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# Co-operative Book-keeping



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## 2 Consumer Co-operatives



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# *Co-operative Book-keeping*

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## **2 Consumer Co-operatives**

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# Foreword

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

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

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

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

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

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

## ACKNOWLEDGEMENTS

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

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

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

## NOTE FOR TEACHERS

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

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

When the manual is used for training purposes, it will normally be desirable for the teacher to prepare and use his own exercises (additional to the three in chapter 7, on page 37), and particularly so when it is necessary to adapt these to the specific requirements of local practice.

# Contents

	<i>page</i>		<i>page</i>
<b>1 Introduction</b>	<b>2</b>	<b>3.9 Fixed assets and depreciation</b>	<b>22</b>
1.1 The consumer co-operative book-keeping system	2	3.10 Shares and deposits	24
1.2 Objectives and operations of consumer co-operatives	2	3.11 Creditors and debtors	26
1.3 The book-keeper's job	3	3.12 Investments	26
1.4 Importance of book-keeping	3	3.13 Surplus	27
<b>2 Book-keeping system</b>	<b>4</b>	3.14 Reserve fund	27
2.1 Double entry system	4	3.15 Education fund	28
2.2 Trial balances	4	3.16 Stock account	28
2.3 Records of original entry	5	3.17 Balancing	28
2.4 Working ledger	5	<b>4 The main ledger</b>	<b>29</b>
2.5 Main ledger	8	4.1 Posting	29
2.6 Members' share and deposit ledger	9	4.2 Balancing	29
2.7 Creditors' ledger	10	<b>5 Control systems and final accounts</b>	<b>30</b>
2.8 Debtors' ledger	11	5.1 Annual budget	30
2.9 Other books and records	12	5.2 Monthly report to committee	31
2.10 Other book-keeping terms	12	5.3 Leakage control account	32
<b>3 The working ledger</b>	<b>13</b>	5.4 Final accounts and balance sheet	33
3.1 Cash account	13	<b>6 Summary</b>	<b>36</b>
3.2 Bank account	14	6.1 Book-keeping system	36
3.3 Purchases	15	6.2 Control systems	36
3.4 Sales	18	<b>7 Exercises</b>	<b>37</b>
3.5 Cash differences	20		
3.6 Wages	20		
3.7 Property expenses	21		
3.8 Other expenses	21		



# 1 Introduction

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

The book-keeping system described in this manual has been prepared for use by consumer co-operative societies, or other primary societies with a retail outlet. This system uses the double-entry method of book-keeping applied to the columnar form of accounts. All the entries for the financial transactions are posted into a working ledger and all the accounts are controlled in the main ledger.

## 1.2 Objectives and operations of consumer co-operatives

The objectives of consumer co-operatives will normally be stated in their by-laws. Basically they strive to ensure that their members obtain the right consumer goods, at the right places, at the right times and at the right prices.

Their main function is to bulk-buy consumer goods and resell them to their members. Members own and control their own business which operates in their service. The business operations are financed from funds obtained from members, from funds borrowed from outsiders, and by making use of credit facilities available from wholesale suppliers. The co-operatives trade as efficiently as possible to cover at least the costs of their operations and to provide for reserves to give financial stability to their independent co-operative enterprises.

Traditionally when any net surplus remains, rebates are made to members in the form of a limited interest on shares and as a bonus on their purchases from their society. As co-operatives build up funds and business skills, they develop and expand to provide a wide range of goods and services to their members. These developments stem from good co-operative business practices, controlled by the use of good book-keeping systems.



### 1.3 The book-keeper's job

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

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

### 1.4 Importance of book-keeping

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

- (a) How much the society *owes* (its *liabilities*).
- (b) How much the society *owns* (its *assets*).
- (c) Whether the society has *financial stability* and is able to pay its debts as they arise.
- (d) Whether the society is *operating efficiently*, covering its costs and providing a net surplus.

All societies therefore need to keep books of account so that they can provide the members, the committee and the manager with the information they need. In most countries there are laws which require that co-operatives keep proper books and records. This underlines the importance of a book-keeping system.

The system described in this manual will meet the needs of members, committees and managers. The examples in this manual will be related to a society with only one trading outlet. However, the basic system, using the working ledger and the main ledger, can be expanded to meet the needs of societies which have several branches. Each of these branches would keep a working ledger, from which postings would be made to the main ledger of the society in which all the accounts would be consolidated.

# 2 Book-keeping system

## 2.1 Double entry system

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

A *financial transaction* arises in the course of business, when there is a transfer of money, or something having a money value. Examples will be considered later when the working ledger is examined.

In every financial transaction there are two aspects. There is the *imparting* (giving) of the benefit transferred and there is the *receiving* of this benefit. This imparting and receiving takes place between the accounts in the books of the society.

The double-entry system of book-keeping is used to record this transfer between the imparting account and the receiving account. In this system, details of the money, or money value, of the benefit transferred are recorded twice into the accounts of the society.

The account which imparts or provides, is credited (CR) and the account which receives is debited (DR). For every credit entry there must be a corresponding debit entry and vice versa, for every debit entry there must be a corresponding credit entry. When there has been corresponding postings made into the books of account, they will balance. *The debits will equal the credits.*

The balancing of the books is similar to the balancing of a beam-scale. When the goods in one pan of the scale are the same weight as the metal weights in the other pan, the scale will balance.

## 2.2 Trial balances

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

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

### 1 Working ledger trial balance

The working ledger (Example 1, page 6), contains the debit and corresponding credit entries for all the financial transactions. These entries are made as they arise into the records of original entry. At the end of every week they are posted into the working ledger from these records. The working ledger is closed off and balanced every week after these postings have been completed. This is checked by the preparation of a trial balance of *all the debit and credit totals of entries* to be made from the working ledger into the main ledger. Example 1 (page 7) includes a trial balance.

### 2 Main ledger trial balance

The main ledger (Example 2, page 8) contains the balances on the various accounts of the society. After the debit and credit entries are made from the working ledger, the new balances on these accounts in the main ledger are ascertained. Then a trial balance of *all the debit and credit balances* in the main ledger will be prepared to check that the main ledger balances. Example 16 (page 29) shows this type of trial balance.

### 2.3 Records of original entry

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

- (a) Receipt books (Example 6, page 13)
- (b) Payment vouchers
- (c) Invoices (Example 9, page 16) and credit notes
- (d) Cheque-books, bank paying-in books and the bank statements for bank charges
- (e) Cash sales receipts (Example 10, page 18) and cashing-up slips (Example 11, page 19).

Generally, either these primary documents can be specially printed, or standard books, which are available from most stationers, can be adapted to meet most local needs. They should be numbered consecutively and new documents should be kept locked away to ensure they are controlled.

Entries obtained from the exercises on page 37 have been used to illustrate the posting of the ledgers, forms and records used as examples in this manual. In the books of a society, individual transactions are posted into the records on the dates on which they occur.

### 2.4 Working ledger: Example 1 (pages 6-7)

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

This ledger is a columnar cash analysis book which can usually be purchased from the local book-shop and the headings are written in by the book-keeper as required. Two separate columns, one for debit entries, the other for credit entries, are kept for each type of account. The number and type of separate accounts kept by a society will depend upon its own particular needs and circumstances. However, our example shows the typical accounts which need to be kept. To avoid opening many columns for accounts which are not often used, two separate columns can be opened, headed 'Other Accounts' and entries for these infrequent transactions can be posted into these columns. They are posted separately into the accounts concerned in the main ledger.

As entries are made into the working ledger from the original records they show the *date* of the transaction, the *details* and any *reference number* from the original entry. Then the appropriate debit and credit entries are made into the columns provided. All this information is shown on the same line for each transaction. At the end of every week the working ledger is closed off and balanced. The totals of the debit and credit entries then to be posted to the main ledger are first checked by the preparation of a trial balance (see Example 1, page 7).

The working ledger, shown in Example 1, has been posted from the summary of the financial transactions for the whole of 1975 and all of these entries are dated as December 31 (see Exercises, page 37). When used in a society, the working ledger will have daily postings and it will be closed off, totalled and balanced every week.

Date 1975	Detail	Ref no	1 Cash		2 Bank		3 Purchases		4 Sales		5 Cash differences		6 Wages		7 Property expenses		8 Other expenses	
			DR	CR	DR	CR	DR	CR	DR	CR	DR	CR	DR	CR	DR	CR	DR	CR
Dec 31	Transfer of 1974 surplus			30														
" 31	Invoices from creditors						18010								350			
" 31	Cheque to creditors					18500												
" 31	Cash discounts from creditors																	
" 31	Cash sales		19510						19510									
" 31	Credit sales to debtors								500									
" 31	Cash from debtors		460															
" 31	Bad debts written off																	20
" 31	Cash banked			20300	20300													
" 31	Bank charges						30											30
" 31	Investment in Regional Union						50											
" 31	Investment interest																	
" 31	Goods used for cleaning							10										10
" 31	Share contributions		1000															
" 31	Share withdrawals						50											
" 31	Deposits received		400															
" 31	Deposit interest																	40
" 31	Deposit withdrawal			200														
" 31	Cash shortages			30							30							
" 31	Cash Overs		20									20						
" 31	Expenses paid in cash			800									530					270
" 31	Expenses paid by cheque						191						40		61			90
	TOTALS TO MAIN LEDGER		21390	21360	20300	18821	18010	10	20010	30	20	570	411		460			
	Account no		1	1	2	2	3	3	4	5	5	6	7		8			
Dec 31	Adjustments:																	
	Stocks: to begin to trading account																	
	to end from " "																	
	Purchases: goods received not invoiced (trading account)						340											
	" " " " (balance sheet)							340										
	Wages: accrued - trading account											50						
	" - balance sheet												50					
	Property expenses: prepaid - trading account																	30
	" - balance sheet																	
	Depreciation: charge - trading account														30			
	provision - balance sheet																	
	Transfer of cash differences								10			10						
	TOTALS TO MAIN LEDGER							340	340	10		10	50	50	30	30		
	Account no							3	3	4		5	6	6	7	7		

# LEDGER

1975 Page no 52

Accounts		9 Fixed assets		10 Depreciation		11 Shares		12 Deposits		13 Creditors		14 Debtors		15 Investments		16 Surplus		17 Reserve fund		18 Education fund		19 Stocks		Trial balance	
CR	DR	CR	DR	CR	DR	CR	DR	CR	DR	CR	DR	CR	DR	CR	DR	CR	DR	CR	DR	CR	DR	CR	Dr	Cr	
	300						108								238			70		30			1	21390	21360
										18500													2	20300	18921
										96													3	18010	10
																							4		20010
																							5	30	20
												500											6	570	
																							7	411	
																							8	460	111
																							9	300	
																							10	-	-
														50									11	50	1108
														15									12	200	440
														15									13	18596	18660
							1000																14	500	460
						50																	15	65	
																							16	238	
								400															17		70
								40															18		30
									200														19	-	-
111	300				50	1108	200	440	18596	18660	500	480	65		238			70		30				81120	81120
8	9				11	11	12	12	13	13	14	14	15		16			17		18					
																					1700	1200			
					265																				
						265																			
					265	265															1700	1200			
					10	10																19	19		

2.5 Main ledger: Example 2

In this example the accounts are shown together. In the main ledger of a society a separate page is kept for each account as shown in Example 2(a). Since they are posted from the working ledger, these accounts will be kept in the main ledger in the same order as they are kept in the columns of the working ledger. The pages kept for each account are numbered consecutively and contain columns for the date, the details, the reference number and then three additional columns.

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

At the end of every four weeks the DR and CR balances in the main ledger are separately listed on a trial balance, shown in Example 16, (page 29). This checks that the main ledger balances. Also at the end of every four weeks, after this trial balance has been prepared, the monthly report to the committee shown in Example 19 (page 31) is prepared. At the end of the financial year the trading account for the year, together with the surplus disposable account and balance sheet, all shown in Example 21 (page 35) will be prepared.

Example 2(a)

1 CASH ACCOUNT (in main ledger)					
Date 1975	Detail	Ref no	DR	CR	Balance
Jan 1	Balance from balance sheet	b/f			DR 10 00
" 7	Entries from working ledger	2	2000 10	1960 70	DR 49 40
" 14	" " " "	9	2215 16	2040 56	DR 224 00
" 21	" " " "	16	2196 20	2396 00	DR 24 20
" 28	" " " "	17	1740 29	1744 19	DR 20 30
			and so on		DR 40 00
Dec 31	Asset to balance sheet	c/f		40 00	—
1976					
Jan 1	Balance from balance sheet	b/f			DR 40 00

This example shows the cash account, included in Example 2, as it would appear on its separate page in the main ledger of the society.

Example 2

Date 1975	Detail	Ref no	1 Cash			2 Bank			3 Purc		MAIN
			DR	CR	Balance	DR	CR	Balance	DR	C	
Jan 1	Balances from balance sheet	b/f			DR 10						
Dec 31	Entries from working ledger	52	21390	21360	DR 40	20300	18821	DR 2499	18010	1	0
" 31	Adjustments - trading account	52							340		
" 31	Transfer income & expenditure to trading a/c									1810	0
" 31	Adjustments - balance sheet	52								34	0
" 31	" - transfer of net surplus from trading a/c										
" 31	Assets & Liabilities to balance sheet	c/f			DR 40			DR 2499			
1976											
Jan 1	Balances from balance sheet	b/f			DR 40			DR 2499			

## 2.6 Members' share and deposit ledger: Example 3

Within this ledger a separate page is kept in share number order, for each member. These records can also be kept in a loose-leaf ledger or on cards, with a separate page or card being kept for each member. The share and deposit transactions are posted to this ledger from the details of their original entries, after these have

been posted to the working ledger. At the end of every four weeks the individual balances for shares and deposits are separately add-listed. The resulting share total then has to be agreed with the CR balance for shares in the trial balance of the main ledger. The resulting balance for deposits is agreed with the CR balance for these in this trial balance.

### Example 3

MEMBERS' SHARE AND DEPOSIT LEDGER										
Name of member:						Share no.:				
Address:										
Date	Ref no	SHARES					DEPOSITS			
		Contributions CR	Interest CR	Bonus CR	Withdrawals DR	Balance CR	Deposits CR	Interest CR	Withdrawals DR	Balance CR
1975										
Jan	1					1400				600
Dec	31	1000	40	68	50	2458	400	40	200	840

LEDGER																	
Purchases			4 Sales			5 Cash differences			6 Wages			7 Property expenses			8 Other expenses		
CR	Balance	DR	CR	Balance	DR	CR	Balance	DR	CR	Balance	DR	CR	Balance	DR	CR	Balance	
	CR 240									CR 20			DR 5				
1	DR 17760		20010	CR 20010	30	20	DR 10	570		DR 550	411		DR 416	460	111	DR 349	
	DR 18100	10		CR 20000		10	-	50		DR 600		30	DR 386				
810	0	-	20000						600	-		386				349	
34	0	CR 340							50	CR 50	30		DR 30				
		CR 340								CR 50			DR 30				
		CR 340								CR 50			DR 30				

Example 2 continued ►

## 2.7 Creditors' ledger (accounts payable): Example 4

Creditors are suppliers who are owed money by the society for goods or services supplied on credit terms to the society. In this ledger, a record of the transactions of the society with these individual suppliers of goods and services will be kept. A separate page will be opened for each of these suppliers. These pages will be kept in surname alphabetical order.

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

At the end of every four weeks the balances in this ledger will be add-listed to produce the net credit balance (CR) due to suppliers.

This total is then agreed with the CR balance for creditors shown in the trial balance of the main ledger at that date.

### Example 4

CREDITORS' LEDGER						
Name of supplier:			Account no:			
Address:			Credit terms:			
Date 1975		Detail	Ref no	DR	CR	Balance
Jan	1	Balance	b/f			CR 905
Dec	31	Invoices	52		18660	CR 19565
"	31	Cheques	52	18500		CR 1065
"	31	Discounts	52	96		CR 969

9 Fixed assets			10 Depreciation provision			11 Shares			12 Deposits			13 Creditors			14 De	
DR	CR	Balance	DR	CR	Balance	DR	CR	Balance	DR	CR	Balance	DR	CR	Balance	DR	C
		DR 2000			CR 600			CR 1400			CR 600			CR 905		
300		DR 2300				50	1108	CR 2458	200	440	CR 840	18596	18660	CR 969	500	48
			265	265	CR 600											
				265	CR 865											
		DR 2300			CR 865			CR 2458			CR 840			CR 969		
		DR 2300			CR 865			CR 2458			CR 840			CR 969		



## 2.8 Debtors' ledger (accounts receivable): Example 5

Debtors are customers of the society who owe money to the society. The society will generally obtain immediate cash for sales of goods. Sometimes limited credit terms may be allowed (for example, to welfare or similar organisations trading with the society). Any credit terms given must be authorised in the by-laws. The balances due from debtors will be kept as low as possible.

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

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

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

### Example 5

DEBTORS' LEDGER					
Name of customer:			Account no:		
Address:			Credit terms:		
Date	Detail	Ref no	DR	CR	Balance
1975					
Jan 1	Balance	b/f			DR 20
Dec 31	Goods - invoices	52	500		DR 520
" 31	Cash	52		460	DR 60
" 31	Bad debts - written off	52		20	DR 40

Debtors		15 Investments			16 Surplus			17 Reserve fund			18 Education fund			19 Stock account		
R	Balance	DR	CR	Balance	DR	CR	Balance	DR	CR	Balance	DR	CR	Balance	DR	CR	Balance
	DR 20			DR 200			CR 240			CR 400			CR 50			DR 1200
0	DR 40	65		DR 265	238		CR 2		70	CR 470		30	CR 80			DR 1700
						800	CR 802							1700	1200	DR 1700
	DR 40			DR 265			CR 802			CR 470			CR 80			DR 1700
	DR 40			DR 265			CR 802			CR 470			CR 80			DR 1700

## 2.9 Other books and records

There are other books and records in use in the society, in which are entered the numerous details connected with the business operations and controls. These will be outlined when the accounts are considered later.

## 2.10 Other book-keeping terms

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

- (a) *Financial, or accounting, period*  
The financial period is the period of time covered by the final accounts. This period is often of one year, ending on a date stated in the by-laws of the society.
- (b) *Final accounts*  
These are prepared at the end of the financial period. This consumer co-operative uses two final accounts.
- (c) *Trading account*  
This is one of the final accounts. It is a summary of all of the income and expenditure for the financial period. This summary reveals the surplus or loss.
- (d) *Surplus disposal account*  
This account shows the proposed disposal of any net surplus. It contains the recommendations of the committee on the allocations for reserves, education, share interest and bonus.
- (e) *The balance sheet*  
This is a list of the liabilities and the assets of the society on a given date. A balance sheet is prepared after the final accounts have been completed at the end of the financial period.
- (f) *Surplus and loss*  
The *income* of the society is earned from the sale of goods. The *expenditure* includes the cost of purchasing and selling the finished goods. There is a net *surplus* when income is greater than expenditure. There is a net *loss* when expenditure is greater than income.

- (g) *Liabilities and assets*

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

*Assets* show what the society *owns*. They include land, buildings, fixtures, fittings, stocks, investments, cash, and balances owed by debtors.

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

- (h) *Interest and bonus*

*Interest* is that part of any net surplus which is distributed to members in relation to their share capital. In some countries the term *dividend* is used instead.

*Bonus* is that part of any net surplus distributed to members in relation to their trade with their society. This is sometimes called *patronage refund*.

- (i) *The auditor*

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

*Internal auditors*, where they exist, are elected under the by-laws by the members at their Annual General Meeting. They are elected to conduct regular checks for the members on the books, assets and activities of their society. They report to the members at the Annual General Meeting.

# 3 The working ledger

The working ledger is shown in Example 1, (pages 6-7). This ledger is posted at the end of every week from original records which are made immediately the financial transactions occur. The entries posted in this ledger are outlined as follows:

## 3.1 Cash account

### (a) Security

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

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

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

### (b) Cheques received

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

### (c) Cash receipts

A receipt similar to Example 6 must be issued whenever cash is received.

## Example 6

<u>CASH RECEIPT</u>	
	Number: 15
RECEIVED FROM: ...	Frank PULE .....
.....	one ..... dollars and ..... fourteen ..... cents \$ 1.14 .....
IN PAYMENT OF: ...	Share contribution A/c no 70 .....
DATE: 5-1-75 .....	FOR: Anywhere Co-operative Society Ltd
(new balance in pass book \$8.96)	SIGNED: J Brown Secretary .....
	Posted to working ledger page no ..... 9 .....

The receipt will show the following details:

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

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

<i>Date</i> .....	received
<i>Detail</i> .....	from receipt book
<i>Ref no</i> .....	receipt number
<i>DR</i> .....	<i>debit cash account</i> – with amount received
<i>CR</i> .....	<i>credit imparting account</i> eg debtors, shares or other imparting account with amount received

(d) *Cash payments*

A receipt must be obtained, or a payments voucher be made out, in support of all cash paid out. These will contain similar details as shown in Example 6. On the receipt, or payments voucher, the person receiving the cash from the society will sign his name. From the receipt or payments voucher, which forms the record of original entry, the working ledger is posted as follows:

<i>Date</i> .....	paid
<i>Detail</i> .....	from receipt or voucher obtained
<i>Ref no</i> .....	receipt or voucher number
<i>DR</i> .....	<i>debit receiving account</i> ie bank, expenses or other receiving account with amount paid
<i>CR</i> .....	<i>credit cash account</i> – with amount paid

### 3.2 Bank account

(a) *Current account*

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

(b) *Bank deposits*

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

<i>Date</i> .....	taken to bank
<i>Detail</i> .....	from the paying-in slip, stamped and received
<i>Ref no</i> .....	number of paying-in slip
<i>DR</i> .....	<i>debit bank</i> – with amount deposited
<i>CR</i> .....	<i>credit cash</i> – with amount deposited

(c) *Bank payments*

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

<i>Date</i> .....	of cheque as shown on the stub retained in the cheque book
<i>Detail</i> .....	name of creditor (payee) from the stub
<i>Ref no</i> .....	number of cheque
<i>DR</i> .....	<i>debit payee</i> – creditor or other receiving account with amount of cheque
<i>CR</i> .....	<i>credit bank</i> – with amount of cheque

(d) *Bank statements and reconciliation statement*

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

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

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

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

9 The reconciliation is then prepared as follows:

*Example 7*

<b>BANK RECONCILIATION STATEMENT</b>	
	\$
Balance in bank on bank statement	2610 50
ADD deposits in transit (deposit entries in working ledger not ticked as having been shown on bank statement)	500 00
TOTAL	3110 50
LESS cheques not presented (cheque entries in working ledger not ticked as having been shown on bank statement)	611 50
TOTAL - being balance in bank account in main ledger	<u>2499 00</u>

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

### 3.3 Purchases

(a) *Suppliers*

The society will purchase goods for resale to members from wholesalers, manufacturers or producers. Often primary co-operatives come together to form a co-operative union which acts as their main supplier. By consolidating their buying power,

the primary societies, through their union, buy in bulk and obtain better prices and terms than they could obtain when buying alone.

Suppliers usually give *credit terms* to co-operatives after they are satisfied that the society is stable and creditworthy. To continue to enjoy these terms and to develop the confidence of others in co-operatives, the society must ensure that it keeps within the terms of credit granted, including the terms of payment.

Most of the goods purchased for resale will thus be paid for some time after delivery. Some goods will still be purchased for immediate cash. For example, produce purchased from producers for resale in the store is often paid by immediate cash on delivery: DR purchases: CR cash.

(b) *Ordering and receiving goods*

The manager should prepare the *written orders* to the suppliers in duplicate. The order is signed by the manager and the *top copy* is sent to the supplier.

Usually the goods ordered will be sent to the society with a *delivery note*. The delivery note, sent by the supplier, shows the quantity and description of the goods despatched.

When the goods are received at the society, they are checked against the delivery note and the *bottom copy* of the order kept by the manager.

Where, because of damage or short delivery, a credit is due from the supplier, it should be claimed at once in writing. A copy of the *claim for credit* will be kept by the manager. After the goods, which have been delivered, have been checked and accepted, their details will be entered in the *goods received book* as shown in Example 8.

Where a society purchases goods from a few suppliers and delivery notes are always received, these can be filed separately and this file can be used instead of a 'goods received' book. In particular, the delivery notes issued by a co-operative union supplying the society can be filed separately and kept as the 'goods received' record for these supplies.

Example 8

GOODS RECEIVED BOOK								
								Page no: 6
Date received 1975	Supplier	Descrip. of goods	Quan. of goods	Cost value	Selling value	Delivery note no	Invoice no	Working ledger page no
Jan 28	Wholesaler	Barley	2 Sacks	1 00	1 20	160	262	4/28/1/75
		Sugar	12 Cartons	10 80	12 00			
				11 80	13 20			

(c) *Book-keeping entries for purchases*

The supplier will send his *invoice* showing the cost prices and total value of the goods despatched. A typical invoice is shown in Example 9.

Example 9

INVOICE			
			Suppliers no: 147
FROM: Co-operative Wholesale Ltd, 1, The Docks, Anywhere.			
TO: Anywhere Consumer Co-op Society Ltd.		Date: 1/2/75	
Main Street, Anywhere			
Your order no:	Date ordered:	Date sent:	
333	3.1.75	27.1.75	
Number	Description	Price	Cost
2	Sacks of barley	0.50	1.00
12	Cartons of sugar	0.90	10.80
		TOTAL	11.80
Terms: net cash 7 days			
<i>Society invoice no 262</i>			

Since the cost of transporting the goods for resale to the society will be directly recovered from their selling prices, any charges made for transport will be treated in the same way as charges made for the goods and will be *debited* to the purchases account.

When the invoice for goods or transport is received by the society, it will be given a *consecutive number*. The details on the invoice will be checked against the entry made in the 'goods received' book which was made when the goods concerned were received. The entry in the 'goods received' book will be marked off to show the invoice number and the date of the entry made for the invoice in the working ledger.

When *credit notes* are received they too will be given a separate consecutive number. Their details will be checked against the bottom copy of the claim for credit, which will be marked off to show that the credit note has been received.

From the accepted invoice, or credit notes, the working ledger will be posted as follows:

<i>Charges from invoices</i>		<i>Credits from credit notes</i>	
<i>Date</i> .....	of invoice	<i>Date</i> .....	of credit note
<i>Detail</i> .....	name of supplier	<i>Detail</i> .....	name of supplier
<i>Ref no</i> .....	invoice number	<i>Ref no</i> .....	credit note number
<i>DR</i> .....	<i>purchases</i> – with total cost value on invoice	<i>DR</i> .....	<i>creditors</i> – with total cost value on credit note
<i>CR</i> .....	<i>creditors</i> – with total cost value on invoice	<i>CR</i> .....	<i>purchases</i> – with total cost value on credit note

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

(d) *Pricing*

The *cost price* of the goods includes their purchase price as shown on the invoice, together with their cost of transport to the society, and any other direct costs charged, such as import

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

- 1 pricing policy of the society
- 2 local prices set by competitors
- 3 the estimated expenses of the society
- 4 the type of goods: quick selling items like sugar have a lower mark-up than higher-priced, slower selling items like clothing.

The selling price will be calculated by the manager and will be entered in red on the bottom of the invoice. The goods concerned will be individually price marked with their selling prices. Since delays in the receiving of invoices can occur, selling price calculations are often made by using the information shown on the delivery notes.

(e) *Payment for purchases*

Where goods for resale are purchased for *immediate cash*, no entries are made in the creditors' ledger. The entries to be made in the working ledger will be:

<i>Date</i> .....	of purchase
<i>Detail</i> .....	of goods
<i>Ref no</i> .....	cash receipt/payment voucher number
<i>DR</i> .....	<i>purchases</i> – with amount of cash paid
<i>CR</i> .....	<i>cash</i> – with amount of cash paid

Where goods for resale are purchased on *credit terms*, the supplier will send his *statements for payment* by the society at regular intervals, usually monthly. These statements will show the balance owed from previous months together with details of invoices, credit notes, payments received, discounts allowed during the current period, and the balance remaining due. These details will be checked against the individual account for the supplier kept in the creditors' ledger in a similar way as the bank statement is checked.

After the balance claimed by the supplier has been agreed, payment is made in accordance with the agreed credit terms. Sometimes suppliers allow a *cash discount* for payment

within a stated period. Deductions for any discounts are made from the agreed balance on the statement, and the cheque will be made out for the net balance. Entries are made from the cheque stubs into the working ledger as follows:

- Date* ..... of cheque
- Detail* ..... name of supplier
- Ref no* ..... cheque number
- DR* ..... *creditors* – with amount of cheque plus discount allowed
- CR* ..... *bank* – with amount of cheque
- CR* ..... *other expenses* – with amount of cash discount

These details will also be posted into the individual account of the supplier kept in the creditors' ledger. The statement will be sent with the cheque to the supplier. When the receipted statement is returned to the society, it will be filed ready for audit.

(f) *Goods for own use*

Any goods taken from the stocks to be used in the shop for cleaning or other authorised purposes are to be recorded. Entries are made for these in the working ledger as follows:

- DR: Other expenses*
- CR: Purchases* with the cost value of these goods

### 3.4 Sales

The main source of income to the society is from the sale of consumer goods to members. The book-keeper is involved with two main aspects of the financial transactions concerned with sales. These are the *control of cash* and the *recording of the trade of the individual members* with their society.

(a) *Cash control*

Whether the store operates on counter service or self-service, as few people as possible should handle cash. In the counter service store one cashier is usually sufficient. The number of cashiers in a self-service store will depend upon the number of

check-outs required to handle the volume of business. Each cashier will be responsible for the cash he or she handles.

Sales can be recorded by using cash registers (tills) which produce a sales slip for the customer and an audit list for cash control purposes. However, where the volume of business does not justify the expenditure on a cash register, cash sales receipt books with numbered pages which are made out in triplicate, using carbon papers, are used. The pages are completed as shown in Example 10.

Example 10

CASH SALES RECEIPT					
					Number: ...87.....
Sold to: ..... <i>F. Pule</i> .....				Share no: ....70.....	
Description of goods	Quantity	Selling price	Total value		
<i>Brown sugar</i>	<i>5 Kilo</i>	<i>28</i>	<i>1</i>	<i>40</i>	
<i>Bread flour</i>	<i>10 Kilo</i>	<i>16</i>	<i>1</i>	<i>60</i>	
CASH RECEIVED: ..... <i>Three</i> ..... dollars			\$	<i>3</i>	<i>00</i>
and ..... <i>no</i> ..... cents					
DATE: ..... <i>21.6.75</i> .....		FOR ..... <i>Anywhere</i> ..... CO-OPERATIVE SOCIETY LTD			
Signed ..... <i>M. Shan</i> ..... <i>Cashier</i> .....					

The manager issues and controls all the sales receipt books or the till rolls. The cashiers are issued with a set amount of change as a cash float for change *at the start of each working day*.



During the day customers are issued with the top copy of the sales receipt or a cash register slip as they buy from their society. Where any petty cash payments are made from the till, the cashier will obtain a signed receipt.

At the end of each day the following *Cashing-up procedure* will be followed:

- 1 Cashier takes out the cash float which is checked and locked in the safe by the manager.
- 2 The remaining cash is counted and listed with any petty cash payments receipts on the cashing-up slip (Example 11). The manager gives the cashier a receipt for this cash which he then locks in the safe.
- 3 Where a cash register is in use, the total sales for each day will be obtained from the audit list kept in the cash register. If no cash register is used, the amounts of sales shown on the bottom copies of the sales receipts are add-listed to produce this total. The sales total is entered on the cashing-up slip.
- 4 Any difference between the cash and the sales total is recorded on the cashing-up slip. The cashier will be required to locate or explain any differences.
- 5 From the cashing-up slips the working ledger will be posted by the book-keeper as follows:

*Date* ..... of sales

*Detail* ..... number of cashing-up slip

*DR* ..... *cash* – with actual ‘cash’ total  
(including any petty cash payments)

*CR* ..... *sales* – with total of sales from sales receipts or slips

*DR/CR* ..... *cash differences* – with any shortages (DR) or any overs (CR)

Where the ‘cash’ total includes any amount paid out as ‘petty cash’, a further entry into the working ledger will need to be as follows:

*Date* ..... of payment

*Detail* ..... from petty cash payment receipt

*Ref no* ..... receipt number

*DR* ..... *receiving account* eg expenses – with amount paid

*CR* ..... *cash* – with amount paid

Example 11

CASHING-UP SLIP	
Cashier: <i>M. Jane</i>	No: <i>141</i>
	Date: <i>24.12.75</i>
Cash:	\$
\$100 notes	300.00
\$10 notes	150.00
\$1 notes	200.00
Coins	5.62
Cheques	10.18
Postal Orders	1.21
Petty Cash Payments:	
.....	
.....	
.....	1.46
TOTAL CASH	\$ <u>668.47</u>
Sales: from sales receipt books or cash register lists	\$ <u>669.57</u>
Cash difference: short/over	\$ <u>1.10</u>
Reason for difference: <i>I made a mistake in giving change</i>	
Signed: <i>M. Jane</i>	Cashier
Signed: <i>J. Moore</i>	Manager
Posted to working ledger – page no <i>51</i>	

(b) *Members' trade records*

Where the society is using *sales receipt books*, receipts will be made to show the name and share number of the members as well as the details and prices of the goods sold. After the total daily sales have been determined, the middle copies of the sales receipts will be separately torn out from the sales receipt book. They will be sorted into share number order and the receipts for each member will be separately filed. This will be done throughout the financial period. At the end of each financial period the receipts for each member will be add-listed to produce the total trade of each member during the period. These totals will be used to distribute any bonus due.

Since this system is very expensive to operate and can result in considerable delays, it is recommended that a *bonus stamp system* be operated. These stamps are similar to postage stamps. They are issued at the time of the purchase of the goods by the member for a fixed unit of purchase (eg one stamp represents five cents of purchases). Books are provided for the members to stick their stamps in. At the end of the financial year, should there be a bonus distribution, the members will present their stamp books and the bonus they receive will depend on the number of stamps in their books, which represent their trade with the society.

(c) *Credit sales*

Generally all sales will be made for immediate cash. Sometimes, if approved by the committee and authorised under the by-laws, some credit sales will be allowed. In these cases the society will issue invoices. These invoices will be made out in duplicate at the time of the credit sale. The customer will sign the invoice and take the top copy. The book-keeper will post the working ledger from the bottom copy as follows:

*Date* ..... of credit sale  
*Detail* ..... name of customer  
*Ref no* ..... invoice number  
*DR* ..... *debtors* – with amount of credit sale  
*CR* ..... *sales* – with amount of credit sale

When the debtor pays the account, a receipt will be issued by the society. From the bottom copy of this receipt the working ledger will be posted as follows:

*Date* ..... of receipt  
*Detail* ..... name of customer  
*Ref no* ..... receipt number  
*DR* ..... *cash* – with amount received  
*CR* ..... *debtors* – with amount received

The details of the credit sale and the receipt of the cash will also be entered into the individual account for the customer kept in the debtors' ledger.

### 3.5 Cash differences

In this account will be recorded any cash differences revealed at the end of each day when the sales are balanced. The working ledger will be posted, as previously indicated, from the cashing-up slips. *Debit (DR)* entries in this account will represent cash shortages, and *credit (CR)* entries will indicate cash overs. Whenever any cash differences are revealed explanations will be obtained from those responsible for the cash. At the end of each financial period the balance on this account will be cleared by transfer to the sales account, eg.

*Cash differences balance DR \$5.60* Clear by transfer to sales account:  
*CR: cash differences and DR: sales with \$5.60.*

### 3.6 Wages

(a) *Employees*

There should be a written *contract of employment* made between the society and each employee, including the manager. Each employee should also be issued with a *job description* outlining his duties. When an employee is engaged, a page will be opened for him or her in the wages book shown in Example 12. The wages will be at the rate (and paid at the time) stated in the contract of employment. Deductions for tax and similar

items will be made from the gross wages, as required and instructed by the government or other authorities.

*Example 12*

WAGES BOOK						
Name of employee:		Position:			Date left:	
Salary: \$		Date started:				
Date 1975	Gross wages	Less: tax	Less: other deductions	Net Cash	Signature of employee	
Dec 31	570	40	-	530		

(b) *Payments*

Separate cheques can be made out for the net cash due for wages to each employee. However, since most employees have no bank account of their own, they usually require cash. Therefore one cheque is made out and cashed for the total net wages due. The manager pays the cash due to each employee and as they receive their cash, each employee signs in the wages book as a receipt. Cheques are also drawn to pay the tax or other deductions to the authorities.

From the cheque stubs the working ledger is posted to show:

- Date ..... of cheques
- Detail..... wages, tax, etc
- Ref no ..... cheque number
- DR ..... wages – with net cash and deductions paid to the authorities equals gross wages
- CR ..... bank – with net cash and deductions paid to the authorities equals gross wages

**3.7 Property expenses**

Property expenses are concerned with land, buildings and other property of the society. They will include property insurance premiums, any rents, repairs or rates. Payments for these expenses will be made by immediate cash or cheque in some cases, and by payment against invoices in others. Where payment is made by immediate cash or cheque, the working ledger will be posted from the receipt obtained as follows:

- Date ..... of payment
- Detail ..... detail of expense
- Ref no ..... receipt number
- DR ..... property expenses – with amount paid
- CR ..... cash or bank – with amount paid

When an invoice is received for expenses to be paid later, the entries into the working ledger would be DR *Property expenses*: CR *creditors* with the amount charged on the invoice. When the payment is made to the creditor, the entries will be DR *creditors*: CR *bank* with the amount of the payment. The details of the charge on the invoice and the payment made by cheque will also be posted to the individual account kept for the creditor concerned in the creditors' ledger.

**3.8 Other expenses**

Wages and property expenses are recorded in separate accounts. All other expenses can be recorded in this account headed 'other expenses'. However, where a society requires to analyse the expenses in greater detail, separate columns can be kept in the working ledger, and separate pages opened in the main ledger for the individual classes of expenses. Another method of keeping the different types of expenses separate, to help in their comparison and control, is shown in Example 13 (page 22) for *other expenses analysis*.

This example shows that double-pages are kept in the main ledger for other expenses. On the *left hand page* of the open main ledger the usual record is kept showing the debit and credit entries posted from the working ledger together with the running debit or

credit balance. On the *right hand page* columns are ruled and headed for the classes of expenses for which the analysis is to be kept. Details of the financial transactions concerning these expenses are posted to the working ledger. The *debit entries* are made to other expenses for charges. These will then be posted and analysed in the main ledger.

### 3.9 Fixed assets and depreciation

#### (a) Purchase

These are acquired and held primarily for the purpose of earning income. They include land, buildings, fittings, fixtures, equipment and machinery. Money spent as *capital expenditure* acquires these fixed assets for use by the society for more than one financial period.

From the invoices obtained when the items are purchased the following entries will be made into the working ledger:

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

Example 13

OTHER EXPENSES (left hand page)						ANALYSIS (right hand page)					
Date 1975	Detail	Ref no	DR	CR	Balance	Stationery	Water	Travel	Postage	Interest	Sundry
Dec 31	Bad debts	52	20		DR 20						20
" 31	Bank charges	52	30		DR 50						30
" 31	Cleaning materials	52	10		DR 60						10
" 31	Deposit interest	52	40		DR 100					40	
" 31	Cash	52	270		DR 370	100			40		130
" 31	Cheques	52	90		DR 460		50	40			
" 31	Cash discounts	52		96	DR 364						- 96
" 31	Investment interest	52		15	DR 349					-15	
" 31	To trading account	52		349	—	100	50	40	40	25	94

Details of all fixed assets are also entered into the *fixed assets inventory* and *schedule of depreciation* in Example 14. This inventory could also be kept on a card system with each fixed asset having a separate card.

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

Example 14

FIXED ASSETS INVENTORY AND SCHEDULE OF DEPRECIATION for financial year ended: 31.12.75												
Date purchased	Detail		b/f	+ Purchased this year	- sold or written off	c/f		b/f	+ Charge this year	- Written off	c/f	Book value (cost - deprec)
	<u>Land &amp; buildings</u>											
1972	Land		500			500		70	25		95	405
1972	Shop		800			800		150	40		190	610
	TOTAL	1	1300			1300		220	65		285	1015
	<u>Fixtures &amp; fittings</u>											
1972	Shelves		300			300		180	60		240	60
1972	Counter		200			200		120	40		160	40
1973	Cash register		200			200		80	40		120	80
1975	New scales			300		300			60		60	240
	TOTAL	2	700	300		1000		380	200		580	420
	TOTAL FIXED ASSETS	1+2	2000	300		2300		600	265		865	1435
						(Balance sheet = cost)			(Trading A/c = charge)			(Balance sheet = book value)

(b) *Depreciation*

Wages and property expenses involve *payments to staff or other organisations*. Depreciation is a *non-cash expense*. The charges made for depreciation in the accounts of the society are internal entries representing the allocation of the cost of the fixed asset over its estimated working life. The years of useful working life will depend upon the type of fixed asset and local conditions.

The charge for depreciation is made each financial year. These depreciation charges are aggregated year by year so that the book value of the fixed asset is correspondingly reduced by the total charge for depreciation.

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

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

As a guide the cost of buildings could be depreciated over 20 years and the cost of fixtures, fittings, etc over 5 years. In some areas depreciation is not applied to land, since this can be considered not to be a wasting fixed asset.

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

- Date* ..... last day of financial year
- Detail* ..... depreciation fixed assets
- Ref no* ..... inventory page number
- DR* ..... *depreciation (charge)* – with annual charge for depreciation from inventory (transferred to trading account)
- CR* ..... *depreciation (provision)* – with annual charge for depreciation from inventory (included in balance sheet)

(c) *Insurance*

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

### 3.10 Shares and deposits

(a) *Entrance fees*

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

A new member is issued with a *pass-book* showing the member's share number. These numbers run consecutively. The details of the new member are entered into the *share and deposit ledger* shown in Example 3 (page 9).

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

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

The *membership register* can consist of the completed and accepted membership application forms duly filed in surname alphabetical order.

(b) *Share contributions*

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

*Date* ..... of receipt  
*Detail* ..... name of member  
*Ref no* ..... share number/receipt number  
*DR* ..... *cash* – with amount of contribution  
*CR* ..... *shares* – with amount of contribution

The details required to be shown on the receipt include a note of the new balance in the pass-book of the member. This is shown in Example 6 (page 13). Entries are also made for share contributions into the pass-book of the member and the share and deposit ledger account for that member.

(c) *Share withdrawals*

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

(d) *Share interest*

Should there be any net surplus at the end of the financial year, and an interest on shares be declared, it could be distributed by credit to the share accounts of the members. After the annual general meeting, the interest due to each member will be calculated based on the lowest balance of share capital held by the member for each complete three months. After a separate calculation has been made for each account, the total interest due is ascertained by add-listing the amount calculated for each member. The individual share accounts will be posted and the total interest entered into the *working ledger* as a *debit (DR) to surplus* and a *credit (CR) to shares*.

(e) *Bonus*

Should there be any net surplus at the end of the financial year, and a bonus be declared, it will be distributed according to the trade of the members with their society as seen from the totals of the sales receipts, or based on the number of bonus stamps issued. Where the *bonus stamp system* is in operation, the amount of bonus to be distributed to each member will be calculated on the stamps presented by the members on days declared as bonus days. Members would indicate on the bonus distribution forms in Example 15 if they want their bonus in cash or by transfer to their share accounts.

*Example 15*

BONUS DISTRIBUTION FORM	
Name of member: .....	Share no: .....
	Bonus value
Number of full books .....	.....
Number of additional full pages .....	.....
Number of additional stamps .....	.....
TOTAL BONUS	\$ <u>                    </u>
Please transfer my bonus to my share account	
OR	Signed ..... Member
I acknowledge receipt in cash of my bonus	
	of \$ .....
Date .....	Signed ..... Member

From lists made from the bonus distribution forms, entries would be made as follows into the working ledger for the total bonus distributed:

- (a) DR: surplus, CR shares: with bonus transferred
- (b) DR: surplus, CR cash: with bonus paid in cash

Entries would also be made into the individual pages of the share ledger and in the pass-books of members for the bonus transferred. Where the *sales receipt system* is in operation, similar bonus distribution forms, without the bonus stamp details, can be used. The bonus due to each member, calculated from the totals of their sales receipts, will be entered on a separate bonus distribution form, made out for each member before the bonus days. Then the members would come to collect their cash, or authorise the transfer of their bonus to their share accounts.

(f) *Deposit accounts*

Since share holdings are not easy to withdraw, members could be encouraged to invest with their society in deposit accounts. Withdrawals are easier and interest on deposits is at a rate agreed when the deposit was accepted. Such interest is treated as an expense rather than an allocation of surplus. As an expense, the interest is calculated and distributed by credit to the deposit accounts before the final accounts are closed. The *deposit columns* in the *working ledger* are *credited (CR)* when deposits are received and *debited (DR)* when *withdrawals* are paid. When the interest has been calculated, the total is *credited (CR) to deposits* and *debited (DR) to other expenses*. Details of these transactions will also be posted to the individual accounts of the members concerned in the *share and deposit ledger*.

### 3.11 Creditors and debtors

(a) *Creditors*

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

Should the society obtain a cash discount from the creditor, the entries to be made in the working ledger are: *debit (DR) creditors* and *credit (CR) other expenses*.

(b) *Debtors*

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

### 3.12 Investments

(a) *Approved investments*

Generally all the funds of the society will be used within the business for providing the goods and services required by the members. However, there may sometimes be funds which are not immediately required for the trading or development needs of the society. These funds ought not be left idle in the bank current account, but should be put to work as investments in other co-operative organisations, banks or other bodies approved by the registrar and authorised under the by-laws, to earn interest income for the society.

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

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

Funds invested outside the society should be invested with care, to give security, interest income and ease of withdrawal. Usually the longer the initial period for which the funds can be invested, the higher the rate of interest which can be earned. For example, banks may be offering interest at 4% on investments which can be withdrawn at short notice and 8% on investments made for a complete year. The book-keeper should make recommendations to the committee on the amounts which may be available for investment and as to the periods for



which these funds can be invested. Wherever possible, investments should be made in other co-operative organisations.

(b) *Deposit of investments*

When funds are deposited as investments in approved organisations, deposit slips issued by these bodies are completed, usually in duplicate. The funds are paid over and the society is issued with a receipt which is usually the bottom copy of the deposit slip. The society may also be issued with an *investment pass-book* or *certificate* showing details of the investment. These pass-books, or certificates, will be kept in the safe of the society. From the receipt the book-keeper will post the entries into the working ledger:

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

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

(c) *Withdrawal of investments*

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

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

(d) *Interest on investments*

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

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

*DR Investment account*  
*CR Other expenses – with the interest earned*

### 3.13 Surplus

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

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

### 3.14 Reserve fund

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

### 3.15 Education fund

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

### 3.16 Stock account

The *stock to begin* at cost value is shown as a debit balance in the main ledger to begin the financial period. On the last day of each financial period this *stock to begin* balance will be transferred as a debit to the trading account. The *stock to end* will be listed and valued and shown in the trading account as a credit and in the balance sheet as an asset. This balance will then be brought down in the main ledger in the new financial period.

### 3.17 Balancing

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

# 4 The main ledger

## 4.1 Posting

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

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

## 4.2 Balancing

At the end of every four weeks a trial balance will be prepared from the balances in the main ledger. A trial balance is shown in Example 16. The cash balance will be checked with the actual cash-in-hand. The bank balance will be checked with the bank statement. The share balance, the deposit balance, the debtors' balance and the creditors' balance shown on the trial balance will be checked with the totals of lists made from the individual accounts for these kept in the various ledgers and so on. This trial balance will be included as part of the manager's report to the committee shown in Example 19 (page 31).

Example 16

TRIAL BALANCE OF MAIN LEDGER at 31.12.75			
Detail	Ref no	DR	CR
Cash	1	40	
Bank	2	2499	
Purchases	3	17760	
Sales	4		20010
Cash differences	5	10	
Wages	6	550	
Property expenses	7	416	
Other expenses	8	349	
Fixed assets	9	2300	
Depreciation provision	10		600
Shares	11		2458
Deposits	12		840
Creditors	13		969
Debtors	14	40	
Investments	15	265	
Surplus	16		2
Reserve fund	17		470
Education fund	18		80
Stocks	19	1200	
TOTAL		25429	25429

# 5 Control systems and final accounts

The business operations of the society need to be controlled and summarised. The sections which follow outline some control systems and present in brief the preparation of the final accounts and balance sheet. These are explained in greater detail in the next book in this series (see Note for teachers, page iv).

## 5.1 Annual budget

The annual budget is a forecast of what the committee and the manager hope to achieve from their management of the society in the coming financial year. It is prepared at least one month before the beginning of the financial year to which it relates. The annual budget is prepared in two parts. The first part is the operating budget; the second is the cash budget.

(a) *Operating budget: Example 17*

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

(b) *Cash budget: Example 18 (page 31)*

The forecasts made of the income and expenditure in the operating budget must be related to the funds available to finance the operations of the society. A forecast is therefore made of the flow of *cash in* and *cash out*. This will enable the committee to be prepared to seek loans or overdrafts when required, or to invest funds revealed as not being immediately required for the operations of the society. Both the operating and cash budgets can be prepared for shorter periods than a complete financial year. In particular, the cash budget is sometimes made for short periods of only one month ahead.

Example 17

OPERATING BUDGET						
for financial year ending .....						
Detail	Budget		Actual		Actual	
	This year		This year		Last year	
	\$	%	\$	%	\$	%
INCOME						
Sales						
	GROSS SURPLUS					
EXPENDITURE						
Wages						
Property expenses						
Other expenses						
	TOTAL CASH EXPENSES					
Depreciation						
	TOTAL EXPENSES					
	NET TRADING SURPLUS					
SURPLUS AVAILABLE FOR DISPOSAL						
Balance brought forward						
ADD: Net trading surplus						
	TOTAL					
PROPOSED ALLOCATIONS						
Reserve fund						
Education fund						
Interest on shares						
Bonus on trade						
Balance carried forward						
	TOTAL					

Example 18

CASH BUDGET for period ending .....		
Detail	Budget This period	Actual This period
<b>FUNDS AVAILABLE b/f</b>		
Cash at bank		
Cash in hand		
<b>TOTAL</b>		
<b>ADD</b>		
Share contributions		
Deposits		
Sales		
Investment withdrawals		
<b>TOTAL (1)</b>		
<b>LESS</b>		
Share withdrawals		
Deposit withdrawals		
Creditors – purchases		
Expenses		
New fixed assets		
Investment deposits		
<b>TOTAL (2)</b>		
<b>FUNDS AVAILABLE c/f (1 – 2)</b>		

5.2 Monthly report to committee

The members are the owners of their co-operative society. At their annual general meeting they elect a committee which will conduct the business and be responsible for the general direction and control of the affairs of the society. The manager is appointed to run the day-to-day business under the direction of the committee. The manager is required to submit his report to the committee at the end of every four weeks, when the trial balance of the main ledger has been prepared by the book-keeper. An example of this report is shown in Example 19 below.

Example 19 (continued next page)

MONTHLY REPORT OF MANAGER TO COMMITTEE		Page 1	
..... weeks ended			
<b>1 Membership</b>			
To date this year			
To date last year			
Increase or decrease:		No .....	.....%
<b>2 Shares and deposits</b>			
To date this year		Shares	Deposits
To date last year			
Increase or decrease:		\$ ...%....	\$ ...%....
<b>3 Trade (to date)</b>			
To date this year		\$	
To date last year		\$	
Increase or decrease:		\$ ..... % .....	
<b>4 Estimated net surplus to date</b>			
		\$	%
Gross surplus at .....% on trade			
LESS: Wages			
Property expenses			
Other expenses			
Depreciation			
TOTAL EXPENSES		\$	
Estimated net surplus		\$ .....	% .....



## 5.4 Final accounts and balance sheet

At the end of the financial year, the final accounts and balance sheet shown in Example 21, page 35, are prepared. The following is a short outline of the procedure to be followed in this preparation (more details are given in the manual on accounting, see Note for teachers, page iv).

### 1 Stock taking of goods for resale

The stock of goods purchased for resale not yet sold will be listed and valued in a duplicate book ruled to show:

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

Description of goods	Number of units 1	Unit selling price 2	Total selling value 1 x 2

The total selling value of goods in stock will be used to complete the leakage control account. The total selling value of goods in stock will be reduced to 'cost' by deducting an agreed percentage (mark-down). This agreed percentage will depend upon local conditions *including the rates of mark-ups* used to calculate selling prices. This 'cost' value will be shown in the trading account (CR) and in the balance sheet as an asset.

### 2 Purchases adjustments

#### (a) Goods received not invoiced

Any goods delivered on, or before, the day the financial year ended, for which no debit has been made to purchases, will be listed at cost and selling values. These goods will be listed from entries not cleared in the 'goods received' book. The entries into the working ledger, and further into the main ledger, in respect of this adjustment, are:

DR *Purchases* to be included in the trading account  
CR *Purchases* to be included in the balance sheet

#### (b) Credits outstanding

Any credits outstanding in the 'claims for credit' book will be listed at cost and selling values:

CR *Purchases* to be included in the trading account  
DR *Purchases* to be included in the balance sheet

#### (c) Net purchases

The net purchases at cost value for the trading account and at selling value for the leakage control account will be calculated as follows:

	\$ Cost	\$ Selling (from separate record)
<i>Purchases</i> – from main ledger	.....	.....
+ Goods received not invoiced	.....	.....
– Credits outstanding	.....	.....
	Total to trading account	Total to leakage control account

### 3 Expenses adjustments

#### (a) Expenses prepaid

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

CR *Expenses* to be included in the trading account

DR *Expenses* to be included in the balance sheet

#### (b) Expenses accrued

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

DR *Expenses* to be included in the trading account

CR *Expenses* to be included in the balance sheet

### 4 Fixed assets and depreciation

The charge for depreciation will be calculated and the inventory of fixed assets and schedule of depreciation will be completed and balanced off. The actual fixed assets will be checked against their inventory.

DR *Depreciation (charge)* – with charge to be included in the trading account

CR *Depreciation (provision)* to be included in the balance sheet

5 Deposit interest will be calculated and posted through the working ledger to the deposit accounts:

CR *Deposits* with interest to be included in the balance sheet

DR *Other expenses* to be included in the trading account

6 The cash in hand will be checked and certified.

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

8 Investment balances will be checked.

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

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

11 Any adjustments will be posted through the working ledger.

12 The income and expenditure accounts in the main ledger will be closed and their balances will be transferred to the trading account for the year.

13 The surplus disposal account will be prepared after the committee has made its recommendations on the disposal of any surplus.

14 The balance sheet will be prepared from the balances of assets and liabilities remaining in the accounts in the main ledger.

15 The audit will be completed.

16 The annual return will be prepared and sent to the Registrar.

17 The annual general meeting will be held.

18 Any net surplus will be distributed as resolved by the annual general meeting.



Example 21

FINAL ACCOUNTS AND BALANCE SHEET			
I Trading account for year ended ...31.12.75...			
Last year (comparisons)		\$	%
\$	Sales	20000	100
	Stock to begin	1200	
	ADD purchases and inwards transport	18100	
	TOTAL	19300	
	LESS stock to end	1700	
	Cost of goods sold	17600	88
	Gross surplus	2400	12
	LESS Wages	600	
	Property expenses	386	
	Other expenses	349	
	Depreciation	265	
	TOTAL EXPENSES	1600	8
	NET TRADING SURPLUS TO a/c II	800	4
II Surplus disposable account at ...31.12.75...			
	Balance b/f	2	
	ADD surplus from A/c I	800	
	TOTAL SURPLUS FOR DISPOSAL	802	
	LESS Proposed allocations:		
	Reserve fund	380	
	Education fund	50	
	Interest on shares	70	
	Bonus on trade	300	
	TOTAL	800	
	Balance c/f	2	

Example 21 (continued)

III Balance sheet at ...31.12.75...		
	This year \$	Last year (comparisons) \$
Source of funds (liabilities)		
Share capital	2458	
Deposits	840	
Reserve fund	470	
Education fund	80	
Surplus for disposal	802	
Total funds of members	4650	
Creditors (A/c 3 + 6 + 13)	1359	
TOTAL	6009	
Use of funds (assets)		
Fixed assets		
Cost	2300	
LESS depreciation provision	865	
Book value	1435	
Investments	265	
Stocks	1700	
Debtors (A/c 7 + 14)	70	
Cash at bank	2499	
Cash in hand	40	
TOTAL	6009	

# 6 Summary

## 6.1 Book-keeping system

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

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

## 6.2 Control systems

Within the book-keeping system, different control systems operate:

### 1 *Efficiency control*

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

### 2 *Stock control*

All stocks are checked as soon as received. All sales are recorded. Leakage control accounts are kept.

### 3 *Cash control*

Receipts are issued for all cash received.

Receipts are obtained for all cash paid.

Cash is banked as soon as possible.

Cash in hand is checked frequently.

### 4 *Reports*

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

### 5 *The book-keeper*

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

# 7 Exercises

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

## Exercise A

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

## Exercise B

From the summary of the financial transactions for 1975 the working ledger (Example 1, page 6) was posted and the trial balance was prepared. The main ledger Example 2 was posted and the trial balance (Example 16, page 29), was prepared.

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

## Exercise C

The closing entries for the stocks and the other adjustments were summarised in the working ledger and then posted to the main ledger. Then the final accounts and balance sheet (Example 21, page 35) were prepared.

## Exercise A

### Opening balances from balance sheet at 31.12.74

#### 1.1.75. Post the main ledger

Detail	Ref no	DR \$	CR \$
Cash	1	10	
Bank	2	1020	
Purchases: goods not invoiced	3		240
Wages – accrued b/f	6		20
Property expenses – prepaid b/f	7	5	
Fixed assets	9	2000	
Depreciation provision	10		600
Shares	11		1400
Deposits	12		600
Creditors	13		905
Debtors	14	20	
Investments – Regional Union	15	200	
Surplus for disposal 1974	16		240
Reserve fund	17		400
Education fund	18		50
Stocks at cost	19	1200	
TOTALS		4455	4455

#### Notes

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

**Exercise B**

**Summary of financial transactions for 1975 from records of original entries**

31.12.75. (a) *Post and balance working ledger*

(b) *Post and balance main ledger*

	\$	\$		\$	\$
1 Allocations from 1974 surplus:			11 Interest added to investment		15
Bonus paid in cash	30		12 Goods used in shop for cleaning		10
Bonus transferred to shares	68		13 Received share contributions		1000
Interest transferred to shares	40		14 Paid share withdrawals by cheque		50
Transfer to reserve fund	70		15 Received deposits from members		400
Transfer to education fund	<u>30</u>		16 Deposit interest		40
Total		238	17 Paid deposit withdrawal in cash		200
2 Invoices from creditors:			18 Cash shortages		30
Goods for resale	18010		19 Cash overs		20
Fixed assets — new scale	300		20 Paid expenses in cash:		
Property expenses	<u>350</u>		Wages	530	
Total		18660	Postage	40	
3 Paid creditors by cheque		18500	Stationery	100	
4 Cash discounts allowed by creditors		96	Sundry	<u>130</u>	
5 Sales: Cash sales		19510	Total		800
Credit sales to debtors		500	21 Paid expenses by cheque:		
6 Received cash from debtors		460	Staff income tax	40	
7 Debtors — bad debts written off		20	Water fees	50	
8 Cash paid into bank		20300	Travel	40	
9 Bank charges		30	Property expenses	<u>61</u>	
10 Investment in Regional Union by cheque		50	Total		191

**Exercise C**

**Stocks and adjustments at 31.12.75**

- 31.12.75 (a) *Post working ledger*  
 (b) *Post main ledger*  
 (c) *Prepare final accounts and balance sheet*

	\$	\$		\$
1 Stocks of goods for resale at selling value	2000		8 Leakage control account:	
Less 15% to cost	300		Example 20 was completed using the following details:	
‘Cost’ value		1700	Goods at selling values:	
2 Purchases – goods received not invoiced at cost		340	Sales	20 000.00
3 Wages accrued		50	Purchases	20 670.00
4 Property expensed paid in advance		30	Stocks to end	2 000.00
5 Depreciation: Land and buildings 5%		65	Stocks to begin	1 386.00
Fixtures and fittings 20%		200	9 Bank reconciliation statement:	
6 Transfer cash differences to sales		DR 10	Example 7 was completed from the following details:	
7 Proposed allocations of net surplus for disposal:			Balance on statement	2610.50
Reserve fund	380		Bank balance on main ledger	2499.00
Education fund	50		Deposits in transit 31.12.75.	500.00
Share interest	70		Cheques not presented:	
Bonus	300		No 129	300.00
Total		800	No 131	200.00
			No 135	111.50

# *Notes*

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