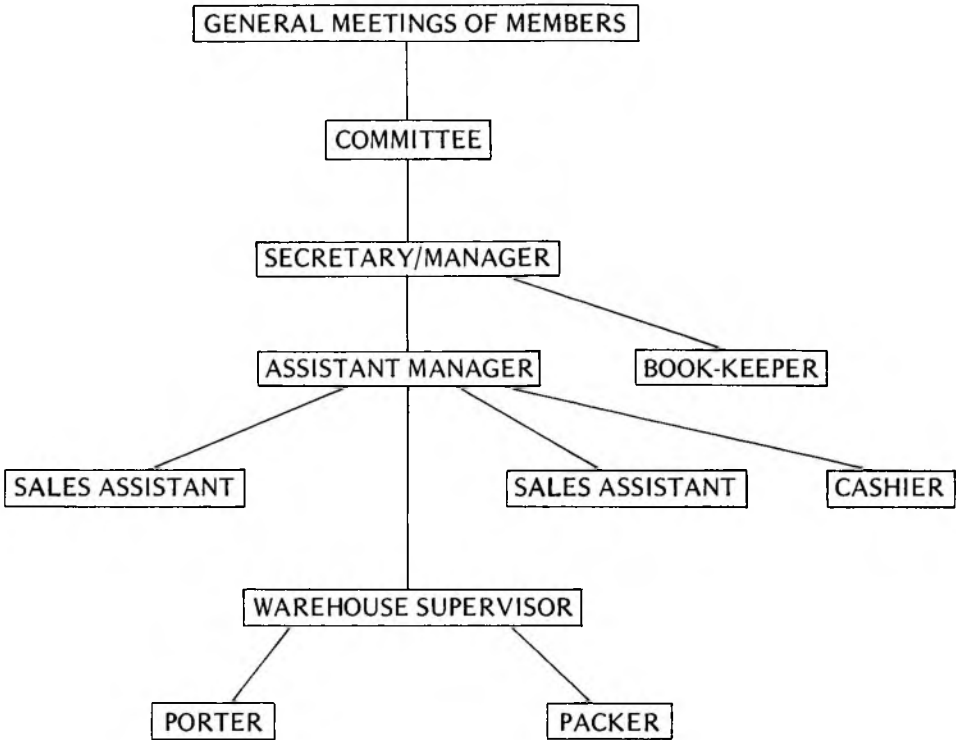
DUTIES

- 1 To assist the store manager in his duties (see store manager's job description) but with particular responsibility for:
  - (a) The cleanliness of the shop.
  - (b) Ensuring that shelves are stocked.
  - (c) Checking price marking.
  - (d) Reporting stock requirements to store manager.
  - (e) Supervising the stock room.
  - (f) Assisting in staff training.
  - (g) Assisting in keeping records.
- 2 To encourage high morale and team work amongst the staff.
- 3 To deputise for the store manager in his absence.
- 4 Such other duties as may be required from time to time.
- 5 *Measure of performance*
  - (a) Appearance of shop.
  - (b) Stock levels and damage to stock.
  - (c) Staff morale.
  - (d) Leakage.

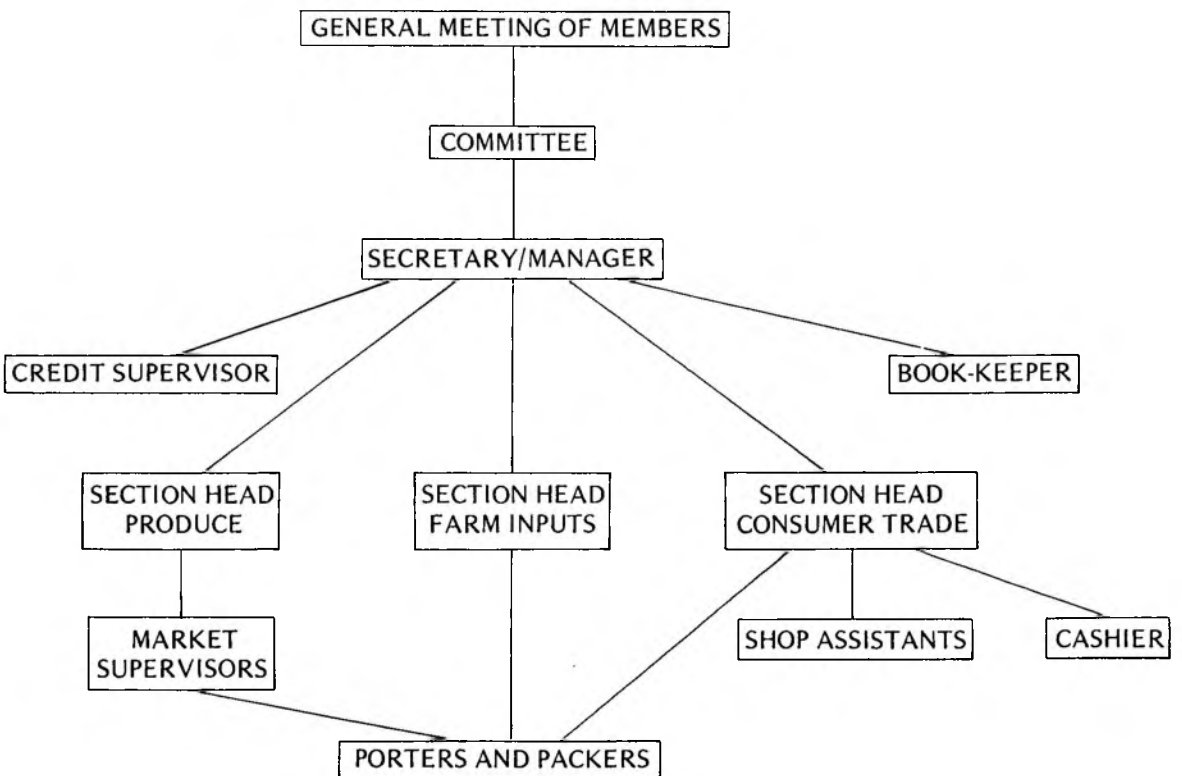


EXAMPLES OF AN ORGANISATION CHART FOR TWO TYPES OF CO-OPERATIVES

Organisation chart of a consumer co-operative



Organisation chart of a multipurpose co-operative



## EXAMPLE OF CONTRACT OF EMPLOYMENT

CONTRACT OF EMPLOYMENT

CONTRACT made on ..... day of ..... between  
 .....Co-operative Society Ltd ..... hereinafter called  
 'the Employer' and Mr/Mrs/Miss ..... of (address)  
 ..... hereinafter called 'the Employee' whereby  
 it is agreed that the Employer agrees to employ, and the Employee agrees to be  
 employed in accordance with the following CONDITIONS OF SERVICE:

*1 Designation and duties*

The Employee is engaged in the position of  
 .....

The duties of the Employee are as shown on the job description for this position and  
 any other duties connected with the business of the Employer which may be so  
 delegated by the Employer through a duly authorised person.

The Employee is not permitted to engage in any other trade or business or to accept  
 other paid employment.

The Employee hereby undertakes to observe the laws, regulations, and staff rules  
 at present in force and which may be amended from time to time, breach of any of  
 which shall be constructed as misconduct.

*2 Hours of work*

The Employee hereby undertakes to faithfully serve the Employer during the  
 hours set by the Employer, such hours to be in accordance with the employment  
 laws and are: Mondays to Fridays: ..... am to ..... pm, less ..... for lunch  
 Saturdays: ..... am to ..... pm.

However, where an Employee is employed for more hours than ..... in any one  
 week then the Employee shall be paid at the overtime rate for such time employed.

*3 Salary*

On appointment the salary shall be \$ ..... per month. The Employer  
 may decide to grant increments from time to time. The salary is payable in arrears  
 on the last working day in each month.

#### 4 *Holidays*

In addition to days declared as Public Holidays the Employee shall be entitled to paid holidays as follows:

- (i) For each complete calendar month of continuous service 1½ days subject to a maximum annual entitlement of 18 days; such holidays to be taken during a period mutually agreed between the Employer and the Employee. The Employee shall be entitled to take the holiday entitlement only after one year's continuous service.
- (ii) Where this contract is terminated in accordance with Clause 9(1) and the holiday entitlement has not been taken, then payment in lieu of such accrued entitlement shall be paid at the daily rate for such days.
- (iii) The Employee may not accumulate leave for more than two years.

#### 5 *Sick leave*

- (i) In the event of inability to be present on account of illness the Employee shall inform the Employer as soon as possible using the quickest mode of communication.
- (ii) After continuous absence of more than two days through sickness, the Employee shall produce a medical certificate signed by a competent person.
- (iii) No payment may be made for days of absence until the Employee has been continuously employed for at least one year, after which the Employee shall be entitled to sick leave with pay according to the following scale:
  - a More than one year but less than two years continuous employment – six days in any one year.
  - b More than two years but less than five years continuous employment – 12 days in any one year.
  - c More than five years continuous employment – 18 days in any one year.

#### 6 *Casual leave*

In the event of family bereavement or personal emergencies leave may be granted by the Employer at his discretion provided satisfactory arrangements are made to cover the Employee's duties.

#### 7 *Maternity leave*

Maternity leave shall be granted in accordance with any law relating to maternity leave for Employees.

8 *Pecuniary damage*

In the event of any pecuniary damage arising from the Employee disregarding or failing to comply with any by-law, orders or regulations, or from any neglect of duty whatsoever by the Employee, the Employee may be liable to a deduction from his salary to make good the damage or any part thereof, the amount of which shall be determined by the Employer, as may be limited by the employment law.

9 *Termination of contract*

- (i) Either party may terminate this contract by giving to the other party one month's notice in writing. Such notice is to be served before 10.00 am on any Monday from which day the period of notice shall commence.
- (ii) If the Employee at any time neglects or refuses or from any cause (excepting ill health not caused by the Employee's own misconduct) becomes unable to perform any duties or to comply with the by-laws of the society or any rules made by the committee thereof or instructions issued by a duly authorised person, or discloses any information respecting the affairs of the Employer to any unauthorised person or in any other way commits misconduct, the Employer may dismiss the Employee without notice. On such dismissal this contract shall be terminated and all rights and advantages reserved to the Employee by this contract shall cease.

10 *Probationary period*

The appointment is made subject to a probation of six months.

Signed: EMPLOYEE ..... WITNESS .....

Date: ..... Date: .....

Signed: CHAIRMAN ..... WITNESS .....  
(on behalf of Employer)

Date: ..... Date: .....

## EXAMPLE OF INFORMATION SHEET FOR NEW MEMBERS

---

### KNOW YOUR OWN BUSINESS

We welcome you into membership of the XYZ Co-operative Society Ltd. This society is a part of the co-operative movement of this country in which there are 310 co-operatives. Some of these are dealing with consumer goods only, others with farm inputs and produce as well, but all of them operate for the benefit of their members and their communities.

#### 1 *Your society is owned by you*

This society is owned by its members. *At the end of 1975 there were 290 members.* You are now a member, so you are one of the owners of this business. As an owner you should come to all of the general meetings. Every year at the annual general meeting the committee is elected from the members by the members. This committee directs and controls the society for the members. The committee looks forward to meeting you at your next general meeting.

#### 2 *Investment opportunities*

You are required to hold \$10 as share capital within two years of joining the society. If there is a surplus at the end of the business year an interest could be distributed on these share holdings. *At the end of 1975, members held \$2500 as share capital.*

You can also invest your money in deposit accounts. Contributions and withdrawals can be made during the opening hours of the store. Every \$1 invested for a whole year will earn an interest of 5 cents. *At the end of 1975 members had invested \$3100 in deposits.*

*Pass-books are issued to members showing their share and deposit holdings.*

#### 3 *Supplies and services*

Your society is here to serve you. From your warehouse you can buy your seeds, fertilisers and sacks. From your store you can buy your consumer goods. Plough, parts and other farming equipment can be obtained on order from you. Your society will also help you to store and market your produce at harvest time. *In 1975 the total business of the society was \$26 000.*

Prices of supplies and commissions charged for storage and marketing of produce are competitive. At the end of the business year, if there is a surplus, there could be a distribution of bonus to members based on their trade in that year. *In 1975, \$670 was returned to members as a bonus.*

#### 4 *Audit and inspection*

Your society is registered under the Co-operative Societies law. This law and the by-laws of the society have to be followed in the operations of the society. The registrar of co-operatives and two auditors elected by the members conduct regular audits and inspections.

#### 5 *Opening hours*

Your warehouse and store opens from 10 am to 6 pm on every day, except Sundays and Public Holidays. The committee, the manager and his staff are at your service.

COME AND SUPPORT YOUR OWN BUSINESS.

for the society: J Hunt, Chairman  
S Temane, Manager

## EXAMPLE OF STAFF RULES

## STAFF RULES OF XYZ MULTIPURPOSE CO-OPERATIVE SOCIETY

1 *Member service*

The society exists to serve the members. Staff are required to give prompt and courteous attention to members.

2 *Relation between the staff members*

Good and friendly relations must be maintained among members of the staff. Fellow workers should be treated politely and helpfully.

3 *Punctuality*

Hours of work are as set out in the society's contracts of employment. The staff must turn up for work punctually.

4 *Holidays and leave*

Holidays and leave must be arranged according to the law and the agreement between the staff member concerned and the society. The manager shall obtain leave from and have his holidays approved by the committee. The other members of the staff shall obtain their leave from and have their holidays approved by the manager.

5 *Absence*

In the event of absence due to illness or urgent unforeseen reason, staff members are required to inform the manager not later than 10.00 am on the day of absence stating also the reasons for absence. The manager must similarly inform the committee and his next most senior member of the staff. For absence over 2 days on account of illness all staff members are required to submit a medical certificate.

6 *Smoking*

Smoking is prohibited in the store of the society.

7 *Complaints*

Any complaints made by members shall be referred to the manager.

8 *Accidents or damage*

Any accidents or damage to the property of the society or in the charge of the society, together with any accidents involving the staff must be reported promptly to the manager.

9 *Wages*

Members of the staff are entitled to receive their wages once a month payable in arrears on the last working day of each month.

10 *Behaviour*

The staff are required to conduct themselves in a proper manner both during and after duty hours.

11 *Alcohol*

Drinking, being drunk, or being in possession of alcohol of any kind in the premises of the society is prohibited.

12 *Explanations*

Members of the staff are required to give explanations orally, and in writing, when called upon to do so by the manager for any offence or breach of discipline in the society. The manager is similarly required to give explanations when called upon to do so by the committee.

13 *The laws, by-laws and contracts of employment*

The staff rules are intended to supplement the by-laws and contracts of employment and not to be a substitute for them. The staff are required to observe the co-operative law, the co-operative regulations and the by-laws of the society insofar as they are applicable to the staff.

I have read and understood the above staff rules.

Signature of employee: .....



EXAMPLE OF STAFF RECORD CARD

STAFF RECORD CARD      XYZ Society

NAME:	Mary J Browne	DESIGNATION:	Cashier
ADDRESS:	The Street, Banktown	DATE OF BIRTH:	6.6.53.
		NEXT OF KIN:	Sarah Browne (mother)

QUALIFICATIONS:	<u>JC</u> : English, Arithmetic, Geography		
	<u>Book-keeping</u> : Stage I		
COURSES ATTENDED:	July 1973	–	Shop work for cashiers
	Sept 1973	–	Care of the cash register
	Aug 1974	–	Book-keeping stage I

<u>SICKNESS RECORD</u>	Due	Sick	Bal.	<u>HOLIDAY RECORD</u>	Due	Taken	Bal.
1.5.74	6	1	5	1.5.74	18	–	18

<u>WAGES RECORD</u>	
<u>Date appointed:</u> 1.5.73	Monthly salary: from 1.5.73 \$20
	from 2.10.73 \$25
<u>Date left:</u>	from 1.1.75 \$28

Month ending date:	Gross wages	Less tax	Net cash	Signature
31.5.73	20.00	1.10	18.90	M J Browne
30.6.73	20.00	90	19.10	M J Browne
31.7.73	20.00	1.00	19.00	M J Browne

## EXAMPLES OF WORK SCHEDULES

WORK SCHEDULES

XYZ Society

SINGLE ACTIVITY


---

<i>Activity</i>	Ordering of goods
<i>Action</i>	Check <i>Goods wanted book</i> and check present stocks. Write out order in duplicate in the Order book. Sign order and send to supplier.
<i>By whom</i>	Manager
<i>When</i>	Every Monday morning

---

DAILY WORK SCHEDULE

<i>Activity</i>	Daily work schedule
<i>Action</i>	8-9 am      Clean outside windows
	9-12        Customer service
	12-1        Lunch
	1-3         Receive and stack goods
	3-4         Fill fixtures
	4-5         Shop cleaning
<i>By whom</i>	Shop assistant no 2
<i>When</i>	Wednesdays

---

# Members

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# 3 Members

The members own and control their co-operative society. The society has been formed and operates within the by-laws to help the members to help themselves. The manager and his staff are at the service of the members. Provision should be made for Membership campaigns, Application for membership, Share transactions, Trade records, Register of members, Withdrawals from membership, Suggestions and complaints and Loans to members. Each of these is discussed below.

## 3.1 Membership campaigns

Campaigns should be organised to attract new members and encourage present members. In their contacts with their communities the manager and staff should stimulate interest in the affairs of their society.

As new members are accepted they should be given an information sheet outlining details of their society (*see S6*). The society could supplement this information by preparing and distributing a regular newsletter to the members. This newsletter could contain details of special sales offers and so on.

Members should be encouraged to become involved in their own business, by:

- Attending meetings
- Trading with their society
- Financing the operations of the society.

The committee should prepare programmes of events to promote the education of members. The manual should contain details of these programmes so that the manager and staff can give publicity to them. Such events could include:

- *One day, or weekend courses:* dealing, for example, with the use of fertilizer, marketing, understanding of annual reports and accounts
- *Study groups:* by-laws, developments
- *Frequent general meetings:* business plans and reports
- *Study tours:* to other co-operatives or demonstration farms.

Since non-members could attend some of these events, *application for membership cards* could be distributed and completed cards accepted at these events.

## 3.2 Applications for membership

The procedure for receiving and processing *application for membership cards* should be shown in the manual. The terms of the by-laws regarding applications should be followed. One member of the staff could be delegated with the responsibility for this activity. His job would include:

- Receiving completed application cards
- Checking that applicants are qualified as members under the by-laws
- Passing the cards to the manager to submit them to the committee for their decision.

After the committee meeting the manager would send a letter direct to any rejected applicant. The book-keeper would prepare a pass book and open a page in the share ledger for accepted applicants. The person responsible for new members would then contact the accepted applicants and receive their initial share contributions. Pass-books and information sheets would then be issued.

### 3.3 Share transactions

The procedures for all share transactions should be outlined in this section of the manual. Details of these will also be shown in the society's *book-keeping manual*. As a part of the internal checking system the member of staff receiving contributions, or paying withdrawals, should not post the entries to the share ledger. The book-keeper should be the only person making these entries into the books of the society.

This part of the manual could also contain the procedures to be followed for the calculation and distribution of interest on the share holdings (*see S10*).

### 3.4 Trade records

Where there is any surplus available for the distribution of a bonus to members, this bonus will be based on their trade with their society. The system of recording the trade of individual members should be outlined in the manual:

#### *Consumer co-operatives*

Members have many small transactions with their society so a cheap but effective system is required. The *bonus stamp system* could be used. One stamp is issued for an agreed unit of purchase (say one stamp for every complete five cents). The members keep their stamps in a book provided by the society. Any bonus is based on the trade of the member as shown by his bonus stamps. The member must present his stamps at the time of distribution of bonus.

#### *Multipurpose co-operatives*

Where members make a few separate purchases of large items or sell their produce in bulk to, or through, their society, separate receipts can be prepared in triplicate. These receipts will show the details of the trade together with the name and number of the member. The member is issued with the *top copy* of the receipt. The two bottom copies are kept by the society. The middle copies are torn from the receipt books, separately sorted and kept together for each member. At the end of the financial period the total trade of each member is calculated by adding up the totals of their receipts. Distributions of bonus will be based on their trade as represented by these totals.

Some multipurpose societies open a *members' trade ledger* in which separate pages are kept for each member. Members' trade with each section of the business is recorded in this ledger. The details from the trade receipt are posted to the page of this ledger for the member concerned soon after the transaction has been completed. Then at the end of each financial period the entries in the columns of the members' trade ledger are added up to give the total trade of each member with each section of the business.

These totals will be used to calculate and distribute any bonus due on each class of trade. Headings for the pages of the members' trade ledger can be ruled as follows:

Member's name: ..... Share no: .....

Date	Receipt no.	Produce		Farm inputs		Consumer goods
		Quantity	Value	Quantity	Value	Value
<i>Totals</i>						

To enable members to keep a personal record of their trade with the society their pass-books can contain pages ruled in the same way. Then besides showing the share and deposit transactions the pass-books can be entered to show all trade transactions as well.

### 3.5 Register of members

The law and the by-laws should be checked and their terms followed for the keeping of the register of members. The manual should contain the procedures for the control of this record. The register could consist of the completed *membership application cards* filed in a secure box in surname alphabetical order. These cards would show:

- Name and address of member
- Membership number
- Age and occupation of member
- Date of admission
- Name and address of nominee, or next of kin.

### 3.6 Withdrawals from membership

All applications for withdrawal should be made in accordance with the by-laws. The procedure for processing these, including those made in respect of a deceased member, should be shown in the operating manual as well as in the society's book-keeping manual.

### 3.7 Suggestions and complaints

Members will attend the general meetings at which they will have the opportunity to make suggestions, and sometimes complaints, concerning the affairs of their society. However, members might also have suggestions, or complaints, requiring urgent attention during the course of trading with the society. Members can discuss these with the manager. Alternatively, a book for the use of members could be kept in a prominent part of the store. Such a *suggestion book* could be used by the members having suggestions, or complaints (*see S11*). The manager can then take the appropriate action on these.

The manual should indicate the procedure to be followed when suggestions or complaints are received from members.

### 3.8 Loans to members

Provision should be made in the operating manuals of multipurpose societies for the procedures to be followed in providing loans to members, if these are granted. It could be that most of the members of these types of societies are subsistence farmers. To increase their monetary income and improve their standard of living they need to increase production. The agricultural advisers will encourage the use of farm inputs, such as selected seeds and fertiliser.

The members may need loans to finance the purchase of inputs and to carry them over the period between planting and the receipt of the income from the sale of produce. The society could encourage them to build up their own funds by saving some of their income from the sale of produce, in their share or deposit accounts. However, the need for loans would remain.

The procedures operating within a society depend upon the source of loans to members. In some cases a society could act as an agent for some central or district agricultural financing organisation and only be involved in sending completed loan application forms from members direct to this organisation.

However, because of the personal contact and involvement of members with their own society a more typical situation is that the society obtains a block loan and in turn provides loans to approved members. In this case the operating manual needs to provide for the following, in line with the by-laws of the society and any conditions made by the body advancing the block loan:

- Loan application procedure and forms (*see S12*)
- Considerations for determining whether to accept or reject applications (*see S13*)
- Loan agreement rules and forms (*see S14*)
- Authorisation of advance of loan – in farm inputs as far as possible (*see S15*).

The examples given on loans and loan procedures refer to a particular scheme in a particular country. Even if there were special conditions in this case the examples are still a useful guide.

## EXAMPLE OF RULES ON INTEREST DISTRIBUTION

RULES FOR CALCULATION AND DISTRIBUTION OF INTEREST ON SHARES

## XYZ Society

Before the final accounts and balance sheet are completed the book-keeper has to advise the committee on the rate of interest they could recommend. This *rate* is to be calculated as follows:

- 1 From the shares account in the main ledger the lowest balances during each of the 13 week periods of the financial year should be extracted.
- 2 These four balances are added together.
- 3 This total is divided by four to produce the lowest average balance on shares held throughout the year.
- 4 The amount of net surplus required to distribute an interest at the rate of 1% is calculated by dividing the lowest average balance by 100.
- 5 The amount of net surplus available to distribute the interest is then divided by the amount required to distribute a 1% interest. This produces the rate of interest which could be recommended.

*Example: \$22 available for interest*

1 Lowest balances during quarters:	\$
April 1 - June 30	420
July 1 - Sept 30	680
Oct 1 - Dec 31	340
Jan 1 - Mar 31	<u>760</u>
Total	<u><u>\$2200</u></u>

2 Total \$2200

3 Average lowest balance =  $\frac{2200}{4} = \$550$

4 Amount required for 1% interest =  $\frac{550}{100} = \$5.5$

5 Rate to be recommended =  $\frac{\text{Surplus available for interest}}{\text{Amount required to distribute 1\%}}$   
 $= \frac{22}{5.5} = 4\%$



After the annual general meeting, when the members have agreed on the rate of interest to be distributed, the *amount* of interest for each member should be calculated as follows:

- 1 The individual accounts for each member kept in the share ledger are examined one by one. The lowest balances held for each complete quarter are listed.
- 2 The balances are added.
- 3 This total is divided by four. This produces the average held for the complete year.
- 4 This average is multiplied by the rate of interest.
- 5 This total is then divided by 100 to produce the amount of interest for that member.

					\$
<i>Example</i>	1	Lowest balances	April 1 - June 30	10	
			July 1 - Sept 30	10	
			Oct 1 - Dec 31	30	
			Jan 1 - Mar 31	<u>50</u>	
	2	Total			<u><u>\$100</u></u>
	3	Average held for year $\frac{100}{4} = \$25$			
	4	$25 \times 4\% = 100$			
	5	$\frac{100}{100} = \$1$			

#### *Book-keeping entries*

The entries to the share ledger will be made when the calculation of interest for each account is completed. A list will be made of these interest entries. These will be added to produce the total interest distributed. The entries to be made into the *working ledger*, and next from the working ledger to the *main ledger* are:

*DR* surplus *CR* shares with the total interest.

The interest will be distributed to the members by credit to their share accounts. Later the members will be requested to bring in their share books for audit. The entries in these for interest should then be made.

## EXAMPLE OF SUGGESTION BOOK FOR MEMBERS

SUGGESTION BOOK

XYZ Society

<i>Date</i>	<i>Name of member</i>	<i>Suggestion or complaint</i>	<i>Reply of manager</i>	<i>Date</i>
2.4.76	J Grouch	Why is there no bread flour in stock?	The recent floods delayed delivery. This is expected next week – sorry!	3.4.76
3.4.76	I M Happy	I suggest that you sell bicycles	Thank you for your suggestion. This is being considered by the committee. I hope for some good news soon.	4.4.76

## EXAMPLE OF LOAN APPLICATION PROCEDURES AND FORMS

APPLICATIONS FOR LOANS

## XYZ Society

- 1 It is the duty of the member, who requires a loan from this society, to submit a loan application on the prescribed form. The form is attached and is self-explanatory with the exception of a few sections, for which the following clarification is given:

*Section 6*

The applicant with the assistance of the credit supervisor or agricultural extension officer gives details of the value of crops which he has sold through the society during the last three years.

*Section 7*

The applicant gives details of the inputs he used last year.

*Section 8*

Under section 8 the applicant indicates his crop programme, and estimates the inputs he requires.

*Section 9*

This will show the estimated production of the next crop season, and indicates the applicant's ability to repay the required loan.

*Section 10*

In this section the agricultural extension officer or credit supervisor gives remarks on the applicant's crop programme and the estimated production of the next season. It is important for the extension officer to check whether the crop programme is realistic or not and within the applicant's ability to achieve.

*The applications will be submitted to the committee at their next meeting. Their decision will be passed to the member by the manager.*

- 2 Loans shall be granted for seasonal agricultural productive purposes only.
- 3 The loan period is one crop season. It starts from the time of ploughing and ends at the time of crop payment.
- 4 Loans will be given in kind only.
- 5 Loans will be guaranteed by two fellow members within the same society and secured by the loanee's crop.
- 6 Member pays interest at the rate of 7.5% per annum to the society.
- 7 A minimum loan amount may be fixed by the society's committee. The maximum amount of a loan is 100% of the input needs of an individual member. This should not however, exceed 50% of the value of his produce delivered in the previous year.
- 8 Loans to any individual member should not exceed 5% of the total funds available for lending within the society.

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**LOAN APPLICATION FORM**

**XYZ CO-OPERATIVE SOCIETY LTD**

I hereby apply for a loan based on the following information:

1 My name is: ..... 2 My membership no. is: .....

3 My address is: .....

4 My national registration card no. is: .....

5 My age is: ..... years

6 Value of the crops I have sold through the society during the last three years:

year/period	number of bags sold			value in \$
	maize	groundnuts	others	
a 19 .....				
b 19 .....				
c 19 .....				
d Total sold during the last three years (a + b + c)				
e Average sold during the last three years $\frac{(d)}{3}$				

7 Inputs used last year:

input	1 quantity/units	2 price per unit	value in \$ (1 x 2)
Seed	kg		
Basal fertilizer	pockets		
Topdress fertilizer	pockets		
Chemicals	kg		
Ox/tractor hire	hours		
<b>Total value:</b>			

8 Details of my crop programme for the next season:

name of crop	hectares	inputs needed in units and \$								total input costs \$	
		seeds	fertilizer				chemicals		ox/tractor hire		
			basal		topdress						
		kg	\$	pckt	\$	pckt	\$	kg	\$		hours
Total											

9 My expected production from the above crop programme:

name of crop	1 hectares	2 bags/ha	3 total harvest in bags (1x2)	4 price per bag	5 total value in \$ (3x4)
	x	=	x	=	
	x	=	x	=	
	x	=	x	=	
<u>Added totals in \$:</u>					

10 Conditions fulfilled:

	yes	no
a I have cleared the land properly .....		
b I have winterploughed the fields .....		
c I have used the recommended planting space .....		
d I have done the weeding well .....		
e I have followed pest control recommendations .....		
f I have practised crop rotation .....		
g I have attended a one-day course arranged by agriculture dept .....		

Credit supervisor's comments: .....

.....

.....

11 I have the following other loans:

I have borrowed from	I have used the loan for	amount in \$	date for repayment

12 I offer the yield from the above crop programme as a security for this loan.  
 Moreover the following members of this society have agreed to guarantee the repayment.

Guarantor's name: ..... Member no .....

Guarantor's name: ..... Member no .....

13 Final application

To be filled by the Society

1 the loan asked for			2 credit supervisor's recommendations		3 the board's decision	
item	quantity	value \$	quantity	value \$	quantity	value \$
Seed	kg		kg		kg	
Basal	pckt		pckt		pckt	
Topdress fertilizer	pckt		pckt		pckt	
Chemicals	kg		kg		kg	
Ox/tractor hire	hours		hours		hours	

            
            
 Total \$

            
            
 Total \$

            
            
 Total \$

Comments to the committee's decision:

.....  
 .....  
 .....

14 .....  
 My signature

15 ...../ ..... 19.....  
 Today's date

.....  
 Chairman's signature

.....  
 Society manager's signature

**EXAMPLE OF MEMO ON ACCEPTANCE OF LOAN APPLICATIONS**

---

Considerations for determining acceptance or rejection of loan applications

XYZ Society

An applicant must:

- (a) be a member;
- (b) be creditworthy;
- (c) be able to repay other loans;
- (d) have a right to the land the loan is applied for;
- (e) be at least 16 years old;
- (f) be well known to the committee members;
- (g) be loyal to the society and deliver his produce to the society;
- (h) attend the agricultural department's one-day course;
- (i) agree to follow the production advice obtained from the credit supervisor or agricultural extension officer.

## EXAMPLE OF LOAN AGREEMENT RULES AND FORMS

Loan agreements: XYZ Society

The loan agreement, a copy of which is attached, shall be signed by three different categories of people:

- the borrower
- the guarantors and
- the witnesses.

None of those can act in a dual capacity on the same loan agreement. The borrower alone has got the right to receive the loan. He also has the responsibility for utilising the loan in the way indicated in the loan application. He has sole responsibility for repayment of the loan as long as he is capable of doing so.

The guarantors are responsible for repayment of the loan only if the borrower has failed to repay. Please note that the borrower does not have to be declared bankrupt, but the mere fact that he has not paid his loan, when due, constitutes the right for the society to turn to the guarantors for repayment.

The witnesses have got no other responsibility than to certify that the persons, who signed as a borrower or as guarantors, are the ones, whose names appear in the loan agreement. They also certify that they have explained the contents of the agreement to the borrower and guarantors in a language they understand.

A witness should not be a member of the committee or the manager of the society.

From a practical point of view, it is advisable to call all loanees and their guarantors to the society at a certain date for signing the loan agreements. The society manager could then explain to all loanees and guarantors at the same time the responsibility they undertake by signing the loan agreement.

After the agreement has been signed it will be safely filed at the office of the society. The *advance of loan* form will be prepared in triplicate. The top copy is issued to the member, the middle copy is sent to the market supervisor concerned and the bottom copy remains at the office.



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LOAN AGREEMENT

AGREEMENT NUMBER: .....

BLOCK CREDIT SCHEME

MEMBERSHIP NUMBER: .....

- 1 I ..... agree to receive as a loan from .....  
(name in block letters)  
Co-operative Society Ltd. the sum of \$..... (.....)  
(in words)
- 2 The purpose of the loan is to finance the farm inputs for the crop  
season 19...../19.....
- 3 I agree to repay this loan by ...../..... 19....., together with interest  
and the rate of .....% a year. Thus the total of the principal \$.....  
and the interest \$..... will be \$.....
- 4 If I fail to repay by the above date, I agree to pay 10% interest a year till  
the whole amount is repaid.
- 5 I agree to deliver to the society all my produce in which the society is  
dealing.
- 6 This loan plus the interest as well as any old loan owed by me to the society  
may be repaid by deductions from any payments due to me by the society.
- 7 I confirm that the meaning of this loan agreement has been explained to  
me in ..... and that I have understood it and that I  
(language)  
accept the conditions of the agreement.
- 8 Date: .....
- 9 Signature: .....
- 10 Guarantors: We, the undersigned, agree to be jointly responsible for repaying  
the total amount due to the society by the borrower, if he fails to repay  
within the time the loan becomes due and repayable.
- 11 Date:..... Date: .....
- 12 Signature: ..... Signature: .....
- Name: ..... Name: .....  
(In block letters) (In block letters)
- 13 Witnesses: We certify that the meaning of this loan agreement and this  
guarantee has been explained by us to the borrower and the guarantors  
in ..... and that they have understood it and have  
(language)  
signed the loan agreement and the guarantee themselves.  
Signature: ..... Signature: .....  
Name: ..... Name: .....  
(In block letters) (In block letters)

14 Signed on behalf of the Society ..... Society stamp

Date: ..... Chairman's signature

..... Society Manager's signature

## EXAMPLE OF AUTHORISATION OF ADVANCE OF LOANS

ADVANCE OF LOAN      No .....

- 1 From: ..... Co-operative Society Ltd
- 2 To: Mr/Mrs/Miss .....
- 3 Address: .....
- 4 Membership number: .....
- 5 National registration card number: .....
- 6 We hereby authorise you to receive the following from our society:

item	loan granted		loan received			
	total units	total value	units	value	date	signature
Seed	kg	\$	kg	\$		
Basal fertilizer	pkt	\$	pkt	\$		
T/D fertilizer	pkt	\$	pkt	\$		
Chemicals	kg	\$	kg	\$		
Ox/tractor hire	h	\$	h	\$		
Total		\$		\$		

- 7 This authorisation is valid until ....., ..... 19.....
- 8 Note: This copy should be taken by you to the society market place and the inputs collected by the above date.
- 9 Date issued: ..... 19 .....

.....  
Chairman's signature

.....  
Society manager's signature

# Book-keeping

4.1	Book-keeping manual	<i>page</i> 49
4.2	Systems	49
4.3	Controls	50
4.4	Final accounts and audits	50

# 4 Book-keeping

Book-keeping is the discipline of correctly recording the financial transactions of a business so that its true state can be readily revealed. An efficient book-keeping system, properly operated, is an aid to management. This section should include a copy of the book-keeping manual in which Systems, Controls and Final accounts and Audit preparations should be explained. Each of these are discussed below:

## 4.1 Book-keeping manual

The law and the by-laws will indicate the books and records which will be required to be kept in the society. The actual book-keeping system will depend upon local needs and conditions. However, whatever the system the following essential information should be revealed without undue delay and expense:

- a How much the society owes. These are the funds being used and are the *liabilities* of the society.
- b How much the society owns. These are the uses being made of the funds and are the *assets*.
- c Whether the society has *financial stability* and is able to pay its debts as they are demanded.
- d Whether the society is operating efficiently by covering *expenditure* from *income* and earning a *net surplus*.

The book-keeping system adopted by the society should be contained in a *book-keeping manual*. A copy of this should form part of the operating manual in use in the society. An example is not included in this guide because that would be outside the scope of this publication. Readers from societies which do not have an adopted system are recommended to obtain copies of book-keeping and accounting manuals available from CEMAS (see page ii of this guide). These manuals outline a system of book-keeping in which the traditional cash book and journals are replaced by a working ledger kept in a columnar form. Readers may find that this system could meet the particular requirements of their society.

## 4.2 Systems

The procedures for the recording of all types of financial transactions involving the society should be shown in the society's book-keeping manual. The financial transactions of the society will be recorded by the use of forms and receipts. From these original records the ledgers will be posted. These ledgers will be balanced at frequent intervals so that information essential to the proper managerial direction and control of the society is revealed. The activities of the society will determine the best system with which to record and help control these activities.

### 4.3 Controls

The information which should be obtained from the book-keeping records for the use of management include:

- a Trial balances showing the balances of all accounts at the end of every month
- b Details and statistics on the income, expenditure and surplus
- c Details of payments due and funds available
- d Stock levels
- e Actual results to be compared with forecasts in the budget.

The books should be kept up to date so that information can be quickly extracted and used.

### 4.4 Final accounts and audits

The book-keeping manual in use should indicate the procedures to be followed for the prompt preparation of the final accounts and balance sheet, ready for audit and presentation to the members. A typical work programme for this preparation could be as follows:

*Two weeks before the end of financial year*

- Arrange stock taking
- Arrange dates for audit.

*Last day of financial year*

- Count, list and value unsold stocks for re-sale
- Check inventories of property including fixtures
- Count and check all cash on hand
- Rule off goods received books.

*During first two weeks of new financial year*

- Prepare bank reconciliation statement
- Check suppliers' statements
- Calculate adjustments (expenses, purchases, depreciation)
- Close books and balance
- Prepare trial balance.

*During third and fourth weeks of new financial year*

- Total and list members' trade with society
- Draft final accounts and balance sheet
- Draft annual report.

*During fifth and sixth weeks of new financial year*

- Audit undertaken and completed
- Pass-books of members checked by auditors
- Committee considers draft and decides on presentation of annual report and accounts.

*During seventh and eighth weeks of new financial year*

- Annual report and accounts duplicated or printed
- Notice given of annual general meeting.

*During the next four weeks*

- Annual reports and accounts distributed to members
- Annual general meeting held
- Report on the meeting given to newspapers or radio as a news item.

*Within two weeks of annual general meeting*

- Surplus allocated as resolved by members
- Interest and bonus calculated and distributed.

# Budgets

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# 5 Budgets

The annual budget is a forecast of what the committee hopes to achieve from its management of the society. During the year the actual results achieved can be measured against the forecasted results and any variances will reveal the need for managerial action. The operating manual should provide for the Operating budget, Cash budget and Comparisons and controls. Each of these is discussed below. Budgeting consumer societies and Budgeting in multipurpose co-operative societies are also discussed.

## 5.1 Operating budget

The operating budget is prepared as part one of the annual budget. This part contains the estimated income and expenditure of the year to which the budget relates. Each activity and section of the society would be separately considered and their contribution to the overall results would be forecasted. These forecasts would be based on past performances and probable future circumstances. The operating budget should contain realistic projections of income and levels of expenditure. The committee would be responsible for the presentation of the budget to the members but the manager would undertake most of the preparation of the budget. This should be undertaken and completed, as far as possible, before the start of the financial period to which the budget relates. Generally, the period for which the budget is prepared is a complete financial year. However, to provide for comparisons to be made between actual results and forecasted results, the estimates for each month, or quarter, making up the complete year, could be separately shown.

The operating manual should contain rules to be followed in the preparation of the budget, plus a copy of the current budget.

## 5.2 Cash budget

The cash budget forms part two of the annual budget. It should be related to the operating budget to show the financing of the activities forecasted. It would contain forecasts of the flow of cash into and out of the society. These could reveal periods when it will be necessary to seek further funds to finance the forecasted activities or when funds not being used may need to be invested (*see S16*). This part of the annual budget is usually prepared, and controlled, for short periods within the financial year, – every month or every quarter.

## 5.3 Comparisons and controls

Details of the financial transactions should be posted up to date in the books and ledgers of the society. At the end of every month the books and ledgers should be ruled off and balances extracted on a trial balance. At the end of every quarter, this information could then be used to prepare interim accounts to be compared with the forecasts made within the budget. Variances would be revealed and the reasons for these could be ascertained and examined. The budget for the remaining part of the financial year might then have to be changed in the light of actual conditions. Where defects in the operations of the society were revealed appropriate managerial action would be taken to correct these.

Within the budget, target levels of performance would have been set. The actual performance of the activities of the society would be compared as they were revealed. These targets and comparisons could include:

- Trade:* For each member and each employee
- Gross surplus:* Comparisons with gross surplus anticipated from the mark-ups used
- Expenses:* Comparisons with targets set as percentages of trade
- Net surplus:* Targets set to enable provisions to be made
- Stocks:* Target stock levels based on trade
- Cash flows:* Funds available to meet debts.

The operating manual should contain details of the targets set within the society.

#### **5.4 Budgeting in consumer co-operative societies**

The Operating budget for a consumer society could be prepared in the way shown on S17. This operating budget is compiled on a quarterly basis. The forecasts are accumulated into *totals to date* for months 1-3, 1-6, 1-9 and 1-12 of the financial year. The books of account are balanced monthly. At the end of every three months interim accounts are prepared and the actual results revealed are compared with the forecasts.

A *cash budget* would be prepared on a form to indicate the sources of the finance for the forecasted operations. This would be similar to the form shown on S16.

The following matters should be considered when preparing an operating budget. Notes similar to those below could be included in the society operating manual as a guide for the manager.

##### *Efficiency and net surplus*

A co-operative consumer society is a business enterprise which has to pay its own way and so has to be efficient. All targets must be considered while keeping in mind the need to make a net surplus.

##### *Income*

The sales provide the biggest income to the society. It is therefore the very first item to estimate in budgeting. The following questions should be considered:

- 1 What part of the total sales in your area do you obtain?
- 2 Are all the members active? If not, why not?
- 3 Has the population in your area gone up? If so, did you get your share of the new trade?
- 4 Was there an increase on last year's sales? Was the increase big enough?
- 5 Are societies similar to yours doing better? Why?
- 6 Is it possible to improve the customer service in such a way that it will attract more sales?

### *Gross surplus*

Gross surplus is the main income from which expenses have to be covered. It is earned by marking-up (pricing) the goods we are selling. The most important questions to be considered are:

- 1 What gross surplus should our pricing provide?
- 2 What was it last year?
- 3 What are the societies similar to us earning?
- 4 Was the gross surplus high enough to cover all expenses? If not, why not?
- 5 Is it possible to improve the gross surplus and how?

### *Expenses*

Societies have two kinds of expenses: cash and non-cash. Cash expenses are the expenses which the society has to pay to outsiders, – wages, interest, rent, and so on. Non-cash expenses are depreciations and are internal transactions. A common way to group cash expenses is:

- Wages
- Rent
- Interest
- Other (electricity, water, cleaning, stationery, etc).

If any of these expenses form a substantial group they should be shown under a separate heading.

### *Wages*

Questions for consideration in estimating *wages* are:

- 1 What were the wages as a percentage of sales last year?
- 2 How were they in societies similar to us?
- 3 What were the sales per employee last year?
- 4 Is it possible to improve work efficiency in the shop, and how?
- 5 If the wages were too high compared to sales or gross surplus last year, how to improve them?
- 6 What proportion of the gross surplus can be used for the wages?

### *Rent*

Rent is usually fixed by an agreement between the tenant and the landlord and so the rent is a fixed expense, but even so it must be evaluated.

Questions for consideration:

- 1 Is the rented building used properly trying to get the highest possible sales out of it?
- 2 What are the sales per square metre? Is it possible to increase it? Is it possible to make the same sales using smaller buildings?

Where the premises are owned by the society, all expenses concerning the premises can be shown under a separate heading *Property expenses*.

### *Interest*

Societies are paying interest for the loans and at times to creditors for exceeding credit limits. Where interest expenses are a major item they should be grouped separately.

Questions for consideration:

- 1 What are the society's liabilities?
- 2 What are the assets in which the society's money is invested?
- 3 If the society is in debt, are the loans the cheapest possible?
- 4 If the society has surplus money, is the money invested in a profitable way?

### *Other expenses*

Other expenses should be analysed and estimated.

Questions for consideration:

- 1 What were other expenses last year?
- 2 Were they too much?
- 3 Is it possible to control and train the staff to save on these other expenses?

### *Depreciations*

Depreciations are non-cash expenses. Briefly, it means that the book value of fixed assets including buildings and fixtures, owned by the society, is reduced yearly taking into consideration the average useful life of the property (eg buildings 10% and fixtures 20% in a year).

Questions for consideration are:

- 1 What percentages are used at present for depreciating?
- 2 Is there any plan to obtain more fixed assets and if so, is it possible to depreciate them, still making a net surplus?
- 3 Are the buildings and fixtures used in such a way that they last as long as possible?
- 4 Do the buildings and fixtures need any improvements or repairs during the year? If so, does it increase the value of the fixed assets or not?

### *Net surplus or net loss*

After estimating all the expenses and income it is easy to see the estimated net surplus or loss. Subtract the expenses from the gross surplus to obtain the net surplus. But if the expenses are bigger than the gross surplus subtract the gross surplus from the total expenses. This will give a net loss.

Questions for consideration are:

- 1 If the result is a net loss, how can targets be changed so that a net surplus would be achieved? What steps should be taken?
- 2 If the result is a net surplus, is it big enough or too big? How is it in societies similar to yours?

### *Responsibilities of the manager*

- 1 Prepare the budget
- 2 Explain it to the committee
- 3 Follow the budget as far as possible.

### 5.5 Budgeting in multipurpose co-operative societies

The forms shown on S16, S18, S19 could be used in the operating manual of a multipurpose agricultural co-operative society. The income in this type of society is earned from several sources. Therefore separate forecasts are required to be made of the commissions on the sale of produce from members and the income from the sale of farm inputs, or consumer goods, to members. The operating budget has been prepared for a whole financial year. In view of the variation of the activities of this type of society as the seasons change, comparisons between actual and forecasted results should preferably be made after the end of each season, ie after planting and after harvesting (*see S18 and 19*). (Some of the matters outlined under 5.4 also apply to multipurpose society budgets.)

A *cash budget* is prepared to indicate the source of funds required to finance the forecasted operations. In this type of society particular attention would be given to the forecasts of cash flow, in view of the delay between the expenses of planting and the income from harvested produce (*see S16*).

## EXAMPLE OF FORM FOR CASH BUDGET

XYZ Multipurpose Co-operative Society CASH BUDGET for a period ending .....		
	Budget \$	Actual \$
<i>Funds available brought forward:</i>		
Cash in hand		
Cash at bank		
Short term investments		
Total		
<i>Add:</i>		
Contributions – shares		
deposits		
Trade income (sales etc)		
Produce proceeds received		
Investments withdrawn		
Loans to society		
Members' loan repayments		
TOTALS (1)		
<i>Less:</i>		
Withdrawals – shares		
deposits		
Payments to suppliers		
Produce payments to members		
Cash expenses		
Capital expenditure (new fixed assets)		
Investments deposited		
Society loans repaid		
Members' loans advanced		
TOTALS (2)		
<i>Funds available carried forward (1) minus (2)</i>		

EXAMPLE OF OPERATING BUDGET FORM

OPERATING BUDGET FORM FOR XYZ CONSUMER CO-OPERATIVE SOCIETY  
for financial year ending .....

Detail	Months 1 to 3		Months 1 to 6		Months 1 to 9		Months 1 to 12		Actual Last year	
	Budget \$	Actual %	Budget \$	Actual %	Budget \$	Actual %	Budget \$	Actual %	\$	%
Income: Sales	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1 Gross surplus										
Expenses:										
Wages										
Rent (or property)										
Interest										
Other expenses										
Total cash expenses										
Depreciation										
2 Total expenses										
Net trading surplus (1 - 2)										





## EXAMPLE OF FORM FOR OPERATING BUDGET

XYZ Multipurpose Co-operative Society ANNUAL OPERATING BUDGET for financial year ending .....		
	Budget \$	Actual \$
<b>INCOME</b>		
<i>Commissions:</i>		
number of bags x rate per bag		
Maize		
Groundnuts		
Other		
<b>TOTALS</b>		
<i>Gross surplus:</i>		
amount of sales x rate of gross surplus		
Fertilizer		
Seeds		
Other		
<b>TOTALS</b>		
<b>TOTAL INCOME</b>		
<b>LESS EXPENDITURE</b>		
<i>Wages: Manager</i>		
Other staff		
Property expenses		
Other expenses		
<i>Depreciation:</i>		
Land and buildings		
Fixtures and fittings		
Equipment		
<b>TOTAL EXPENDITURE</b>		
<b>BALANCE NET SURPLUS</b>		
<b>ALLOCATIONS OF NET SURPLUS</b>		
Reserve fund		
Education fund		
Interest on shares		
Bonus on trade		
<b>BALANCE CARRIED FORWARD</b>		

# Fixed assets

6.1	Inventory and depreciation record	<i>page</i> 67
6.2	Insurance	67
6.3	Use of buildings and equipment	67
6.4	Care of fixed assets	68

# 6 Fixed assets

To provide the goods and services required by the members, the society needs buildings, and such assets as scales, counters, shelves, office table and chairs, a filing cabinet, a safe and a cash register. These are the fixed assets of the business. They are the assets held to help the society earn income and are not held for the purpose of resale. These assets will not all be needed to start the business but will be acquired as the trade expands. An operating manual should contain details of the Inventory and depreciation record, Insurance, Use of buildings and equipment and Care of fixed assets. Each of these is discussed below.

## 6.1 Inventory and depreciation record

The operating manual should contain a copy of the inventory of the fixed assets. The inventory lists the fixed assets showing their details and date of purchase. Details of the purchase or disposal of fixed assets would be posted from the book-keeping records of the society to this inventory. From time to time during the financial year the manager should check the physical fixed assets against their details in the inventory. S20 shows a fixed assets inventory combined with a schedule of depreciation. This inventory could also be kept on a card system with a separate card for each item. A summary of the cards could be kept in the operating manual.

Depreciation means the internal charges which are made in the accounts of the society in order to allocate the purchase price of a fixed asset over its years of useful working life. The methods and annual rates of depreciation used in a society should be described in the *book-keeping manual*.

## 6.2 Insurance

The property of the society, including the cash and stocks of goods, runs the risk of being destroyed or damaged. By paying premiums to insurance companies for insurance policies some of these risks can be covered. The operating manual should contain a schedule of insurance policies held by the society together with details of the procedure to be followed and the forms to be used in the event of a claim. These policies should be reviewed at least once a year, when their premiums are due, to ensure that the present day replacement value of the assets is covered, rather than their original cost.

## 6.3 Use of buildings and equipment

The fixed assets represent funds of the society and should be used carefully and efficiently. In the case of the buildings, maximum use should be made of the space available. In consumer stores the layouts should be planned to achieve maximum sales. An example of rules for shop layout in consumer shops is shown in S21. In multipurpose society buildings the layouts should provide for the maximum storage and protection of the farm inputs and produce (*see S37*). The details of the legal requirements on public safety and health should also be kept in this section of the operating manual.

The procedures recommended by the manufacturers for the use and maintenance of equipment in the society should be followed. Such recommendations should be kept in the operating manual.

#### **6.4 Care of fixed assets**

Instructions in the operating manual should provide for the regular inspection and repair of the fixed assets by the manager. Wear and tear should be reported to the committee and prompt action taken to correct any defects. In particular attention must be given to the buildings before any rainy season begins. The building, floors and equipment should be kept clean to help control pests. The scales should be checked as often as possible. Any laws or instructions from the Office of Weights and Measures should be followed and copies of these should be kept in the operating manual.

The instructions from the committee on care and security of property should be kept in this part of the operating manual. These instructions will include rules for securing the building at the close of business each working day.

Cash and books, for example, should be secure in the safe and all doors should be locked. Water taps and lights must be turned off.

EXAMPLE OF INVENTORY AND DEPRECIATION RECORD

FIXED ASSETS – INVENTORY AND SCHEDULE OF DEPRECIATION										
XYZ Society										
date bought	details	COST			DEPRECIATION			BOOK VALUE		
		brought forward	+ this year	– sold or written off	carried forward	brought forward	+ this year	– written off	carried forward	carried forward
	<u>LAND &amp; BUILDINGS</u>									
	Land									
	Store									
	Office									
	TOTAL 1									
	<u>FIXTURES &amp; FITTINGS</u>									
	Shelves									
	Furniture									
	Safe									
	TOTAL 2									
	<u>EQUIPMENT</u>									
	Scale									
	TOTAL 3									
	TOTAL FIXED ASSETS (1 + 2 + 3)									

## EXAMPLE OF RULES FOR SHOP LAYOUT

### GUIDANCE ON SHOP LAYOUT IN CONSUMER SHOPS

Issued by: XYZ Co-operative Union

- 1 Shop layout is the arrangement of fixtures, equipment and merchandise within the store.

#### *Aims of shop layout*

- The layout must provide for convenient service to the customers.
- It must help in increasing sales, thereby increasing surplus.
- It must facilitate rational working operations and make work convenient.

- 2 *Planning shop layout*

Assuming that a building is ready and sufficient space is available, the first task is to estimate the space for the selling area, reserve store, office, etc.

Where long distances are involved, causing transport problems at times, the recommended ratio is 60% of the total space for the selling area and 40% for the rest.

- 3 *Counter service*

A layout for a *counter service* shop is normally quite simple. It is important to remember that articles are grouped properly. Non-food and food-lines must be separated and both lines grouped in such a way that related articles are near each other. In order to achieve a good work efficiency fast-selling items should be close to the customers, and the counter about one metre from the shelves. A place for the cash register should be arranged in such a way that a kind of natural way-in and way-out will be achieved.

- 4 *Self-service*

A layout for a *self-service* shop or supermarket needs careful planning.

Normally it needs to be done by a specialist. Many fixture-making companies have a layout service which may be used in the case of supermarkets. In a self-service shop or supermarket:

- Groups of similar articles should be displayed together (eg bread, cakes in the same place).

- Cash check-outs should not render customers' movements difficult but, on the other hand, they should be located in such a way that customers are able to go out only through cash check-outs.
- Selling display is very important. Customers see most easily the goods which are a little below eye-level. Therefore vertical display tends to facilitate sales.
- Goods should be arranged in such a way that customers are compelled to move round all, or at least most, of the gondolas. It means that everyday articles should be located all around the supermarket.
- Mass goods should be located in the places where goods can be moved easily and so save labour expenses.

##### 5 *Where to get help*

Planning the shop layout is so important that it is advisable to seek the help of a specialist on shop layout wherever possible. Your co-operative union or co-operative officers will help you to obtain the best advice available.

# Purchases

7.1	Consumer co-operative societies	<i>page</i> 73
7.2	Multipurpose co-operative societies	74



# 7 Purchases

The consumer society sells consumer goods to members. The multipurpose society sells farm inputs and sometimes consumer goods. It assists the members to obtain the best prices for their produce. The operating manual should contain details of the procedures for ordering, receiving and storing items for resale and the produce of members. Examples are shown of the procedures which could be in operation in two types of societies – Consumer co-operative societies and Multipurpose co-operative societies. Each is discussed below.

## 7.1 Consumer co-operative societies

Purchasing of goods is by far the most important function of a consumer co-operative society. It is a specialised activity and it should be done with careful planning and by an experienced person. Within a co-operative movement the societies could join together within a union to consolidate their purchasing power to obtain the advantages of bulk buying.

*The buyer must know:*

- The requirements of the customers
- The demand at a given time/season
- The normal sales
- The quantity and the price range demanded by the customers
- The suppliers
- How to bargain and negotiate
- The funds available for purchases.

*Goods wanted book*

The purpose of the *goods wanted book* (see S22) is to serve as a notebook for the items that are to be ordered. The manager should train assistants to mark items in the goods wanted book when the stock has gone down to a certain level which can be called the *alarm limit*. We can say that goods have reached the *alarm limit* when there is just sufficient stock to cover customers' demands until the new stock arrives.

*Ordering goods*

Any procedures established by the Union should be followed. The following sections outline the basic steps of any purchasing system.

Where goods are ordered by the society the order is made out in duplicate and signed by the manager on the printed *order forms* used by the society (see S22). When the manager has completed and signed the form, the top copy is sent to the supplier and the bottom copy retained in the society.

### *Receipt of goods*

All goods should be received at the rear entrance of the store. They must be fully checked against the delivery note which is sent by the supplier with the goods, and with the bottom copy of the order from the society. Immediately the goods are accepted their details are entered into a *goods received book* (see S22).

When the invoice is received from the supplier it is checked against the entry in the goods received book. After acceptance of the invoice the manager enters the invoice number, and the date of posting into the accounting records of the society, against the entry in the goods received book.

Where, a *credit* is due because of damages, short delivery or incorrect pricing, it should be claimed from the supplier immediately.

### *Storage of goods*

In the retail business, goods should not be stocked for long periods. Quick selling items should ideally form the bulk of the goods handled. During storage the goods are at risk; there may be leakages and losses. Many such risks can be minimized by giving attention to the following when storing goods:

- Good order
- Cleanliness
- Protection from direct sunshine and heat
- Protection against rain and moisture
- The rule: 'First in – First out'
- Keeping rats, pests, insects out of store
- Careful handling of goods
- Removing broken and decayed items and other rubbish out of the store
- Keeping the store room closed and under strict control against thieves.

## **7.2 Multipurpose co-operative societies**

In these societies, with many different activities, it is convenient to present parts of the operating manual according to the method outlined below:

- a A separate section of the manual will be provided for each type of business operation (see S23 *Purchase of produce* and S24 *Purchase of farm inputs*).
- b The separate activities within each business operation will be outlined.
- c These outlines will include the action to be taken and will indicate when the action has to be taken.
- d The staff can then refer to the appropriate pages within the manual, as particular business operations occur, by using the index to be kept at the front of the operating manual.

## EXAMPLE OF GOODS WANTED BOOK AND AN ORDER FORM

GOODS WANTED BOOK XYZ SOCIETY

page no

date	description of goods	alarm limit	actual stock	order number	date ordered

ORDER FORM XYZ SOCIETY

<i>From:</i> XYZ Co-operative Society Ltd	<i>To:</i> <u>Supplier</u>		
<u>Address</u>	<u>Address</u>		
<p>ORDER FOR GOODS    NO .....</p> <p>Please deliver the following as soon as possible</p> <p>to: <u>address (as above or a branch)</u></p> <p>.....</p>			
number of units	description	your catalogue number	catalogue/order list cost price
<p>Signed: ..... (Manager) ...</p> <p>date: .....</p>			

# EXAMPLE OF GOODS RECEIVED BOOK

GOODS RECEIVED BOOK XYZ SOCIETY

Page no .....

date received	name of supplier	delivery note number	quantity & description of goods	total cost price	total selling price	invoice no and date

EXAMPLES OF RULES FOR BUSINESS OPERATIONS IN A  
MULTIPURPOSE SOCIETY

BUSINESS OPERATION : PURCHASE OF PRODUCE

XYZ Society

Activities:

- 1 Estimate of harvest
- 2 Ordering of marketing requirements
- 3 Weighing and grading
- 4 Acceptance of produce
- 5 Storage

---

1 Activity *Estimate of harvest*

Action required

The manager and his staff, in collaboration with the agricultural officers of the area, should visit each member so that individual estimates can be made of their produce.

These estimates should include:

- hectares of each crop
- expected total yield of each crop.

From the estimates made for each member, the total estimated produce likely to be marketed through the society can be ascertained. These totals should be compared with earlier harvests.

Totals should be available at least one month before expected harvesting.

Harvest estimate form to be completed (see page 80).

---

2 Activity *Ordering of marketing requirements*

Action required

The manager of the society orders the following, based on the estimates made

of the produce to be marketed through the society – sacks, twine, needles, stationery to record the operations' and provides for the servicing and checking of scales.

Orders sent to suppliers so that the requirements are available before the crop is to be harvested.

---

### 3 Activity *Weighing and grading of produce*

Action required

Delivery Members deliver their produce to the warehouse or collecting places of the society. Produce should be in sacks purchased from the society or provided by the members.

Grading The manager should have written grading instructions obtained from the buyer, or agricultural officers, and accepted by the committee. Produce should be graded in line with these written standards.

Weighing Each bag of produce should be weighed and all bags should weigh the same eg 90 kg.

Stitching The bags should be stitched up by the staff of the society.

Marking Where different crops, or grades of the same crop, are being accepted the bags should be marked for sorting purposes.

Collection Produce accepted away from the warehouse should be collected as soon as possible.

Stacking Each group of produce should be stacked separately in easily countable stacks.

As soon as the crops are harvested on days agreed by the committee and notified to the members.

---

### 4 Activity *Acceptance of produce by the society*

Action required

After the produce has been graded, weighed and accepted, the member is issued with a numbered receipt which shows:

- Name of member and share number
- Description, grade and number of bags produced.

In such cases where the whole payment, or a part payment, for the produce is made on acceptance, the receipt will also show the unit value of the bags and the amount of cash paid to the member. The receipt for the produce will be signed on behalf of the society. If cash is paid, the member will also sign the receipt for the cash.

Receipts for the produce will be issued by the society when the produce is accepted. Receipts for cash paid to members will be obtained by the society when the cash is paid.

---

## 5 Activity *Storage*

### Action required

The manager and staff should clean and repair the warehouse. The bags of produce should be sorted, and different crops and grades be separately stacked. The bags should be stacked in countable piles on platforms or racks for easy checking, control and issue. The warehouse should be kept clean and the staff should use suitable insecticides against pests.

As produce is accepted into the warehouse the details should be entered on the produce stock control cards (see page 95). Insurance cover should be arranged.

During the marketing season.

---





EXAMPLE OF RULES FOR BUSINESS OPERATION IN A  
MULTIPURPOSE SOCIETY

BUSINESS OPERATION : PURCHASE OF FARM INPUTS

XYZ Society

Activities:

- 1 Estimates of quantities required and order
- 2 Receipt of inputs
- 3 Storage

---

1 Activity *Estimates of quantities required and order*

Action to be taken

Manager and staff visit members to discuss their requirements and to take orders. Members can also hand in their orders when visiting the premises of the society. When large items are ordered the member should be required to pay a cash deposit.

The manager decides on the final order. He then sends a written order signed by him to the supplier.

Seeds and fertilizer should be ordered to be available before the planting seasons. Other orders to be made as required.

---

2 Activity *Receipt of inputs*

Action to be taken

As items are received they should be checked against the retained copy of the order and with the delivery note, as to quantity, quality and price.

When the items are accepted, details of their delivery would be entered into a *goods received book*. After the items have been stacked in the warehouse, their details should be entered into the *farm inputs stock control cards* (see page 95).

Immediately when items are received by the society.

---

### 3 Activity *Storage*

Action to be taken

Separate parts of the warehouse should be prepared for each type of input. Bags should be neatly stacked in regular piles for ease of counting. The place must be kept clean and free from insects and vermin. Seeds or fertilizer spilled from broken bags should be swept up immediately and be cleaned, bagged up and weighed again.

As soon as received, and attended to continuously until sold.

---

# Trade

8.1 Trade planning and promotion	<i>page</i> 83
8.2 Pricing	84

# 8 Trade

The income of the society is earned from trade. The trading policies will be determined by the committee in consultation with the members and the manager.

Where the society is a member of a co-operative union the procedures, and forms, concerned with the business under this relationship should be included in the operating manual.

The operating manual should also contain provisions for Trade planning and promotions and Pricing. Each of these is discussed below.

## 8.1 Trade planning and promotion

Most consumer co-operatives could improve their performance by better *sales planning*. Instead of merely distributing goods they should be more sales-conscious and sales-orientated. Sales planning involves planning and organising the goods, staff, funds and other resources so that the right goods arrive:

- in the right place
- at the right time
- at the right price.

Sales planning also includes sales promotions.

In the *multipurpose society* sales planning is more dependent on obtaining direct information from the members on their input needs and estimates of their produce.

A *sales plan* should be made at least every half-year for the months of the following half-year. Every month the plan should be checked and any alterations made. The sales plan should contain at least one special item each week to improve sales (*see S25*). Planning for trade in a *multipurpose society*, as previously indicated, will be related to estimates of the harvest and the farm inputs required. Any sales plan prepared should be kept in the operating manual so that the manager can organise the resources involved in line with the plan.

If the sales plan is made early enough it enables the necessary preparations to be made in time. Details of these should be included in the operating manual (*see S26*). They could include the following:

- Make proper adverts and displays
- Advise staff members of the campaign
- Ensure that there are regular daily shop routines.

## 8.2 Pricing

### *Pricing policy*

The pricing policy in a co-operative society must be based on three factors:

- Selling prices should be acceptable to customers
- All costs should be adequately covered
- The society must earn a surplus at the end of the year.

*Produce commissions* charged to members in multipurpose societies are based on similar considerations.

### *Fixing the retail price*

It is a fact that the cost price plus all the co-operative society's expenses and the net surplus needed, determine the retail price. The main way to reduce the retail-price is to reduce expenses in relation to sales. It should be remembered that no store can sell below the cost price. Nor can a co-operative society give both a low price and a high bonus.

### *Fixing the selling price*

Co-operative societies fix their selling price by using recommended mark-ups as a guide. The formula is:

$$\begin{array}{l} \text{Invoice price} + \text{Direct costs (transport, customs, insurance)} = \text{Cost price} \\ \text{Cost price} + \text{Mark-up} = \text{Retail price} \end{array}$$

The recommended mark-ups depend upon estimates made of sales, expenses and type of goods being sold. Details of the actual procedures to be followed in a society should be shown in the society operating manual (*see S27*).

### *Price marking*

After the selling prices of goods have been calculated from the invoices all articles as far as possible are individually marked. The benefits of good price marking are that it:

- Creates confidence in the society
- Makes selling work easier and quicker
- Makes sure that correct prices are used
- Helps in stock-taking
- Helps customers to choose and compare the prices
- Promotes sales
- Avoids leakage.

Instructions for price marking should be included in an operating manual (*see S28*).

## EXAMPLE OF MONTHLY SALES PLAN FOR A CONSUMER SOCIETY

## SALES PLAN FOR NOVEMBER

XYZ Society

week	special offer	means to attract customers	advertisement or poster	observations on the result
<i>1st</i> 2nd Nov	Orange squash	Save 3 cents per bottle	Poster on the window 1/11	
3rd Nov	Orange squash	Big display	Price labels on the display	
<i>2nd</i> 5th Nov	The new brand of washing powder	Big display	Poster on the window 3/11	
9th Nov		Verbal advice to customers	Price labels on the display	
<i>3rd</i> 15th Nov	Special bread	Big display	Poster on the window 15/11	
16th Nov	Special bread	Save 1 cent	Poster on the window 16/11 Price label on the display	
<i>4th</i> 21st Nov	Tea ½ kg	Big display	Poster on the window 21/11	
22nd Nov	Tea ½ kg	Save 2 cents	Poster on the window 22/11 Price label on the display	
<i>5th</i> 26th Nov	Sunlight soap	Big display Save 1 cent	Poster on the window 26/11 Price label on the display	
27th Nov - 1st Dec	Rice 2 kg	Big display Save 5 cents Advertisement in Daily News 26/11	Poster on the window 27/11 Price label on the display	

## EXAMPLE OF RULES FOR PREPARATION OF SALES PROMOTION

PREPARATIONS FOR SALES PROMOTION

## XYZ Society

After the sales plan has been prepared, the manager should order enough goods to provide for the extra sales expected. Special attention should be given to the following:

a *Adverts and displays*

Prepare posters and price labels well beforehand. In the shop, the capacity of shelves should be used properly. Storerooms are for checking goods and only sometimes for storing extra stocks. **MOST OF THE GOODS SHOULD BE IN THE SHOP WHERE CUSTOMERS CAN SEE THEM.** Mass articles such as milk powders, washing powders, toilet papers, and special offers should be displayed at the end of gondolas, round the pillars and on the floor. This can be done easily by using their original cartons.

b *Staff*

All the quiet times should be used efficiently for filling, pricing, cleaning and controlling work. For the busiest time it is generally possible to hire part-time help. If this is impossible the committee and manager should consider overtime work for the staff.

c *Daily routines*

Daily routine work should be arranged in such a way that the shop is ready to receive customers in the morning. It means that the shop should be clean, shelves full up and the staff ready to serve customers. Roughly, the daily programme should be as follows:

First jobs – Checking the shelves and filling them.

- Preparing the cash floats.
- Checking the special offers and displays.

Last jobs -- Cleaning scales, cash-registers and freezers' surfaces.

- Cleaning the floor and doors.
- Cashing up the tills.

Note: **IT IS VERY IMPORTANT THAT THE MORNING HOURS ARE USED FOR PREPARING FOR SALES AND NOT FOR CLEANING. CLEANING SHOULD BE DONE AT THE END OF EACH DAY.**

## EXAMPLE OF RULES FOR CALCULATION OF MARK-UP

### XYZ Society

#### Mark-up and gross surplus – Details of procedures

- 1 The amount of mark-up on cost is equal to the amount of gross surplus earned from the sale. However, mark-up is expressed as a percentage of the cost price, and the gross surplus is expressed as a percentage of the selling price. Therefore while the amount is the same, their percentage will be different:

Example:

	<i>Mark-up</i>		<i>Gross surplus</i>
Cost price	\$1.00	Selling price	\$1.50
+ Mark-up 50% of cost price	50	less Gross surplus	
		33 $\frac{1}{3}$ % of selling price	50
	-----		-----
= Selling price	\$1.50	= Cost price	\$1.00
	=====		=====

- 2 We can also fix a target selling price having in mind a target gross surplus.

$$\frac{\text{Cost price} \times 100}{100 - \text{Target \% of Gross surplus}} = \text{Selling price}$$

For example, if the cost price is 60 and we want a gross surplus of 20% on the selling price then the selling price =

$$\frac{60 \times 100}{(100 - 20)} = 75$$

- 3 In practice, calculations can be done very quickly in the way described below:

To get a gross surplus of 20% the cost price is multiplied by  $\frac{100}{(100 - 20)} = 1.25$

To get a gross surplus of 15% the cost price is multiplied by  $\frac{100}{(100 - 15)} = 1.18$

To get a gross surplus of 18% the cost price is multiplied by  $\frac{100}{(100 - 18)} = 1.22$

To get a gross surplus of 30% the cost price is multiplied by  $\frac{100}{(100 - 30)} = 1.43$

and so on.

Examples:

			<i>Selling price</i>
20 cents Gross surplus 20% = 1.25 x 20c	=		25 cents
20 cents Gross surplus 30% = 1.43 x 20c	=		29 cents
50 cents Gross surplus 15% = 1.18 x 50c	=		59 cents



## EXAMPLE OF RULES FOR PRICE MARKING

INSTRUCTIONS FOR PRICE MARKINGS, XYZ CO-OPERATIVE SOCIETY1 *Marking*

- Use clear and visible figures
- Do not spoil the goods
- Always use the same place for the price – do not cover the information on the goods
- No more than one price should ever be visible
- Always ensure that on costly articles – especially gift articles – prices are not marked in such a way that the price is impossible to remove.

2 *Material for price marking*

- Printed or stamped glued labels
- Felt pens or marking pencils
- Rubber stamps
- Tags with thread.

3 *Mass articles*

Especially in the supermarkets, there are some mass articles such as milk, bread, butter, soaps, washing powders, etc which it would be too costly to price-mark individually. In these cases price-marking can be done by using big posters on the display and a price-list with the cashiers. It is very important that the customers see the price at the display and that the cashiers have an up to date price list of the articles concerned. Do not rely on memory. These considerations would also apply with items like seeds and fertilizers in the multipurpose society.

# Stock control

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# 9 Stock control

Since stocks of goods for resale, including produce, represent some of the limited funds of the society they should be controlled. The systems of control applied should ensure that stocks are treated with the same degree of care as given to cash.

The operating manual should provide for this as well as giving examples of procedures which can be used such as Stock control, Leakage control, Calculation of leakage and Stocktaking procedures.

## 9.1 Stock control systems

### *Purpose*

The purpose of stock control is to maintain an effective check on the receipt, storage, movement and despatch of goods thereby preventing possible losses to the business.

If merchandise is not well cared for, some of it will be lost and some will be spoiled. Careless spoilage and leakage of goods is equivalent to loss of money, so precautions must be taken to safeguard the control of receipt, storage, movement and sale of stocks in the same way as we protect cash.

### *Receipt of goods*

If possible, one person should be responsible for the receipt of goods. Deliveries should be arranged for quiet periods so that undistracted and proper checking can take place. The place of storage must be cleared, and old stock put on one side for the arrival of new stock. Old stock should be placed in front of new stock and sold first.

### *Checking the order*

Usually a delivery note arrives with the goods. It must be checked carefully against the goods and a note made of errors and omissions. If no delivery note accompanies the goods, goods must be checked against the manager's duplicate order. All orders – even those by telephone – should be recorded in the order book. Large and small deliveries should be checked with equal care. Any shortage, or damage, should be noted and the delivery driver asked to sign and verify the error. The delivery note should be signed as correct only when all the goods have been received and checked accurately.

### *Receipt and storage*

Before placing new stock in store, it is wise to mark on it the selling price and the date of receipt. Thought should be given to the placing of stock – heavy articles at a convenient level for lifting; bottles in a secure place where they are less likely to be damaged; frequently purchased items nearer the point of despatch.

### *Annual rate of stock turnover*

In *multipurpose societies*, which have a variety of agricultural supplies, it is not possible to lay down firm guidelines for the size of stocks to be held. In *consumer co-operatives*

target rates of stock turnover are determined. The actual annual rates are calculated by dividing the annual sales by the average stock at selling values. The managers of each type of society should consider:

- a The frequency with which things are requested
- b Estimates made of the needs of members
- c The amount of capital tied up in stocks (interest has to be paid on this investment)
- d The storage space available.

If the manager calculates carefully the right relationship between stocks and sales, he will be better able to arrange the quantity and times of arrival of supplies, and by proper ordering maintain better stock control and care. He will not have old nor soiled stocks on his hands, and will not have to sell depreciated merchandise at lower prices.

*Leakage and stock control accounts*

In *consumer societies* leakage control accounts are kept where the selling value of any stock differences is revealed. In multipurpose societies the number, or unit, stock control system can be used. This reveals any stock differences in units of stocked items. Both these systems are outlined below.

*Visual stock control*

In a *multipurpose society* the manager can check the condition of inputs and produce when the stocks are counted and checked against their control record balance. Their display, arrangement and order should receive continuous attention from the other members of the staff as well. Immediate action should be taken to correct any faults found, including the disposal of old or damaged stock. In the *consumer societies* the goods are checked and controlled by regular visual inspections in the same way.

**9.2 Leakage and its control**

*Leakage* is an unrecorded and uncontrolled loss. The following example illustrates how serious leakage can be to both agricultural and consumer societies:

Sales value of year's purchases:	\$30 000
LESS price reductions:	<u>300</u>
	29 700
LESS stock to end at selling value:	<u>9 000</u>
	20 700
Actual cash received	<u>20 000</u>
LEAKAGE	<u>\$ 700</u>

The above figure of \$700 shows how much the business has lost in the handling of stocks, but it is not possible to show in which item or items the loss occurred, whether goods were stolen, or whether cash receipts for sales were written incorrectly. By keeping proper records we can work out the leakage, but the most important thing is to reduce the actual leakage which is a loss to the business. Details about leakage control could be included in an operating manual (see S29).

### 9.3 Calculation of leakage

#### *Number, or unit, stock control system*

The *consumer co-operatives* sell so many small items of comparatively little value, that they usually do not attempt to keep an individual control on the actual number of each item in stock. Generally they use the leakage system of stock control which is related to the total selling value of all items in stock. Small consumer societies, where a limited range of basic items is stocked, or larger societies wishing to keep a separate control on selected items, may make use of the number, or unit, stock control system as outlined below.

In multipurpose societies the range of produce marketed, and the range of inputs, or goods sold are not very wide. They sell fewer different types of items than are sold in the typical consumer society. Therefore the following *number, or unit, stock control system* could be adopted by multipurpose societies.

A book is required, which is ruled as indicated below. Each page carries the stock record for a particular item eg *Fertilizer No 6*.

Others will provide for each item carried in stock including produce. This control record can be kept on a card system instead of on pages in a book. Generally where several lines are stocked the card system is recommended.

FERTILIZER No 6

CARD OR PAGE 14

Date	Stock to begin	No sold (–)	No received (+)	Balance
15.5.75	104	20	Nil	84
22.5.75	84	30	60	114
29.5.75	114	and so on		

#### *Example of stock control cards (or pages)*

The record is made up weekly – or in large societies daily – and the balance figures made up to date represents the present total stock.

At regular intervals the manager makes a check of all items to see that the actual stock agrees with that in the book. He also occasionally checks to see that the total taken from the receipt vouchers is in fact the correct total number sold to be subtracted – and that the number received has been properly entered.

The receipts issued showing the *details of sales* are the source for finding the number sold.

The consignment or delivery notes are the source for finding the number received.

Where the *number system* of stock control is in operation the actual number of units of stock which should be in hand are shown on the stock control cards. The counting of the units of stock and comparing the totals with the control cards will reveal any differences.

### *Leakage control system*

Where the leakage control system described below is in operation the selling values of goods are used throughout the recording system. Any leakage is then revealed at a money value rather than as a number of units.

The leakage control account is prepared every time stock has been listed and valued. It can be presented as follows:

<u>Leakage control account</u>		
<i>For period ended 4/5/77</i>		
		\$
Stock to begin – from last stock sheets		6 000
<i>Add:</i>		
Purchases from control book (see S30)		24 000
Price increases from price changes book		_____
	Total	30 000
<i>Less:</i>		
Price reductions from price changes book	300	
Sales from financial record	20 000	
Stock to end from stock sheets	_____	9 000
		_____
		29 300
	Leakage (or surplus)	_____
		700

The amount of leakage will be expressed as a percentage rate of sales.

This is done by dividing the amount of leakage by sales and multiplying by 100. For example if leakage was \$700 and sales were \$30 000, then leakage can be expressed as a percentage rate of sales as follows:

$$\frac{700}{30\,000} \times 100 = 2.3\%$$

The *purchase control book* (see S30) will contain records of all invoices, cash purchase receipts and credit notes. This book will be entered with these details after the financial records of the society have been posted. Price calculations will be made on the invoices or receipts. The goods will be price-marked. The details of the total selling value of the goods on the invoices or receipts will be recorded in the purchases control book. Credit notes for damaged goods or other claims will be recorded at selling values as deductions from the purchases. At the end of the financial period, when stock is taken, the value of the purchases at selling values will be ascertained from this purchases control book.

After the goods have been priced changes could arise. A record is kept of the details of price changes and the number of units of stock involved in the *price changes book*. Price increases will be kept separate from price reductions.

## 9.4 Stock-taking procedures

### *Purpose of stock-taking*

In order to determine the trading results of any business all the assets must be valued at their correct value. Stock-in-trade being one of the assets, there must be a careful stock-taking at the close of each accounting period. In a multipurpose society it is recommended that stocks be taken once a month, where possible, and the results compared with the balances according to the *stock control cards*. The stocks of each section should be separately listed. For example, the stock-in-trade in a multipurpose society may consist of:

- Farm inputs bought by the society for sale to members
- Produce belonging to members awaiting sale or onward despatch
- Consumer goods.

At the end of a financial period the balance stock of farm inputs will be counted and valued for the purpose of preparing the final accounts of farm inputs. The stock of produce will be counted and compared with the balance stock that should be there according to the society's books and records. Any consumer goods would also be separately counted, listed and valued.

### *Preparation for stock-taking*

Stock-taking can be made easier by careful preparations in advance. This will ensure that the stock-taking will be done correctly. When the stock-taking day has been decided, the manager should make advance preparations (*see S31*).

### *Stock-taking*

The operating manual of a society should contain *instructions for stock-taking* procedures to ensure that all stocks are listed and valued as efficiently and quickly as possible (*see S32*).

Special *forms* should be used for stock-taking (*see S33*).

## EXAMPLE OF RULES FOR LEAKAGE CONTROL

RULES FOR LEAKAGE CONTROL

XYZ Society

1 How does leakage occur?

Leakage can occur through one or more of the following:

- Receiving wrong quantity
- Receiving wrong quality
- Wrong pricing
- Wastage in weighing
- Damage due to rats, insects, etc
- Wrong payment
- Shop-lifting
- Damaged goods
- Price changes not registered
- Perishing of goods
- Dishonesty of shop personnel
- Unregistered discounts to customers
- Giving away goods.

2 Leakage control

There are ways to eliminate or reduce leakage:

a *Receipt of goods*

You may not get the correct quality and quantity in relation to price

- Some goods may be damaged
- New stocks may be mixed up with goods already in the store room, which makes control impossible
- The truck driver and his assistant who bring the goods may not be honest
- There may be pilferage during delivery and receipt.

Therefore, in order to avoid leakage, the following rules should be observed when taking *delivery of goods*:

- Check the goods carefully with the delivery notes
- In the case of discrepancies, take immediate action in accordance with given instructions. Never postpone any action to be taken. You may forget!
- Keep the door of the store room locked whenever not in use
- Keep the driver and assistant, if any, under constant observation, and show them out as soon as the goods are in the store room.

b *Price marking*

- If the price marked is less than the correct price, you receive less cash than you should. Thereby a leakage occurs



- An upward price change might have taken place unnoticed by the shop personnel. The failure to notice results in a leakage.

To avoid losses and leakage because of mistakes with price marking, the following rules should be followed:

- When you mark goods be sure that it is done on the right basis – from the relevant invoice
- Do check carefully with the invoice. Never rely on your memory
- The price marking has to be done very clearly and correctly so that mis-reading does not occur.

#### c *Stock*

The goods may be in stock from 30 days to 6 months depending upon how often the shop gets its supplies. Naturally a shortage can easily occur in that period so care must be taken.

- Perishable goods may give rise to loss. For example, fertilizers and seeds may get spoiled because of long storage
- The way we stock our goods can also create problems. Some items have to be handled very carefully and are damaged due to careless handling eg bags of seeds
- Careless handling of the goods can damage the packings, just sufficiently that no customer wants to buy them
- Dust and dirt can spoil the appearance of the goods, so that they cannot be sold at full prices.

Losses during the storing period can be decreased if the following points become a daily routine:

- When ordering goods use your assortment list, your experience and your good sense, to select the right quantities, especially in the case of perishable goods
- On placing the goods on the shelves, be careful that they are kept in a correct and secure way
- Do handle the goods carefully right from the time you receive them from the supplier until you hand them over to the customer.

#### d *Sales*

During the sales transaction, when customers are being served in the shop, there are many possibilities of leakage:

- The customer or the salesman may accidentally drop an article, so that it gets damaged
- If everything is not pre-packed by the factory, the salesman may give the customer the wrong quantity, also he may spill some goods on the floor. These actions will mean both leakage and loss to the society
- When the customer pays, he may be charged less than the actual price.

To keep leakage down to a minimum during the period of actual sales there are a few rules to follow:

- As far as possible all goods should be pre-packed

- Be careful when you receive payment for goods
- Check all the items with the cash receipt
- Look carefully at the price of each item
- Add the prices together and check once again to make sure that you have got the right total
- Always look at the price; do not rely on memory.

e *Shop lifting*

Shop lifting is not so much a problem in multipurpose societies as in a consumers' society. Still there is a possibility that small but expensive items can be stolen without being noticed by the employees. Valuable items should be in glass cupboards visible to customers but not accessible. Customers should not be left alone and unattended in the store.

f *Shop personnel*

If the manager or the salesman takes away goods or money from the store this will be considered as theft and will, of course, show up a leakage in the same way as if a customer were stealing from the shop. Therefore:

- Always pay immediately when you buy goods from the shop
- Never postpone payment as you may then forget.

g *Friends*

If you give away money or goods to your friends, it means that you give away money and goods belonging to the society. This is stealing and such transactions will also show up as leakage. Therefore:

- Never give money or goods away
- Never make unauthorized loans of the society's money
- Never give unauthorized credit.

h *Containers*

Containers, such as empty drums and sacks, also carry a value. Leakage can occur with respect to these things if sufficient care is not taken. So:

- Treat containers as valuable goods
- Store containers in a place where they cannot get spoiled or lost
- Do not give away containers without payment.

EXAMPLE OF PURCHASES CONTROL BOOK FOR A SOCIETY

PURCHASES CONTROL BOOK

XYZ Society

date	supplier	number of receipt, invoice <i>or</i> credit note	buying price		selling price		margin		
			\$	c	\$	c	\$	c	%
		TOTAL C'FWD							

## EXAMPLE OF RULES ON PREPARATION FOR STOCKTAKING

PREPARATIONS FOR STOCKTAKING  
XYZ Societya The committee and staff

Both should be informed well in advance. The committee should make clear decisions about which committee members who will take part in the stocktaking. The staff must be informed about the time of stocktaking..

b Stationery

Books of stocktaking lists should be obtained, or prepared, with duplicate pages.

c Pricing

All the prices must be checked before stocktaking so that they are easily available and reliable. All the items must be priced promptly soon after they are received.

d Stock

The goods in stock must be arranged in such a way that they can be easily and correctly counted. All articles of one kind must be in one place. Some items can be counted beforehand, but careful checking must be done in these cases to ensure no further goods were received or sold.

e Non-moving stock

*The stocktaking is not only counting the stock; it must also be a review of the items counted at stocktaking.*

Before stocktaking the manager must check the stock and earmark non-moving items, and items which have lost their value. Then in the stocktaking they can easily be repriced with the committee members' authority. These goods should then be sold off as quickly as possible.

f Different lines

Goods should be listed under different categories according to the separate trading sections of the society. For example:

- 1 Produce
- 2 Farm inputs
- 3 Consumer goods.

## EXAMPLE OF RULES FOR STOCKTAKING PROCEDURES

## STOCKTAKING PROCEDURES

## XYZ Society

1 Listing of stocks*Persons*

In a store which is well arranged the stocktaking group usually consists of two persons, one who writes and one who calls out the details – number and price. Sometimes a person can precede them, arranging the stock and counting it.

*Writing*

It is of utmost importance that the writing be clear and readable. A representation of a page from the stocktaking book, showing a stocktaking list is shown in S33

*Dictating – calling out*

The person calling out must use the order shown in the columns in the stocktaking book, eg

Fertilizer 50 kg – 10 – \$1.85

The person dictating is responsible to see that all the items are counted and dictated correctly and in order.

2 Concluding of stocktaking

The manager must check that all the stock is written in the books and priced properly. The books must then be signed and dated by both the writer, the person dictating and the manager. The original pages must be taken out by the stock checker, the auditor for example. The bottom copy remains at the store.

3 Calculation of total selling values*By the auditor (or other independent person)*

The entries made for the goods on the stock sheets have to be extended. This means that their selling values are calculated as follows: number of units x unit selling price = selling value. The auditor extends the entries on the top copies of the stock sheets. The selling values of the stocks on each page are then added. Then the totals of each page are add-listed to produce the total stock to end at selling values. If stock is listed at cost values the entries on the stock sheets are extended and totalled in a similar way using cost prices instead of selling prices.

*In the society, by the manager*

- 1 Extend each page and mark the total in the last line of the page.
- 2 List all the page totals of one book in the last page of the book, or in the next to the last written page, if the book is not full, and add all the page totals together.

- 3 If many books are used, list all the book totals in the last written book and add all the book totals together.
- 4 The total value of the stock, as calculated by the auditor, should be agreed with the total as calculated by the manager.

#### 4 Stock values

In the consumer section stock is to be shown at its selling value. The total selling value is to be used for the completion of the leakage control accounts. The total selling value will be reduced to cost value by deducting an agreed percentage. This resulting cost value will be used to complete the preparation of the final accounts and will be shown in the balance sheet.

Since the society is only dealing in a limited range of farm inputs and for that section is operating the number stock control systems, these stocks should be priced and valued at cost.

The valuation of the produce in stock should be made at cost. For example, when the society has only paid an advance payment to the members and no other financial entry has been made, this should be taken as the cost value of the produce. Where the society has paid for the outright purchase of the produce, the stock of produce would be based on this cost price.



# Reporting

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# 10 Reporting

The manager conducts the day-to-day business of the society under the control of the committee. The manager should be required to submit regular reports to the committee on the business and on other activities. These reports will include a Monthly report to the committee and Annual statistics of the society.

## 10.1 Monthly report of manager to committee

The committee will require regular and reliable information on the membership, capital, trade and results of the society during the financial year. The book-keeping and other records of the society will need to be kept up-to-date so that the details required for the report are readily available.

The operating manual should contain the instructions for the completion of these reports, together with a copy of the report forms (*see S34*). A similar form, containing details of membership, sales, trading results, cash and a report on the other activities, should be in use in consumer societies. Then the managers can report to the committees on these matters in a similar way.

## 10.2 Annual statistics of the society

The operating manual could provide for the following:

- Activity:* Completion of annual statistics record (*see S35*)
- Action:* Manager to post this record so that the trading and other financial history of the society is readily available for comparisons and reporting purposes.
- When:* After the auditor has certified final accounts and balance sheet.

**EXAMPLE OF INSTRUCTIONS AND FORM FOR MONTHLY REPORT BY  
MANAGER**

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**CO-OPERATIVE MULTIPURPOSE SOCIETIES****The society manager's monthly report to the committee**

- 1 The manager should present a report to the committee at its monthly meeting. This report should cover the activities of the society during the month ended immediately before the committee meeting. It should be checked by the internal auditors appointed by the members.
- 2 The headings under which this report is to be prepared are shown on the attached form.
- 3 The report should be read and discussed at the committee meeting. The manager should be prepared to explain his report if necessary and to provide further information arising out of it. He will record in the minutes the committee's instructions, if any, after discussion of the report. In any case the minutes will record that the report was received.
- 4 The chairman will sign at the bottom of the report in token of having presented it to the committee meeting.
- 5 The manager will maintain a file wherein all monthly reports will be filed.
- 6 One copy of the monthly report should be sent to the regional union and one to co-operative department.

XYZ MULTIPURPOSE SOCIETY  
Monthly report of the manager to committee  
 Month ended .....

1 *Membership* ..... *Total to date* .....  
 Increase/decrease when  
 compared with last year %

---

2 *Share capital* ..... *Total to date* \$ .....  
 Increase/decrease when  
 compared with last year \$ %

3 *Trade:*

(a) *Produce*

No: bags corn	value	No: bags beans	value	No: bags maize	value	other	value

Total produce sales to date \$ .....  
 Increase/decrease when compared  
 with last year \$ - % -

---

(b) *Inputs*

no: bags seeds	value	no: bags fertilizer	value	other	value

Total inputs sales to date \$ .....  
 Increase/decrease when compared  
 with last year \$ %

---

(c) *Consumer trade*

Total consumer sales to date \$ .....  
 Increase/decrease when compared with last year \$ %

---

4 *Wages: (Paid for month reported)*

name of employee	wages
1	\$
2	\$
3	\$
4	\$
5	\$
6	\$
7 Casual employees	\$
Total wage bill for month reported	\$

5 *Estimated net surplus to date*

(a) Gross surplus to date	\$ .....
(b) Expenses of the society to date:	
Wages	\$ .....
Property expenses	\$ .....
Other expenses	\$ .....
Depreciation	\$ .....
<u>TOTAL EXPENSES</u>	\$ .....
(c) <i>Net surplus estimated to date</i>	\$ =====

6 *Cash, Deposits (as at end of month)*

(a) Cash in hand	\$ .....
(b) Cash in bank (current a/c)	\$ .....
(c) Deposits in bank – short term	\$ .....
TOTAL	=====
(d) Creditors for payment	\$ =====

7 *Loans*

- (a) Loans repaid during month   \$ .....
- (b) Loans outstanding           \$ .....
- (c) Loans overdue               \$ .....

8 *Report on staff matters*

9 *Report on action taken on committee instructions*

10 *Other matters for attention of committee*

11 *Attach main ledger trial balance*

Signature of Manager: .....

Date: .....

## EXAMPLE OF COMPLETED ANNUAL STATISTICS RECORD

ANNUAL STATISTICS RECORD						
XYZ Co-operative Society Ltd						
Details	1974		1975		1976	
	\$	no. %	\$	no. %	\$	no. %
1 Membership		220		246		
2 Share capital	1100		1820			
3 Average share holding	5.00		7.40			
4 Loans advanced	—		5000	24		
5 Loan balances	—		5000			
6 Reserve fund	610		807			
7 Trade	27 466		40 234			
8 Average trade per member	125		164			
9 Gross surplus	1373	5.0	2686	6.6		
10 Wages	570	2.1	1206	3.0		
11 Property expenses	55	0.2	214	0.5		
12 Other expenses	104	0.4	315	0.8		
13 Depreciation	166	0.6	166	0.4		
14 Net surplus	478	1.7	785	1.9		
15 Allocations to reserves	333		197			
16 Interest	30	4.0	73	5.0		
17 Bonus	—		603	1.5		
18 Date audit completed	24.1.75		20.1.76			
19 Date of AGM	11.2.75		9.2.76			
20 Name of chairman	J South		G West			
21 Name of manager	P North		P North			

# Development

11.1 Development plans	<i>page</i> 119
11.2 Feasibility studies	120

# 11 Development

The society will expand and develop as the needs of members demand and funds allow. Developments should be planned and related to the financial and other resources of the society. The operating manual should provide for Development plans and Feasibility studies.

## 11.1 Development plans

### *Aims and policies*

The aims of the society will be stated within the by-laws. These aims indicate the purposes for which the society was established. In line with the resolutions of the members at their general meetings the committee will determine the policies to be followed in the management of the society to achieve these aims.

The *development plans* are prepared by the committee, in consultation with the manager, within the guidelines of these aims and policies. These plans give a direction to the day-to-day management of the society for they indicate what management is aiming to achieve.

The aims and improvements shown in the development plan must be related to the needs of members and to the available financial and other resources of the society. Therefore, before development plans are prepared there should be a survey of the needs of the members, a review of the funds, staff and other resources and a forecast of the results of any developments proposed. These requirements will be met by the prior preparation of *feasibility studies*.

### *Development planning*

The operating manual should provide that the manager prepare the draft of a development plan. The plan would normally be prepared for the coming financial year or longer period. Plans prepared by the manager would then be submitted to the committee for their consideration, discussion and amendment. After acceptance by the committee the development plan should be submitted and explained to the members at their general meetings.

Parts of the annual budgets would be related to the improved, or expanded activities proposed in the development plan. A copy of the current agreed plan should be kept within the operating manual to help guide the manager (*see S36*). The actual form of presentation in a society will depend upon its particular needs and circumstances.

The *Planning and construction of offices and stores (see S37)* is a further outline of development planning related to a specific activity. The specific considerations are applicable to the local needs of a particular group of societies, but they give indications of matters to be considered in the development planning of any society.



## 11.2 Feasibility studies

No major improvement or expansion of the activities of the society should be included within the development plan, or undertaken, without a feasibility study first having been prepared and favourable replies obtained to at least these basic questions.

Is the proposed development:

- Needed by the members?
- Within the objects and policies of the society?
- Able to be financed?
- Able to pay for itself?
- Within the capabilities of the resources of the society?

To illustrate the procedures and presentation involved with determining whether a proposed development is feasible an outline of a study is given (*see S38*). The questions asked and information received concern the proposal for the formation of a multipurpose co-operative society. However, they indicate an approach which could be taken with feasibility studies for any major development proposed.

EXAMPLE OF DEVELOPMENT PLAN FOR A MULTIPURPOSE SOCIETY

---

DEVELOPMENT PLAN 1976  
XYZ Society

To the members,

We submit our development plan for 1976 for your consideration and approval.

1 Background

The society was registered in 1971 and showed a trade increase until 1973. During 1973 and 1974 the position of the society deteriorated rapidly and by the end of 1974 trade had decreased by over 40%. 1975 showed a trading increase of over 30% but the society was plagued by many problems. During the last four months of 1975 a lack of member interest has been apparent. Village meetings have been held to discuss problems and revive the society.

2 Problems and attention

- In the past, the committee did not take the initiative to make the necessary decisions for the society.
- Relations between the different villages covered by the society were not given adequate attention.
- No long-range plans were made for the society.

3 Proposals for development

*a Stock improvement*

- A bonemeal and salt feeding programme be instituted that could serve all of the members of the society.
- The society to encourage members to dehorn cattle.
- The society to sell veterinary supplies such as tick spray, tick grease and general medicines.

*An enclosure at headquarters*

- An enclosure be designed to hold 60–100 head of cattle at headquarters.
- The society must select a suitable site.
- The total cost should be \$150.

*b Building for storage at village 1*

- A small storage shed be built to supply the river villages with corn for resale purposes. This shed could also be used to store bonemeal and salt for sales in the river villages.

- It is thought that the shed should be low cost and that local people be employed to build the shed and that local materials be used to construct the shed.
- The rough estimates on costs are about \$650, depending upon the final plans.

*c Possible expansion of building at village 2*

- The present building can only serve a limited purpose due to its size. If the society is to expand and have a bonemeal and salt programme with large usage by members, it might be necessary to construct a new building for storage.
- This will probably not be necessary in the immediate future but the problem must be studied.
- After it is known how much bonemeal and salt will be sold and how large a trade the society will do in other agricultural inputs, the society will decide whether a new storage shed should be built.
- The construction would be similar to that of the one projected for Village 1 and would cost about \$600.

*d Membership drive*

- The committee and membership at large should encourage others to join the society.
- The larger the number of people who trade through the society, the lower the costs of operation will be on an individual basis.

*e Increase cattle sales*

- The present members must be encouraged to sell more beasts through the society.
- The area of the society is one of the best cattle areas in the country and the co-operative should be able to sell many more beasts than at present.

4 The future of this co-operative

- It is possible for our co-operative to be one of the biggest multipurpose co-operatives in the country. The area of operation of the society is very large with the river villages included.
- Within the next two years it should be possible for cattle sales to reach 250 and 300 beasts per month.
- If cattle sales increase and other operations of the society are expanded, it may be possible to reduce the commission charged and provide more services to members.

5 Costs of future development

1 Enclosure at headquarters	\$150
2 Building at village 1	\$650
3 Building at village 2	\$600
	\$1400
Total cost	\$1400

- In addition to this capital requirement it will be necessary for the society to have a working capital of \$800 to buy agricultural inputs such as bonemeal and salt, medicines, ploughshares, plough parts, and general supplies.
- This gives a total capital requirement of \$2200.

## 6 Source of capital

We intend to raise the \$2200 estimated to be required for these developments by asking members to increase their share and deposit holdings in the society. We also anticipate that with these developments more of the farmers in the area will be joining the society. All the required funds are then expected to be raised from the area served by the society.

We hope that members will support these development proposals.

For the committee.

### THE PLANNING AND CONSTRUCTION OF OFFICES AND STORES

General guidelines for multipurpose co-operative societies, issued by XYZ Co-operative Union.

1 To many people the planning and construction of stores seems to be a very simple matter. In reality this is one of the more different ventures in which co-operatives will become involved. One of the main reasons is that the plans which we make today will affect the operations in 10, 20, 30 and even 50 years from today. Poor planning today will result in great difficulties in the future. All managers are requested to carefully consider any plans for the construction of offices and stores.

#### 2 Establishing the need for building offices and/or stores

Before we can start to construct buildings we must establish the need for them. In the case of an office the questions are straightforward. The office will provide a recognised place of business for the society, a working place for the manager, a place to keep books and records of the society and possibly to sell agricultural requisites.

If there is a need for an *office* we must determine how big an office is required and how it will be paid for. The committee must see how much money the society has and how it can meet the costs. When building offices we must take into account all of the local circumstances. In many villages there is no electricity so there will be no electric lighting or fans. Therefore we know that there must be plenty of windows to provide sufficient ventilation and light for reading and to keep the building cool during the hot summer months.

When a society considers building a *store* it is necessary to carry out a feasibility study before deciding on construction. Firstly we must determine the use and the needs. Below are a list of questions which will need to be answered:

- What will be the main use of the store?  
Selling inputs? Storing produce?
- How much produce do members have for sale?
- How big a store is needed at present?  
In two years time?
- How much will the store cost and how can the society finance its construction and operation?
- Will the store earn sufficient income to pay for the depreciation and operating costs?
- Does the society have the money to carry on its business as well as finance the construction?
- If not, how will the money be found?

Unless the committee has answered all of these questions and carried out the feasibility study, it has not established the need and practicality of building an office or stores.

### 3 Siting of buildings

Once a feasibility study has been carried out and plans are made to construct a building, the society must carefully choose the site they want and many factors must be considered.

When a man decides to build his home he finds a site where additional buildings can be constructed as his family grows. He certainly does not build his home where he knows there will be no room for expansion. Likewise the co-operative must plan in terms of the future. As the society grows and prospers along with its members there will be a need to expand. In order to build a sound economic enterprise the co-operative will need to have its main stores, office and centre at one place in the village where they can be properly administered at the lowest cost. For this reason we suggest that the larger co-operatives apply for sites 200 m x 200 m (200 metres x 200 metres) and the smaller societies 100 m x 100 m (100 metres x 100 metres). Such plots should allow the co-operative plenty of room for expansion in the future.

Besides knowing what size of plot we need there are other factors to be considered. The site which we choose must be *central* so that all of the members will be able to use it. Just as importantly we must pick a site which will be easy to build on in order to avoid increasing building costs. A *flat site* which is not too rocky is easiest and cheapest to build on. In addition we must carefully consider the *supply of water*, especially if the society is planning on constructing offices which require a lot of brick work and cement floors which require a good deal of water.

### 4 Type of building required

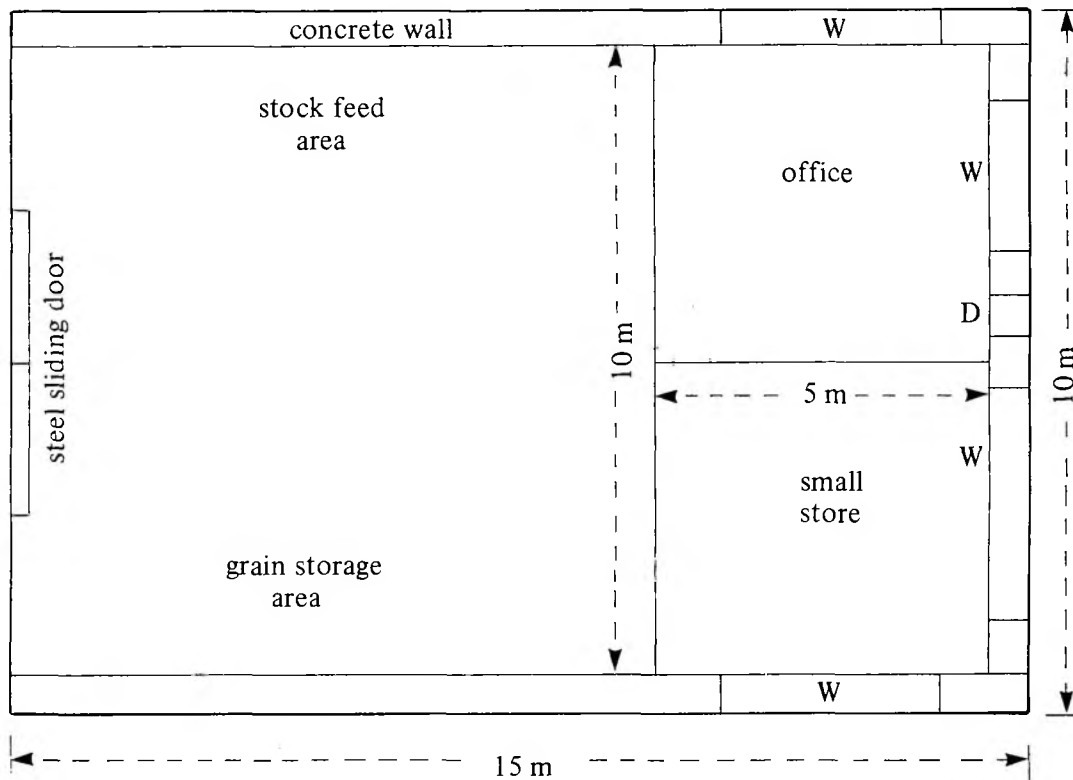
Societies must carefully consider what type of building they require. Above all societies must remember that stores must not only be used to make a surplus today but in three, five and thirty years time.

A small society may wish to build one building which will serve as an office and a store. The one drawback to this system is that if grain is to be kept in the store and it becomes infested, fumigation will be necessary and it will not be possible to use the offices for several days afterwards. As the society grows and trade develops it may be possible to use the office as stores for seeds, fertilizer, animal husbandry requisites, plough parts and various small items which can be more carefully stored and looked after in a small storeroom/former office. At a later point in time the society will be in a position to build a separate office.

Large societies may wish to build stores which will be used for grain and/or stock feeds. If the society is large enough it may be possible to build a *store exclusively for grain*. The cheapest store which can be built is one which has a *concrete foundation, steel roof and steel sides*. Not only is the building cheap but it is easy to maintain, can be easily cleaned, minimizes problems of weevil infestation and can be constructed quickly.

When a co-operative wants to build a store or combined store/office they often construct a building which is 15 m x 10 m. The contractor/builder then will take three 5 m x 10 m bays (sections) and put them together to make one 15 m x 10 m building. Now let us take an example of a society which wants to build a combined store and office to be used for storing grain and stock feeds.

The society decides that the walls of the building will be made of concrete. The co-operative officer then advises the society that the walls must be properly plastered and painted to cut down on cleaning and weevil problems. The society is advised that the foundation made of concrete must be treated with a solution (which is mixed with the final layer of cement) which helps to cut down on moisture problems. The society then asks the co-operative officer to help them make a plan. Please see plan outlined below:



From this plan you can note the following:

- 1 The overall size is 15 m x 10 m
- 2 The office and small store are 5 m x 5 m
- 3 The main storage area is 10 m x 10 m
- 4 There are three outer concrete walls and an end wall is made of zinc sheeting with sliding steel doors.

The reasons zinc sheeting and steel doors are put on the end of the building are many. Firstly the wide steel doors make it possible to back a tractor or lorry directly into the store for loading and off-loading. Secondly, the doors provide sufficient working space for the storeman. Thirdly, and most importantly, the zinc sheeting and steel doors can be taken down if we want to add a fourth bay (section) to make the storage area 15 m x 10 m. The zinc sheeting and steel doors can then be used on the end of the new bay. If a concrete wall were used it would not be possible to extend the building without first knocking down the wall which would not be economical.

By having such a plan it is possible to allow for the expansion of the society in an economic fashion. Generally speaking no society should plan on constructing stores smaller than 15 m x 10 m and many of the larger societies should consider building stores of at least 20 m x 10 m.

The office and small store in such a building should have a ceiling to cut down the heat and dust generated in the store.

#### 5 Finding a builder and receiving quotations

It is extremely important to find a builder who is fully capable of doing a proper job of constructing buildings. Once the society has decided on what type of building is required they should ask for quotations from at least three different contractors. The manager will then be able to see which contractor can do the best and cheapest job.

The society must then get confirmation in writing that the contractor agrees to do the job for a certain price. One important detail that the society must not forget is the time factor. The contractor should be tied down to a time limit for completing the job. Below is an example of a letter written to a contractor requesting that he should confirm his offer by a letter which will act as a contract.

---

Dear Sir,

The executive committee of the ..... Co-operative Multipurpose Society Ltd., by minute number 26/75 of a meeting held in ..... on ..... has accepted your quotation of \$ ..... to construct a 15 m x 10 m store, subject to the following conditions:

- 1 Your firm to supply the materials.
- 2 Your firm to supply the labour.
- 3 The building as detailed in your quotation will be your responsibility until completed and handed over to the society.
- 4 The above specified building should be completed by the .....

Please confirm the conditions as outlined above in writing, no later than .....

Chairman

Manager



**EXAMPLE OF AN OUTLINE OF A FEASIBILITY STUDY FOR A MULTIPURPOSE CO-OPERATIVE SOCIETY**

Feasibility studies for multipurpose societies in XYZ province

A copy of the feasibility study as described here, together with the application for registration and the adopted by-laws, should be sent to the co-operative department.

*General objective of the study*

Before starting a multipurpose society a feasibility study must be made to show that the society could become a viable one. Also the feasibility study has to forecast the economic growth for a period of five years and to analyse the development of capital and investments. The feasibility study should include the following 8 sections:

1 *General information*

- Proposed society .....
- Address .....
- Province ..... District .....
- Officer or working group .....
- Date study undertaken: .....

2 *Area description*

Site and size of the area investigated; types of agricultural activities, mainly a short geographical description.

.....

.....

.....

.....

.....

.....

.....

3 *Determination if the area has potential for starting multipurpose activities*

Agricultural production last three years Appendix 1

The potential production should be in the range of ..... bags of produce and the area should be suited to permanent agricultural production. If cattle is to be the main activity, ..... heads within the area seems to be a good number.

Value and quantities of farm inputs last two years Appendix 2

Total population and its location Appendix 3

4 *General conditions for starting the society*

Members' opinions and interest. (If relevant, attach as an appendix minutes from meetings held).

Existing buildings and requirements: .....

.....

.....

Information on management or formation committee: .....

.....

.....

Staff requirements and possibilities to employ staff: .....

.....

.....

Public communications: .....

.....

.....

Institutions and schools within the area (Note also number of staff and pupils):

.....

.....

Existing retail shops and wholesale distribution (Note types of goods sold):

.....

.....

Other comments: .....

.....

5 *Preparation work*

Report from study group work: .....

.....

.....

.....

Report from information and discussions with local authorities: .....

.....  
.....  
.....  
.....  
.....  
.....  
.....

Number of persons willing to become members: .....

6 *Determination of economic growth of the society*

Development forecast for five years	Appendix 4
Fixed asset investment and finance plan for the society	Appendix 5
Annual operating budget	Appendix 6
Implementation programme	Appendix 7

7 *Proposals*

It is recommended that the proposed society is/is not formed .....

Comments: .....

.....

.....

8 *Proposed site of the headquarters and planned market places (appendix)*

(Make a map of the area showing the proposed headquarters as a centre, with three circles with radius 5, 10, 20 kilometres. The map should also show proposed market places, roads, lanes, paths and junctions within the area, health centre, primary schools, secondary schools if any, post office, other public offices and institutions, retail shops and wholesalers).



market place		197 . . .			197 . . .		
no	name	pockets fertilizer	pockets seed	other sales value	pockets fertilizer	pockets seed	other sales value
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
Total							

APPENDIX 3

*Distances from market places to society headquarters and number of families in the market place area plus other relevant comments*

no	market places	distances to headquarters by lane/km	distance to headquarters by road/km	number of families living in area	other comments
	name				
1					
2					
3					
4					
5					
6					
7					
8					
9					
Total					

*Development forecast for five years ahead*

	197__	197_	197_	19__	19__
Number of members					
Shares					
Maize, bags					
Groundnuts, bags					
Other produce					
Sales of fertilizer, pockets					
Sales of seed, pockets					
Sales of general goods, \$					
Sales of consumer goods, \$					

The investment planned		How the investment will be financed					
investment year	type of investment	investment cost	from budget surplus	from shares	from loans secured	from last year's balance b/for	balance to next year
1977	1						
	2						
	3						
	Total:						

1978	1						
	2						
	3						
	Total:						

1979	1						
	2						
	3						
	Total:						

The basic fixed assets in a society should be a shed, a staff house, cement slabs at marketplaces, a safe, cash boxes at selling points, a big filing cabinet at headquarters, small cabinets at marketplaces, an office desk at headquarters and at marketplaces, chairs at headquarters and market places, a manual adding machine and a typewriter, platform scales at all marketplaces and at headquarters, a small scale and a complete set of shelves at the society headquarters.



			\$
<i>Income:</i>			
<i>Commissions:</i>	Maize	_____	
	Groundnuts	_____	
	Other	_____	_____
<i>Gross surplus</i>	Fertilizer	_____	
	Seeds	_____	
	Other	_____	_____
	<b>Total income</b>		<u>_____</u>
<i>Less expenditure:</i>			
	Wages	_____	
	Property expenses	_____	
	Other expenses	_____	
	Depreciation	_____	_____
	<b>Total expenditure</b>		<u>_____</u>
	<b>Balance net surplus</b>		\$ <u>_____</u>

*Implementation programme for the proposed society*

Action to be taken	Should be started before:	To be completed by:
1 One day courses for members, start of a study group and formation meeting		
2 Application for registration		
3 Conduct at least one one-week course for the board members and internal auditors		
4 Appointment of society manager and market supervisors		
5 Conduct a two week course for market supervisors		
6 Taking part in two-month course for society manager		
7 Construct market places		
8 Building of shed if needed		
9 Building of temporary or permanent staff house		
10 Make agreement with union on terms of trade and division of duties		
11 Apply for handling charges and overdraft if needed		
12 Negotiate terms with suppliers (credits, discounts)		
13 Negotiate prices for crops		
14 Make harvest estimate		
15 Make transport arrangements and contracts		
16 Order empty sacks, twine, needles, scales		
17 Order stationery		
18 Order office equipment		
19 Execute produce buying		
20 Order farm inputs		
21 Sell farm inputs		