

**ADDIS ABABA UNIVERSITY  
SCHOOL OF GRADUATE STUDIES  
FACILITY OF BUSINESS AND ECONOMICS  
(Msc. in Accounting and Finance)**



**The Soundness of Financial Management and Reporting Practices in selected Consumer  
Cooperatives of Addis Ababa Sub-city**

A research paper submitted to the School of Graduate Studies in partial fulfillment of the  
requirement for the Degree of Science in Accounting and finance

**Prepared by:  
(FIKRU BEKELE)**

Advisor:  
Abebe Yitayew  
(Assistant Professor)



**April, 2008  
Addis Ababa**



## Certificate

This is to certify that Ato Fikru Bekele has completed his Msc project work entitle a **Case Study on Financial Management and Reporting Practices of Consumer Cooperatives in some selected Addis Ababa Sub-city**. Under my supervision, in my opinion, this work is the original effort of the candidate and suitable for the submission in partial fulfillment for the requirement for award of Degree of Master in Accounting and Finance.

---

Name of the supervisor

---

Signature and date



## **Declaration**

I, hereby declare that this project paper is my original work and that all sources of material used have been duly acknowledged.

---

Name of the student researcher

---

Signature and date

## List of Exhibits/Graph/Tables

Exhibit-1: The cooperatives Accounting System

Exhibit-2: Balance sheet

Exhibit-3: Income Statement

Exhibit-4: Statement of cash flows

Exhibit-5: Sample daily journal recording

Graph-1: Date of cooperatives establishment vs. name of the cooperatives

Table- 1: Existence of financial manager vs. recording system

Table- 2: Members participation vs. Income distribution

Table- 3: Types of accounts maintained vs. recording system

Table- 4: Method of recording vs. type of recording system

## **Abstract**

This paper analyzes the Financial Management and Reporting Practice of consumer cooperatives. It briefly reviews cooperatives structure in relation to financial management and reporting practice. The reporting format shown in this paper will be used for those cooperatives that have limited bookkeeping or accounting experience. In many cooperatives, trained accountants will take care of the financial reports. However, most management members should understand the reporting function and be able to interpret financial reports. By understanding components of financial management cooperative leaders will make prudent business decision.

## Acknowledgement

It is a pleasure to acknowledge those who support me in the preparation of this paper. I am especially indebted to Mr. Abebe Yitayew for providing me this valuable and intellectual advice from the start to the end of the project. My sincere thanks also go to my family and all colleagues who have been on my side all the way towards the accomplishment of this project.

Finally I want to express my gratitude to all Addis Ababa city government departments of cooperative office staff members and management of cooperatives in the sample for their permission to utilize the available resources in their organization for this research work.

# Contents

## **CHAPTER –ONE: INTRODUCTION**

1.1. Background .....	1
1.2. Statement of problem.....	2
1.3. Objectives of the study.....	4
1.4. Significance of the study.....	4
1.5. The Scope of the study.....	4
1.6. Methodology .....	5
1.7. Organization of the Paper .....	6

## **Chapter –Two: Literature Review**

2.1. Historical Background of Cooperatives.....	7
2.2. Characteristic of Cooperative Economy .....	9
2.3. Benefits of Cooperation .....	11
<b>2.3.1. Economic Benefits</b> .....	12
<b>2.3.2. Social Benefits</b> .....	13
<b>2.3.3. Education Effect of Cooperation</b> .....	14
2.4. Cooperative Management .....	15
2.5. Consumer Cooperation .....	16
2.6. Financial Management for Cooperatives.....	17
<b>2.6.1. Important Financial Decision</b> .....	17
2.6.2. Financial Planning .....	19
2.6.3. Investment Divisions (Capital Budgeting).....	21
2.6.4. Working Capital Decisions.....	24

2.7. Financial Reports of Cooperatives .....	30
2.7.1. The Balance Sheet.....	32
2.7.2. The Income Statement.....	33
2.7.3. Statement of the Cash Flows .....	35

**Chapter –Three: Development and status of Cooperatives  
in Ethiopia and Accounting and Reporting Requirements**

3.1. Historical development of Cooperatives .....	40
3.2. Reporting requirement of cooperatives.....	42

**Chapter –Four: DATA PRESENTATION AND ANALYSIS**

4.1 Cooperative Demography and Financial Management .....	44
4.1.1 Cooperatives demography .....	44
4.1.2 Financial Management .....	45
4.2 Financial Reporting practice .....	47

**CHAPTER –FIVE: CONCLUSTION AND RECOMMENDATION**

5.1 Recommendations .....	52
---------------------------	----

REFERENCES

APPENDEIXES

# CHAPTER –ONE

## INTRODUCTION

### 1.1. Back ground

Cooperative efforts have occurred throughout history. Since early man cooperated with others to help kill large animals for survival, people have been cooperating to achieve objectives that they could not reach if they acted individually. Cooperation has occurred throughout the world. Ancient records show that Babylonians practiced cooperative farming and that the Chinese developed savings and loan associations similar to those in use today. In North America, clearing land in preparation for the planting of crops, threshing bees, and barn raisings all required cooperative efforts.

The first formal cooperative business in Ethiopia is assumed to have been established in 1958's during regime of Haleselasse, almost thirty two year before in the regime of EPRDF. Since 1991, after the political and economic change caused by the transition from centralized economy to the free market and underwent to a dramatic development. In Ethiopia at federal level a cooperatives societies proclamation number 147/1998 issued, which enables individuals establish cooperative societies on voluntary basis. This proclamation gives right cooperative societies to actively participate in the free market economic system.

The purpose of establishing cooperatives was based on internationally recognized principles, that is, on free will and democratic way.

Cooperatives are based on the values off self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others. Most cooperatives are governed on a strict “one member, one vote” basis, to avoid the concentration of control in an elite. Economic benefit are distributed proportionally according to each member’s level of economic interest in the cooperatives, for instance by a dividend on sales or purchase.

Cooperatives follow seven internationally recognized principles:

- Voluntary and Open Membership

- Democratic Member Control
- Member Economic Participation
- Autonomy and Independence
- Education, Training and Information
- Cooperation Among Cooperatives
- Concern for Community

Cooperative members have to be local people who, by virtue of their established residence, can make commitment to the cooperatives and the region it serves. All groups in the cooperatives workforce will benefit from the cooperative's profits. Members who purchase shares in cooperatives should have no power or right to transfer their shares without the permission of the cooperative. Shares can however be inherited.

A sufficient number of persons must have the interest to make cooperatives economically viable. An attitude of curiosity, "wait and see" or "if it gets started I will be a part of it" is not enough. The organizing group should determine the minimum number of persons necessary for a viable organization. The best test of true interest is to require either payment or a firm promise to pay some significant membership fee. The size of the fee will depend on the economic status of the prospective membership and the type of operation planned. It should be large enough that a person will not simply ignore the investment. Further, the co-op will need all the money it can get for capital.

Consumer cooperatives will distribute consumer goods to members of the public at reasonable rate. These cooperatives should be formed by persons having an interest in selling goods to the public and will share profits according to the standard criteria of individual labor and capital investment.

## **1.2. Statement of Problem**

Cooperation offers economic, social and educational benefits both to its members and the societies at large. This is because the object of cooperation is transfer the members' condition such a way that they make their social life richer and happier.

There are various types of cooperatives which are characterized by their objectives. This particular study focuses on consumer cooperation. This type of cooperative is cooperative aiming at to meet the needs of it members in order to consumer Cooperative to achieve their desired goal, they need to have broad based sufficiently defined objectives which enable them to provide adequate scope to take up desired activities in line the need and wishes of members. The need of a consumer cooperative and a strategy to achieve that need must be planned by the cooperatives and not by the state.

Activities carried on by a consumer cooperatives involves substantial amount of capitals which requires proper management and reporting practice as per the country law and state law or as per generally accepted accounting principle. When financial transactions are recorded based on standard principles it is possible to know easily the position and operational activates of a cooperatives and increases members confidence, public trust and accountability of cooperatives.

Financial management, a key to operating cooperatives involves managing assets such as cash, account receivables, inventories and fixed assets. It includes managing liabilities such as account payable and obtaining favorable long term financing. Sufficient members or equity capital and sound financial position must be maintained that will be acceptable to creditors, supplier, or buyers of cooperatives products.

The earnings, savings, or benefits of the consumer cooperatives must be used for the general welfare of the members, or must be proportionately and equitably distributed to some or all of its members, based on patronage(investment) in the form of cash, property, evidences of indebtedness, capital credits, memberships, or services.

In line with the above purpose the following specific research questions formulated for investigation.

- Is the financial management system paves way for long term financing?
- Is there standard reporting practice within the selected consumer cooperatives?
- How far the financial system is transparent to the members?

- How much the financial reporting practice of consumer cooperatives enhances decision making to the benefit of its members?
- Is there a technical support from Addis Ababa city government?

### 1.3. Objective of the Study

The study carried out with the assumption of the following objectives is met.

- To examine the reporting practice of the <sup>6/14</sup>selected consumer cooperatives
- To investigate the relationship between the financial management and long term financing.
- To examine the transparency of financial system to its members.
- To identify and describe the basic source of capital for the consumer cooperatives.
- To identify an association between financing, reporting and decision making.
- To Indicate impact of poor financial management on the likely hood of cooperatives operation
- To identify how dividend distributed among the members.

To sum up the purpose of this paper is to come up with current state of financial management and reporting practice of Consumer cooperatives and to recommend the use of standard accepted reporting practice increases members confidence, loan providers, Public trust and others stakeholders interest.

### 1.4. Significance of the Study

The purpose of this study is to asses the current practice of consumer cooperative s financial management and reporting practice in some selected consumer cooperatives of Addis Ababa city government in comparison with local and internationally accepted reporting standards.

Therefore, the study is expected to have some practical contributions in a sense that it shares some light on the direction of consumer cooperatives financial management. In this regard the study assists the effort of Addis Ababa City Government to combat one of country strategy in area of poverty alleviation and unemployment reduction. These in turn are expected to help

consumer cooperatives technically assisted by Addis Ababa City Government to become productive and profitable.

## **1.5. The Scope and Limitation of the Study**

The scope of this study will be confined to the financial management and reporting practice in the selected consumer cooperatives of Addis Ababa city government rather than looking all aspects of cooperatives operation.

Nevertheless, it is beyond doubt that any research paper undertaken has no resource constraints. This study can not be an exception to this fact. Moreover, it is seldom possible to get all relevant information from concerned respective government offices in the area of cooperative research due to there is no central documentation in most offices. Besides, lack of research studies and availability of sufficient current literature on the subject of Accounting for cooperatives are some limiting constraints.

## **1.6. Methodology**

### **1.6.1 Source and Instruments of Data Collection**

The data was collected from primary sources that involved structured survey questionnaire as well as unstructured interviews. The scales used for survey questionnaire measures several constructs: financial management system, financial reporting practice and budgeting experience.

The instrument used in the present study to collect data

Some of the items in the instrument developed from literature. Others extracted from Addis Ababa city government cooperative office documents. The instruments were pre-tested for clarity and practicability before being used for the actual study. The Questionnaire used in final studies are presented in Appendix A

### **1.6.2. Data Analysis**

A systematic comparison will be performed between the financial management practice of cooperatives and acceptable accounting standards.

Qualitative data analysis also applied, however, frequencies and percentages were used to analyze association.

### **1.6.3. Sampling and Sampling Procedure**

It was found that there are 34 consumer cooperatives in Addis Ababa.<sup>1</sup> It was assumed it will be reasonable to select 10 of them for the main study. But on the main study out of 34 cooperatives under the list of Addis Ababa city government cooperative office, it was found only 14 cooperative above one year. Due to this the sample reduced to 6 cooperatives that have been above one year. Stratified random sampling was used to select the ten cooperatives. This is for simple reason that the cooperatives are different in terms of their capital, market location and size of cooperative beneficiaries. Theses indices were used for stratification.

## **1.7. Organization of the paper**

Since the literature review will be a framework for the research study and analysis it is presented in the second chapter. General back ground and development of cooperatives in Ethiopia chapter three, data presentation and analysis chapter four and finally chapter five conclusion and recommendations.

---

<sup>1</sup> Addis Ababa city administration cooperatives office

# CHAPTER –TWO

## LITERATURE REVIEW

### 2.1. Historical Background of Cooperatives

Cooperation means working together. The principle is as old as human society. It is truly the basis of domestic and social life. What is known as co-operative effort ultimately the group instinct in man which enables him to live together, work together and help each other in time of stress and strain. The history of modern civilization is in fact the history of co-operation, for without it social and economic progress would have been impossible.

Modern biologists believe that the cooperative forces are biologically more important and vital. Prince Peter Kropotkin in *Mutual Aid* asserts that “Sociability is as much a law of nature as mutual struggle.” He has further observed that “the cunningest and shrewdest are always eliminated in favor of those who understated the advantages of sociable life and mutual effort.” W.C Allee, A.E Emerson, R.W. Gerard and others have also argued that cooperation is more natural than competition in the life both animal and man. Emerson said, “Co-operation has been a more evolutionary force in the development of man than has the bitter competitive struggle for existence.” Montagu says that “science points out the way to survival and happiness for all mankind through love and cooperation.” According to E.R Bowen, “Co-operation is the universal instrument of creation.”<sup>2</sup>

It is now acknowledged on all hands that civilization can not flourish unless competition is supplanted by co-operation. Human beings have developed out of group life and hence naturally respond to group and social stimuli. Thus the co-operative spirit is innate and intrinsic in human beings.

In the modern technical sense the genesis of co-operative movement and application in the economic field can be traced after the industrial revolution which took place in England during the second half of the eighteenth and the first half of nineteenth century.

---

<sup>2</sup> . E.R Bowen, *The cooperative Road to Abundance*, (1953), P.96

The Industrial Revolution gave rise to capitalism which resulted in pauperism- a class of proletariats, mere attendants on machine-propertyless, moneyless, and homeless. The degenerating poverty and as finishing riches; the pampered and inhuman ways of the exploiting class excited repulsion and righteous indignation from the enlightened people. Low wages, the rising  
for w  
strikes and disorders but also gave rise to thought and concern among certain intellectuals and philanthropists. Liberal-minded persons, far sighted men and visionaries made it their duty to cast about for practical answers to the new problems or to work out ambitious systems of social organization.<sup>3</sup>

Co-operation as a new philosophy, therefore, developed as a result against capitalism and irrational inequality the bane of capitalism. Co-operation was conceived as the answer to the injustice of capitalism and was developed as its antidote. Poorer men saw in it a price of advantages, economists a new incentive to efficiency, and the utopian socialist a method of developing completely new society.

## **What are Cooperatives?**

First and foremost, cooperatives are businesses. But they are autonomous businesses owned and democratically controlled by their service members-the people who buy their goods or services- not by investors. Unlike investor owned businesses, cooperatives are organized solely to meet the needs of the members-owners, not to accumulate capital for investors. As democratically controlled business, many cooperatives practice of “one member, one vote,” providing members with equal control over the cooperative.

Cooperatives are formed by their members when the market place fails to provide needed goods or services of acceptable quality at affordable prices. Cooperatives empower people to improve their quality of life and enhance their economic opportunities through self-help. Throughout the world, cooperatives are providing coop members with credit and financial

---

<sup>3</sup> co-operation- A workers' Education Manual, (1956), I.L.O. P.5

services, energy, consumer goods, affordable housing and other services that would not otherwise be available to them.

## **2.2. Characteristic of Cooperative Economy**

The following has been unique and necessary characteristic of a cooperative.

### **a) Member/Patron Owned**

The people who use the cooperative own the business. The major objective of the member/patrons is to secure the goods or services desired at a reasonable price. Other forms of business organizations are owned by investors whose objective is making a return on the investment.

How a person become a member is specified in the bylaw. The usual means is the purchase of a membership or a share of stock and by doing business with the cooperative membership may be open to anyone or limited as specified in the by laws.

### **b) Operation at Cost**

A cooperative provides goods and services to members at cost. Two ways are open for following the principle. One way is to set price at a level where operating cost are exactly covered. A second way is to set price at a level that is expected to cover more than costs and then to give back to members at the end of the year the net return (profits) in proportion to the volume of business each member does with the cooperative. Such payments are called patronage refunds. The refunds may be paid in cash or as equity capital certificates or a combination of the two. Retained patronage refunds are a major source of equity capital for many cooperatives.

### **c) Democratic control by members**

Most cooperatives give one vote to each member, regardless of the volume of business a person does with the cooperative. In other forms of business the control is in

proportion to the investment of the owners, usually one vote for each share of common stock.

#### **d) Limited Return on Equity Capital**

Most cooperatives pay nothing on equity capital. Further a member can sell the equity capital only to the cooperative and at its discretion and never for more than cost or book value. A member of a cooperative secures benefits through prices and service. In other form of business benefits accrue to the investor either as dividends or changes in the value of stock or both.

Except the distinctive features just mentioned, cooperatives are identical with other forms of business. All must be economically feasible and all require capital, management and use of sound business practices. The economic and legal system gives no special advantages to cooperatives.

#### **e) It is an undertaking**

A cooperative undertaking is not only an association, it is also an undertaking. It is not a charitable or a philanthropic association. A cooperative enterprise is run by members themselves at their own expense and at their own risk.

#### **f) It is a voluntary Organization**

A cooperative enterprise is based upon a voluntary form of organization. No one is coerced to join a society against his will. Coercion in any firm is considered to be incompatible with concept of cooperation.

#### **g) The keynote is service and not profit**

It keynote of cooperative enterprise is service and not profit. A cooperative enterprise is motivated by a spirit of service; its whole business mechanism is geared forwards the provision of most economical service.

## **h) The basis is Equality**

Another feature of a cooperative enterprise is that within its membership relations between man and man are governed by a rule of equality. Irrespective of possible differences of race, creed, political opinion social status or subscription of capital, all the person possess equal rights and duties. "There can be no cooperation unless it is between equals." (Edgard Milhaud)

## **i) It is a socio-economic movement**

The cooperative movement is a socio-economic movement. It aims at bringing about revolutionary changes in the social and economic structure by peaceful means. It is based on self help and stands for moral uplift and honesty.

Shri V.L. Mehta has stated: " It is the claim of the cooperative movement that it can be the principal means of bringing about in a peaceful manner of social change of a fundamental nature, ushering a social order non exploitative equalitarian, tolerant that harmonize the dignity of the individual with the well being of the community."

## **2.3. Benefits of Cooperation**

A cooperative association is an association of isolated individuals, who by association with others and through mutual support obtain material advantages which are usually available to wealthy or powerful persons and thereby develop themselves to the fullest extent. By working together these poor individuals succeed in getting the advantages which are available to those who work on large scale. The union of forces in cooperative society thus secures the material advancement for its members and united action fosters self reliance.

David A. Morse, Director General of the I.L.O, has observed:

"Cooperatives have helped rationalize distribution patterns, increase purchasing power, promote consumer protections, and narrow the housing gap. They have contributed to the modernization of small scale production in agriculture, fisheries, handicrafts and industry. They have made improved quality and greater volume of production and have led to more efficient

marketing of increased output. They have stimulated productive capital formation among large number of individuals. In a wider sense, cooperative growth has thus become an effective stimulant to economic growth.”<sup>4</sup> According to Henry W. Wolff, cooperation represents one of poor people’s best and most useful and most trustworthy allies in the battle for progress and economic and social emancipation.

### **2.3.1. Economic Benefits**

From the economic standpoint, cooperatives are engaged in securing for their members services of various kinds at low costs. These may include service of various socio- economic activities in the consolidation of holdings, the establishment of irrigation schemes, the contouring of land, the procurement of technical knowledge, the administration of credit, the buying of fertilizers, pesticides, seeds, electricity and machine services, of consumer’s goods and services, the processing and marketing of produce, the provision of insurance, health and medical care or education.

Cooperation has also played an important role in checking monopolistic tendencies. In U.S.A the House committee on small Business reported “There is substantial evidence to show that the cooperative movement operates as a very successful means of combating monopolistic concentrations, as such, is very healthy addition to the American economy.”

The following is the list of economic advantages of cooperative organizations<sup>5</sup>:

1. The substitution of the profit incentive in business by that of service to humanity or production for consumption, In other words, priority is given to the satisfaction of human needs instead of greed of profits.
2. Amore equitable distribution of wealth.
3. The breaking up of monopolies and trusts which operate at the expense of the consumer.

---

<sup>4</sup> Canadian Co-operative Digest, Vol.8, No.4, 1965, P. 3

<sup>5</sup> Casselman,P.H., The Cooperative Movement and some of its problem, P.153

4. The increase of the workman's purchasing power and real wages by giving him more and better goods for his money.
5. The reduction in cost of distributive system by:
  - i) elimination of unnecessary middlemen;
  - ii) removal of useless duplication of services;
  - iii) eradication of such practices as misleading advertisement and high pressure salesmanship;
  - iv) The elimination of fraudulent practices like adulteration, short weight, etc.
6. The rejection of accounting inaccuracies by encouraging frankness in business.
7. The more accurate correlation of demand and supply as a result of the greater certainty and regularity of the consumer market.
8. Stabilization of employment which will result from the regularity of demand and the absence of speculation.
9. The fair treatment of all labour and general improvement in employer-employee relations.
10. The training of people to spend wisely.

### **2.3.2. Social Benefits**

Cooperation offers not only economic benefits to members but also confers a number of benefits to the society. This is so because the object of cooperation is to transform the member's condition in such a way that he makes his social life richer and happier.

The well known authority on cooperation, Dr. Fauquet, has stated:

“The ultimate aim of cooperation is to develop men-men imbued with the spirit of self help and mutual aid in order that individually they may rise to a full personal life and collectively to a full social life.”

Modern life is full of social tensions with regard to religion, caste, language, state, race and occupation. Cooperatives tend to lessen these tensions and show all people how they can work together on common ground. Mr. A.F Laidlaw states, "The cooperative movement provides the means of social change without resorting to the undesirable methods and violence."<sup>6</sup> Cooperative living brings out the best that is in man and lifts him to a higher plane of life.

The social purposes of cooperation are more diverse than economic purposes. They may be to provide a unique education in democracy, responsibility and toleration; to train for political power; to evolve an industrial relationship in which the element of authority is much more evenly distributed than in private business; to preserve a strong friendly or family spirit and a sense of pride and power which is impersonal, to encourage a general advance rather than the advance of particular individuals; to secure rational, constructive and unifying approaches to social and economic problems; to prevent under employment; to secure the moral as well as the physical satisfaction of pure quality, good weight, honest measure, fair dealing in trade; or to achieve better physical and mental health. The distinguishing characteristic and social features of cooperative societies may in many circumstances make these essential to the achievement of their purposes.<sup>7</sup>

Cooperation teaches that man is his brother's keeper and that he can best lighten his own burden by lightening the burden of others, that he can achieve his own happiness only by including within it the happiness of others. "The cooperative movement is an exercise in fellowship, which seeks to end the exploitation of man by man." The movement teaches man and woman to rise above their own interests and to think in the terms of the general good.

### **2.3.3. Educational effect of Cooperation**

The chief educational effect is a consequence of the experience gained in the practical work of cooperation. No influence is as important in the economic education of farmers as their own efforts in cooperation. The very attempt on the part of small people to solve their problems teaches them basic economic truths. The effect on the whole country of

---

<sup>6</sup> A.F.Laidlaw, Extension work in the co-operative movement (1958), P.50

<sup>7</sup> Rural progress through Co-operatives, (1954), United Nation, P. 14

cooperatives in which people learn to work together freely loyally in furthering their own business cannot fail to be great.

Cooperation and education have gone hand in hand; sometimes education producing the cooperatives, sometimes the cooperatives sponsoring education. This is only to be expected since as Dr. Fauquet says, “the first object of the cooperative is to improve the economic situation of its members.” But because of its methods and the qualities it demands and develops in the members it achieves a higher aim. The goal of the cooperative is, then, “to provide men with self-reliance and with team spirit so that each will give rise to a full personal life and all to a full life in society.”<sup>8</sup>

## **2.4. Cooperative Management**

Cooperative follow their own principles laid down by the international cooperative alliance from time to time. Hence the concept of cooperative management signifies the application of management principles over the cooperative which are guided by the principles of cooperation.

Let us see several definitions of cooperative management:

Watzkawick “Cooperative management should be understood as a complex decision making process within the three levels of management pyramid which aims of achieving a proper balance of success or cooperative enterprise a business unit as well a social initiation.”

E.V. Medozal . “Cooperative management may be defined as the efficient and effective utilization of the resources of a cooperative as a business organization for the purpose of serving the needs of its members within the context of the accepted cooperative principles.”

Peter Davis, the British Cooperator, who was associated with ICA’s third principle’s commission, came out with a concrete definition of cooperative management. He says “cooperative management is conducted by men and women responsible for stewardship of the cooperative community value and assets. They provide leadership and policy development option for the cooperative association based on professional training and cooperative vocation and

---

<sup>8</sup> Quoted by Dr. Smith, The evolution of Agricultural Co-operation, (1961), p111.

service. Cooperative management is that part of the cooperative community professionally engaged to support the whole membership in the achievement of the cooperative purpose.”

From the above definition one can derive the following meaning of cooperative management:-

1. Cooperative management is a complex decision making process;
2. It balances cooperative as business units as well as social institution.
3. Cooperative management efficiently utilized the resources of a cooperative to serve the needs of its members.
4. Cooperative management is part of the cooperative community engaged to achieve the cooperative purpose.
5. The supreme objective of cooperative management is to serve its members.
6. Democracy and involvement are key aspects of cooperative practice.
7. Cooperative management is guided by cooperative purpose against which their performance can be appraised.

## **2.5. Consumer Co-operation**

One of the most challenging tasks facing the Government is to hold the price-line. People have not forgotten the untold privations and hardship which they had undergo during the period of emergencies. Because of Scarcity conditions the prices rocketed sky high and the hell-bounds a blank marketing, profiteering and exploitation of the worst form began to howl in the open. It is quite on the card that all the efforts of the Government in raising the income of the people would go in vain if the rising prices and unfair practices of the trade are not checked.

The middlemen certainly deserve to be rewarded for the useful services performed by them. But in most cases their gains have been found to be out of proportion to the service rendered by them, and this was why Ruskin called these gains as ‘unnatural and impious’ in so far as they feed on the distress of others.

Of the various measures taken by the government to hold the price line, the development of the consumer cooperative stores has by far attracted the greatest attention. It may be mentioned

that whenever there has been a period of stress and strain, the government has also ways been keen to set in motion a machinery which would check anti-social element form exploiting the situation. In fact such exigencies really pawed the way for the development of the cooperative store movements.

## **2.6. FINANCIAL MANAGEMENT IN CO-OPERATIVES**

### **Definition**

- 1) “Financial Management is an area of financial decision making, harmonizing individuals’ motives and enterprise goals”. Western – Bringham
- 2) “Financial Management is the application of the panning and control functions to the finance function”. – Howard and Brigham
- 3) “Financial Management is the operational activity of a business that is responsible fort obtaining and effectively utilizing the fund necessary for efficient operations” – Joseph Massie.
- 4) “Business Finance can be broadly defined as the activity concerned with planning, raising, controlling and administering of funds used in the business.” Guthmann and Dongall.
- 5) “The Finance function is the process of acquiring and utilizing funds of a business” R.C. Osborn.
- 6) “Finance consist in the raising, providing, managing of all the money, capital or funds of any kind to be used in connection in the business” – Llyoyd Ellis Dewey.

### **2.6.1 Importance of Financial Management in Cooperatives**

**Co-operatives, as distinct economic organizations can not follow the same methods of the financial management techniques followed by other enterprises.** They are different from public **sector** organizations, in their objective, approach, management vision and accountability to members and the society. Hence they have to follow a selective financial approach.

1. Capital formation of cooperatives is oriented towards self-reliance in resources. The purpose of mobilization of resources is not for appreciation of the value of shares.

2. The shares of the cooperatives are not transferable and they can not be traded like the shares of corporate sector. Hence the value of shares is not appreciated or depreciated in the market; they remain the same for ever.
3. Cooperatives raise resources from members and from their higher financial agencies. Dependence on open market is unknown among the majority of the cooperatives.
4. Certain Cooperatives like urban cooperatives depend on the deposits and they raise deposits facing stiff competition from commercial banks and unorganized sector.
5. Financial management techniques in cooperatives are needed for prudent application of resources and to avoid wastage. Hence keeping the cost of capital low is an important consideration for the managers of cooperatives.
6. The benefits of financial management are transferred to the members of cooperative even during the middle period by way of reduced prices, higher rate for deposits, etc., They need not wait till the end of the year, where profits distribution is made.
7. The prudence of financial management lies in indicating the sources of finance, which are cheaper and less riskier.
8. Unlike corporate sector, cooperatives cannot divert their surplus funds for their sister concerns. They have to use such surplus funds, if available, only at the same society. Here they have to explore the possibilities of expanding their services as well as find new services to members.
9. One area, which needs greater emphasis of financial management in cooperatives, is the loan recovery area and related issues. Due to poor recovery the NPA of cooperatives are increasing which increases the interest burden, penal rate, etc., when funds are locked due to poor recovery they become stick units.
10. Dividend policy followed by majority of the cooperatives is not healthy one. For years, members are not disbursed dividend and several cooperatives never disburse dividends. Such policy needs modification and hence the relevance of efficient financial management.
11. To take the new principle of cooperation, 'Member economic participation', more relevant, greater emphasis should be laid on matured financial management.



## 2.6.2. Financial Planning

Financial planning means deciding in advance, the financial activities to be carried on to achieve the basic objectives of the firm. The basic objective of the firm is to get maximum profits out of minimum efforts or to maximum the wealth of the corporation to its shareholders in a efficient manner. So the basic purpose of the financial planning is to make sure that adequate funds are raised at the minimum cost and that they are used wisely. In cooperative, profit is not the motive and financial plans have to deal with raising and deploying resources.

### Definition

“Financial planning pertains only to the function of finance and includes the determination of the firm’s financial objectives, formulating and promulgating financial policies and developing financial procedures”. – Walker – Boughn

**Need for Financial Planning:** financial planning plays a very important role for the smooth running of business. Their importance’s are as follows.

- 1) **Conservation of capital:** Effective utilization of capital is necessary to conserve the values of investment in asset in an industry, because new inventions reduce the value of old machineries. Financial planning can only conserve the value of capital.
- 2) **Economy and co-ordination:** Financial planning is required reduce the wasters in the production process and to co-ordinate the various activities in an industry to get the best results.
- 3) **Changing price level:** Changing price level increase the replacement cost of the assets and the management is to arrange for that through proper planning.
- 4) **Success of entire firm:** success of entire firm depends upon how the financial planning is being implemented.
- 5) **Rapid Expansion of public sector:** This fact also intensified the need of financial planning in private sector because it has now become very difficult to get finance

from financial intuitions and banks due to pressure from public sector undertakings.

- 6) **Optimum Capital Structure at Minimum Cost:** Financial planning is necessary for deciding about the capital structure at an optimal level and minimum cost.
- 7) **Unity in Action:** Executives at all levels take similar decision in similar cases. To create unity among them this is needed.

**Main aspects of financial Planning:** there are three main aspects of financial planning.

- (1) **Determining Financial Objectives:** There are two types of Financial Objectives i.e., Long term and short term. The long term financial objectives of the firm should be utilizing the resources effectively and economically. These objectives include:
  - I. Proper capitalization.
  - II. Capital structure.

The short term financial objectives should be to maintain the liquidity of funds in the business.

- (2) **Formulating Financial Policies:** The second aspect is to formulate certain financial objectives. Such policies may be regarding the estimation of capital requirements, relationship between firm and creditors, form of securities, sources of capital, distribution of earnings etc.
- (3) **Developing Financial Procedure:** This aspect relates to the control and administration of financial activities. For this purpose financial activities are sub-divided and authorities are delegated to subordinates to perform such activities. Standards are established and actual performance is compared to the standards. Any deviation is then controlled through various tools such as budgetary control, cost control etc.
- (4) **Reviewing financial plan:** The plan should be reviewed from time to time in the light of changing economic. Social and business environment.

**Basic Characteristic of a Sound Financial Plan:** following are certain basic characteristic of a sound financial plan.

- (1) **Simplicity:** it should be easily understandable by all concerned and free from complications and suspicions.
- (2) **Foresight:** future need of finance of a company should be estimated much in advance so that an accurate picture of the capital structure may be drawn.

- (3) **Flexibility:** the capital structure of a company should have flexibility in the sense that any increase or decrease in capital may be feasible whenever required by the circumstances.
- (4) **Intensive Use:** effective use of every paise raised is expected from the planners in the best interest of the enterprises. It means 'fair Capitalization' is the need of the hour.
- (5) **Liquidity:** a reasonable amount of the working capital should always be kept in the form of liquid cash for the smooth running of business operations.
- (6) **Economy:** it means that cost of raising capital should be the minimum, dividend or interest should not be burden to the company.
- (7) **Contingencies anticipated:** a sound financial plan should provide for the future contingencies caused by a business cycle.

### 2.6.3. Investment Decisions (Capital Budgeting)

#### Meaning

The investment decisions are commonly known as capital budgeting or capital expenditure decision. Capital budgeting means planning for capital expenditure in acquisition of capital assets such as new building, new machinery or a new project as a whole. It includes mechanization of a process, replacing and modernizing a process, introducing a new product and expansion of the business. It involves Detailed Project Reports (DPR) and cost and revenue statements indicating the profitability. The project which gives the highest return on investment is to be selected and then investment is to be made in such a project as to maximize the profitability of the concern. Thus capital budgeting involves the following steps.

- a. Consideration of investment proposals including alternatives.
- b. Application of suitable evaluation technique for selecting the project.
- c. Estimation of profits, cash flows and analysis of cost benefit of the project or scheme.
- d. Estimation of available funds and utilization thereof.
- e. The objective is to maximize the profits with the utilization of available funds.

## **Definition**

According to Kotler, “A capital expenditure is an expenditure intended to benefit future periods in contrast to revenue expenditure which benefit a current period, an addition to a capital asset. The term is generally restricted to expenditure that adds fixed asset units or that has the effect of increasing the capacity, efficiently, span of life or economy of operation of an existing fixed asset”.

R.N. Anthony defines the capital expenditure as “any investment involves the commitment of funds now with the expectation of earning a satisfactory return on these funds over a period of time in future”.

G.D. Quirin says “a capital investment project may be defined as any project which involves the outlay of cash in return for an anticipated flow of future benefits”.

Investment means the acquisition of durable assets and includes:

- a. Modification and replacement of existing facilities.
- b. General plant improvement
- c. Quality improvement
- d. Additional capacity
- e. New products or expansion of existing products
- f. Cost reduction
- g. Research and development
- h. Exploration
- i. Mechanization processes
- j. Replacement of manual work of machinery.

## **Significance of capital Budgeting**

According to John Hampton the preparation of the firm’s capital budget is highly significant for a number of reasons:

- (1) **Substantial Expenditure:** Capital expenditure may range from prices of the equipment costing few amounts to complete factors and other physical facilities costing huge amount.
- (2) **Long Time Period:** The effects of capital spending decisions will be felt by the firm over extended the period of time. One a huge building began; the firm cannot easily withdraw from continuing the construction. When a firm forecast the need for additional manufacturing space, it may begin constructing a factory. If changes in the marketplaces eliminate the need for the extra capacity, the firm faces a serious problem. Does it keep the facility; incurring heavy fixed costs with no revenues, in the hope that the conditions will improved the capacity will be needed? Or does it sell the plant at a potentially large loss? The long-term commitment adds considerable risk to the firm's capital budgeting decision.
- (3) **Implied sales Forecast:** The spending of funds for the fixed assets represents an implied forecast of future sales. If machinery or a building is not purchased, the firm may not be able to meet demand in the future. If too much is purchased, the firm is stuck with unneeded capacity. An important part of the capital-budgeting process is forecasting sales.
- (4) **Over- and under capacity:** If the budget is carefully drawn, it will usually improve the timing and quietly of assets acquisition. If done poorly, it will cost the firm large sums of money, because of under capacity sometimes at the same time. The firm may have idle assets to produce a product that is not in demand while it has a shortage of the machinery and facilities to produce a much-demanded high-profit product.

### **Capital Budgeting in Cooperatives**

Even large manufacturing cooperatives do not prepare capital budgets. Capital budgeting refers to the process of generating, evaluating, selecting and flowing upon expenditure alternatives. Capital budgets can be of the two types: –

- (a) those which expand revenues and

(b) those which reduce costs

Thus capital budgeting is mainly concerned with investment decisions, which yield return over a period of the time in the future. The financial director of larger cooperatives must submit to the Board of his own appreciation of the proposals of investment submitted by the various departments. It is only then that a proper investment decision can be taken. Unfortunately, many cooperative societies make the capital investments, which they cannot afford. This happens because, this investment is not preceded by an analysis of available funds, a number of construction projects are suspended for want of funds leading to a major loss. Thus capital budgeting would help cooperatives to plan their investment in fixed assets according to the availability of funds and the likely return to such investments.

#### **2.6.4. Working Capital Decisions**

##### **Factors Determining Working Capital**

The following factors decide working capital needs of cooperatives and similar organizations:

- 1. Nature of Business:** A firm's working capital requirements are basically related to the kinds of business it conducts. Public utilities have the lowest requirements for current assets because they have only cash sales and supply services not product. In manufacturing companies stock-in-trade represents a large investment. Trading and financial firms require a large sum of money as working capital.
- 2. Size of Business:** The size of business also has an important bearing in determining working capital needs of a firm. A firm with large scale operations will need more working capital than a smaller firm.
- 3. Manufacturing Process:** If the manufacturing process in an industry entails a longer period because of its complex character, more working is required to finance that process. An extended manufacturing time span means a larger tie up of funds in inventories and higher amount of working capital.

- 4. Business Fluctuations:** Business variations affect the working capital requirements, especially the temporary working capital requirements of the firm. In a boom period the sales will increase. Correspondingly, the firm's investment in inventories and book debts will also increase and additional investment in fixed assets may be made by some firms. This act of the firm will require further additions to working capital. When there is a decline in the economy, the sales will fall and consequently the levels of inventories and book debts will also fall. So the need of working capital will be less in this period.
- 5. Turnover of Circulating Capital:** The speed with which the working capital completes its round i.e. conversion of cash into stores, inventory of raw materials and stores, inventory of raw materials into inventory of finished goods, inventory of finished goods into book debts or account receivable., and book debts into cash accounts, plays an important role in judging the return of the working capital.
- 6. Growth and Expansion of Business:** a growing firm has to invest funds in fixed assets in order to sustain its growing production and sales. This will increase investment in current assets to support enlarged scale of operations. It will require more working capital.
- 7. Volume of Sales:** A firm maintains the current assets because they are needed to support the operational activities which result in sales. As the volume of sales increases, there is an increase in the investment of working capital, in the cost of operations, in inventories and in receivables. The increases in current assets will result in increase in the requirements of working capital.
- 8. Terms of Purchase and Sales:** If the credit terms of purchases are more favorable and those of the sales less liberal, less cash will be invested in inventory. A firm which cash get credit on favorable conditions will require less amount of the working capital than a firm with out such facilities.
- 9. Cash Requirements:** Cash is one of the current assets which is essential for the successful operation of the production cycle. Cash should be adequate and

properly utilized, adequate cash is also called required to maintained good credit relations.

- 10. Profit Margin and Profit Appropriation:** The net profit is a source of the working capital. A high net profit margin contributes towards the working capital pool. The requirement of the working capital is also influenced by the tax liabilities and the firm's policy to retain or distribute products. A high tax liability will impose an additional strain on the working capital. Payment of divided consumes cash resources and therefore reduce the firm's working capital to that extent.
- 11. Changing in the Technology:** Technological developments related to the production process have a sharp impact for the working capital. Changes in technology will need additional amount of the working capital due to fresh investment in new fixed assets.
- 12. Inventory Turn over:** With a better inventory control, a firm is able to reduce its working capital requirements. If the inventory turnover is high working capital requirements will be low.
- 13. Other Factors:** Absence of the coordination in the production and distribution polices in the company leads to the high demand for the working capital. The import policy of the government may also affect the returns of the working capital for the companies as they have to arrange for the funds for importing goods at specified times.

**Advantages of Adequate Working Capital:** a firm or cooperatives should maintain adequate working capital to run the business smoothly. It is the life-blood of the business and claims the following advantages.

- (1) It crates a feeling of security and the confidence in the management or officials of the company.

- (2) It is 'must' for maintaining solvency and continuing production by making the payments in time in this end of the cutthroat competition.
- (3) It increases goodwill and debt capacity of the business.
- (4) Easy loans from banks can be obtained without any security.
- (5) A distribution of dividend in cash is not possible in spite of this good profit, in the absence of adequate working capital.
- (6) Meeting unseen contingencies such as depressions, etc.
- (7) It increase fixed assets efficiency because of its proper maintenance.
- (8) High morale of the executives because of an environment of certainty, security, and confidence, which is a great psychological factor.
- (9) Increase production efficiency by maintaining continuous flow of raw materials.

### **Working Capital of Cooperatives**

Working capital of cooperative credit institutions differs from corporate sector. It consists of owned funds and borrowed funds.

#### **Owned funds**

Owned funds consist of the paid up share capital plus various reserves created by the bank/society. The importance of owned funds is discussed as follows:

- (1) Owned funds indicate the self-reliance of a cooperatives institution. Strong owned funds base means the bank can stand on its own legs and it need not depend heavily on the external resources. Co-operative institutions could enjoy its democratic freedom and financial stability only by creating strong owned funds. When outside finance is invited, outside regulations or interference will be invited and ultimately it may affect the internal management of a cooperative bank.
- (2) The maximum borrowing power of a cooperative society/bank is fixed on the basis of its owned funds. So if the bank wants to increase its external borrowings by way of deposits or loans, it has to increase its owned funds.

- (3) Owned funds like paid up share capital can be used for lending by a bank. But reserve funds are to be invested in the higher institutions. So if a bank raises its share capital it can increase its lendable resources also.
- (4) There is no scope for the reduction in the owned funds unless extreme withdrawal of membership takes place. As the membership increases year after year paid up capital will also go on increasing. Likewise reserve funds will also go on accumulating year after year provided the cooperative society/bank earns profit.
- (5) Owned funds act as a cushion or shock – absorber for the cooperative society/bank during the times of financial crisis. The cooperative society/Banks with comfortable owned funds can face any shock.
- (6) A sound owned funds structure can create good confidence in the minds of the investors, especially depositors. So to attract more deposits the position of owned funds must be stabilized.

### **Paid – up Share Capital**

Paid – up share capital is the important component in the owned funds of a cooperative bank. Primary society/banks collect share capital from their individual members. Government also contributes to the share capital in all cooperatives.

### **Importance of Share Capital**

1. In a co-operative institution an individual becomes a member only after holding a share of the society. Hence the membership is related to the share capital.
2. Share capital can be easily raised. But the other component of the owned funds, i.e., reserve funds cannot be raised easily. Because to raise the reserve funds the society has to increase its surplus by way of earning more profit and profit is distributed once in a year. Hence it can not be increased quickly. But share capital can be increased by admitting new members or by raising the value of

shares. Hence, in order to crease the maximum borrowing power a co-operative bank has to increase its paid – up capital.

## **Reserve Funds**

All co-operative institutions, according to the act and by laws, must distribute their profits every year and must set a portion of their profits to reserve fund and other reserves like credit stabilization funds, bad debt reserves etc. A reserve fund is indivisible and cannot be used by an institution as a source of the “loanable fund” It is invested with their immediate apex institution. Reserve fund is used to calculate the maximum borrowing power of the institution though it is invested outside the institution.

## **Importance of Reserve Funds**

1. As reserve funds are created compulsorily by appropriating a portion of the net profit, it will go on accruing year after year. When co-operative bank earns adequate surplus or profit the reserve funds will also be increasing.
2. Though reserve funds are invested in the apex institution, they do a useful service of enhancing the maximum borrowing power of the banks.
3. They have a merit over the other component of the owned funds i.e., paid up capital in the sense, share capital can be withdrawn by the members at any time but reserve funds cannot be withdrawn and they are indivisible.
4. Like the share capital, reserve funds also provide a cushion to the bank and act as a shock – absorber.
5. As reserve funds are invested outside, they earn an income to the bank by way of interest.

## **Other Borrowings**

Other borrowings are borrowings from apex institutions, Government, etc. Though other borrowings from part of the borrowed funds they occupy an important place on the working capital of co-operative society. Too much dependence on this fund is not a good sign for self-reliance in resources.

## **Drawbacks of Borrowings**

6. As the cooperative society depends too much on borrowings by way of loans their capacity to stand on their own legs is eroded and makes them weak cooperative institutions.
7. Outside finance is costlier. As the outside agency might have borrowed funds from other sources at an uneconomical rate they have to increase their lending rate to manage their own cost.
8. When cooperatives invite outside borrowings they are equally inviting certain interferences in their working like supervision, regulation etc.
9. Lenders will always impose conditions and it is the borrower who is to abide, borrowers, cannot dictate terms and co-operatives while borrowing form others have to abide the conditions imposed by their lenders. This could be avoided if they rely on their own resources.

## **2.7. Financial Reports of Cooperatives**

Financial reports are used to evaluate past operations and are the basis for management and operating decisions on future projects. The board of directors uses the reports for feedback on the financial status of the cooperative, to evaluate progress and to make informed decisions about future operations. Managers need accurate and timely information to run the day-to-day operations. Creditors examine the financial reports when considering loans to the cooperative and accountants need accurate records to prepare tax documents. Accurate and current records are also important to members of the cooperative. Records should show the net profit, the level of

each member's patronage account and the amount of equity members hold in the cooperative. This facilitates distribution of patronage refunds and ensures that the cooperative is operating according to cooperative principles.

### **The Accounting System**

The cooperative's accounting system is a method of recording and reporting the financial results of its business transactions. The bookkeeper records the business transactions of the cooperative in a daily journal. These records are then used to generate various financial reports that provide an historical record of the cooperative's business activity. The accounting system is discussed in two sections in this guide. The first covers the balance sheet, income statement, and statement of cash flows. These financial statements report the results of the cooperative's business transactions. The second covers the record keeping functions of the daily journal and general ledger. These also cover the member records that are needed because of the cooperative's unique role of providing economic benefits distributed in proportion to each member's use.

### **Financial Reporting**

Three financial reports commonly used in business are the balance sheet, income statement, and the statement of cash flows. They report the financial position of the cooperative, its performance over a given time period, and its ability to meet cash obligations. They are the basis for planning future operations. Each report contains different, but interrelated information that together give a complete picture of the financial operations of the cooperative. Managers, bookkeepers and board members should be able to understand and interpret these reports so they can make informed business decisions about the future of the cooperative.

## Exhibit I-The Cooperative Accounting System

### Financial Reporting

- A. Balance Sheet
- B. Income Statement
- C. Statement of Cash Flows
- D. Monthly Cash Flow Statement

### Bookkeeping

- A. Daily Journal
- B. General Ledger
- C. Member Records
  - 1 Capital Investment
  - 2. Patronage Accounts

### 2.7.1. The Balance Sheet

The balance sheet is used to report the financial position of the cooperative at a given point in time, usually at the end of a month, quarter, or year. As seen in Exhibit 2, it shows the assets owned by the cooperative balanced against its liabilities and member equity. Assets are listed on the left-hand side of a balance sheet while liabilities and member equity are listed on the right-hand side. Total assets, or resources owned by the cooperative, must always equal the total liabilities and equity, or obligations of the cooperative.

#### **Assets = Liabilities + Equity**

Assets: Resources owned by the cooperative

Liabilities: Debts owed by the cooperative

Equity: Member's interest in the cooperative

Assets are shown as current assets and fixed assets. Current assets include cash and those assets that are expected to be converted into cash within one year, such as saleable inventory

and accounts receivable. Fixed assets are items the cooperative will use during normal operations, such as buildings, machinery, and equipment.

Liabilities are shown in two categories-current or long-term. Current liabilities are those paid within 1 year such as accounts payable, short-term operating loans, or the current portion of long-term loans. Those due beyond the next 12 months, such as mortgages, are long-term liabilities. The equity section of the balance sheet shows the amount of capital the members have invested in the cooperative through stock purchases, allocated reserves, and per-unit retains.

<b>Exhibit 2-Balance Sheet</b>	
<b>Cooperative Balance Sheet as of December 31</b>	
<i>Assets</i>	<i>Liabilities</i>
<b>Current:</b>	<b>Current:</b>
Cash	Accounts Payable
Accounts Receivable	Long-term: Loans
Inventory	
<b>Fixed:</b>	<b>Member Equity</b>
Buildings	Stock
Equipment	Retained Earnings

### **2.7.2. The Income Statement**

The income statement reports the results of all business transactions of the cooperative that occurred during a certain time period, such as month, quarter or year. It shows the total dollar revenue of the cooperative, the total expenses, and the resulting net income (or loss).

Revenue is the dollar amount earned by the cooperative from operations. It can come from several sources, such as selling merchandise in a supply cooperative, charging members for services or marketing their products. In multi-functional cooperatives it is useful to separate the revenue from each function on the income statement.

Exhibit 3-Income Statement

Cooperative Year Ending December 31

Revenues:

Sales	xxx
Less: Cost of Goods Sold	<u>xxx</u>
Gross Margins	xxx
Other revenues	<u>xxx</u>
Net Revenues	<u>xxx</u>

**Expenses**

Administrative	xxx
Operating	xxx
Depreciation	xxx
Interest	xxx
Miscellaneous	<u>xxx</u>
Total Expenses	<u>xxx</u>

Income before Taxes	xxx
Income taxes	<u>xxx</u>
Net Income (loss)	<u>xxx</u>

Patronage Refunds:

Cash	xxx
Allocated Reserves	xxx

For example, Exhibit 3 shows the cooperative's total sales on the income statement separately from the other revenue from the spreading function.

Notice on the income statement that the cost of goods sold is subtracted from sales, resulting in a gross margin.

Cost of goods sold is the amount the cooperative paid its' supplier. The gross margin is the cooperative's profit from selling its products/services.

Gross revenue is the total profit the cooperative received from providing goods and services to members that can be used for business expenses. Expenses are the costs incurred to provide services to members. They vary according to the industry, services provided, and structure of the cooperative. They should be categorized to determine the costs incurred to operate each phase of the cooperative.

Exhibit 3 shows administrative, operating, interest, depreciation, and miscellaneous expense categories.

Subtracting total expenses from gross revenue gives the net income (or loss) of the cooperative over the given period of time. The year-end income statement should note the portion of net income distributed to members as cash patronage refunds and the portion that remains as allocated reserves.

### **2.7.3. Statement of Cash Flows**

As its name indicates, only those accounts that result in cash flowing in or out of the cooperative during the accounting period are included on the statement of cash flows. This report shows the change that occurred in amount of cash from the opening to the closing of the cooperative's balance sheets. Exhibit 4 shows three categories on the statement of cash flows: operations, investment transactions, and financing transactions.

Cash flow from operations gives the net cash from providing goods and services to members and all other cash flows not from investment or financing transactions. This includes net income, adjustments to net income, and changes in balance sheet items.

Adjustments to net income offset the non-cash items included on the income statement that do not result in an actual inflow or outflow of cash, such as depreciation, a gain (loss) from the sale of an asset, and deferred taxes. Changes in balance sheet items are assets and

liabilities where changes result in positive or negative cash flows, such as accounts receivable, accounts payable, patronage refunds payable, or other accrued expenses.

Cash flow from investment transactions includes the purchase or sale of property and equipment, the purchase or redemption of equity in other organizations, and payments from long-term investments.

Cash flow from financing transactions includes the acquisition or redemption of loans, the sale of capital stock, redemption of member equities or payment of patronage refunds. (Please refer exhibit 4 on page 38)

### **Dual Entry Accounting**

A cooperative operates by conducting several business transactions each day. During each transaction, an exchange of resources or obligations occurs between the cooperative and another party. Dual entry accounting is used to record this exchange. Each transaction recorded in the daily journal shows the resource or obligation the cooperative received and the resource or obligation that was exchanged. When a cooperative sells merchandise to a member, it exchanges the merchandise (a resource) for cash (a resource). To record the transaction in the journal, an entry is made to both merchandise sales and cash. If the cooperative purchases supplies on credit, the transaction would be recorded with an entry to supply purchases and one to accounts payable.

### **Recording Transactions in the Daily Journal**

Every page of the journal should be numbered for future reference. All transactions entered should include the following information (Exhibit 6):

1. Date of the transaction;
2. Name of each account;
3. Reference number of each account; and,
4. Dollar amount, entered as a debit or credit.

In Exhibit 5, the first business transaction recorded is a member's cash purchase of supplies for \$125. Using the dual entry system, an entry is made to cash, as the method of payment, and a balancing entry is made to supply sales, as the resource the cooperative

exchanged for the cash. In the second transaction, the cooperative sends check number 123 to Public Electricity for the monthly electric bill. The cooperative has purchased electricity for operations in exchange for cash.

Exhibit 5 Sample Daily Journal Recording				
Daily Journal				Page ____
Date	Transaction and Explanation	Account	Debit	Credit
1/3	cash	101	125	
	Member sales	401		125
1/3	Electricity	502	75	
	Cash	101		75

**Exhibit 4—Statement of Cash Flows**

\_\_\_\_\_ **Cooperative Statement**  
**Of Cash Flows for Year Ending December 31**

**Cash Flow from Operations:**

Net Income (Loss) From Operations

Adjustments to Net Income (Loss):

Depreciation

Gain (Loss) on asset disposition

Deferred income taxes

Changes in Balance Sheet Items:

Accounts receivable

Accounts payable

Patronage refunds payable

Other

Net Cash Flow Provided From Operations

**Cash Flow from Investment Transactions:**

Capital Sales

Equity Redemption

Payments from Long-term Investments

Capital Purchases

Equity Purchases

Net Cash Provided by Investment Transactions

**Cash Flow from Financing Transactions:**

**Capital Stock Sales**

**Loan Acquisition**

**Loan Principal Redemption**

**Member Equity Redemption**

**Patronage Dividends Payable Redemption**

**Net Cash Provided by Financing Activities**

**Net Increase (Decrease) in Cash and Cash Equivalents:**

**Cash and Equivalents at Beginning of Year:**

**Cash and Equivalents at End of Year:**

## **CASH AND EQUIVALENTS AT END OF YEAR: ACCRUAL ACCOUNTING**

The income statement, balance sheet, and statement of cash flows report the cooperative's business transactions that occurred during specific time periods on an accrual basis. The business transactions are matched to the accounting period in which they occurred, regardless of when the cash for each transaction is actually exchanged.

If a member purchases supplies on credit in December and pays for the supplies in January, the revenue from this sale would be included on the yearend income statement of the cooperative. The uncollected cash payment would be included in accounts receivable on the year-end balance sheet.

Accrual basis accounting is important when analyzing the cooperative's operations, to match the operating revenue to the resulting expenses incurred during the accounting period.

## **BOOKKEEPING**

The daily business transactions of the cooperative are recorded for later use in generating financial reports. If the books and accounts are kept accurate and current, the balance of each account can be transferred to the appropriate financial statement whenever needed.

## **COLLECTING DATA**

Some business transactions occur each day, such as sales to members, merchandise orders, and bill payments. It is important to develop an organized method of collecting the paperwork from these transactions, recording it in the daily journal, and filing it for future reference.

## **THE DAILY JOURNAL**

The daily journal is a chronological record of every business transaction of the cooperative. Entries come from sales receipts, invoices, and other paperwork and should be made for every day that the cooperative conducts business to ensure that each business transaction is recorded as it occurs.

## **CHAPTER -THREE**

### **Development and status of Cooperatives in Ethiopia and Accounting and Reporting Requirements**

#### **3.1 Historical development of Cooperatives**

The historical development of cooperatives in Ethiopia is briefly discussed under three eras: (i) the imperial regime (before the 1974 socialist revolution), (ii) the command economic system under the military rule (1974- mid 1991), (iii) under the incumbent government (since 1991)

##### **I. Cooperatives under the imperial Regime (Before 1974)**

The first legal framework for cooperatives, Farm Workers Cooperative Decree No. 44, was enacted in 1960 and then the Ministry of National Community Development was charged with the promotion and registration of cooperatives.

In 1966, Cooperative Societies Proclamation No. 44 of 1966 was issued and the 'the Farm Workers Cooperatives Decree No. 44 of 1960' was repealed. This proclamation was meant to "provide a proper basis for the formation of Cooperative Societies' and the objectives of the societies were to promote thrift, mutual help and self-help among persons sharing common needs and desires."

The proclamation was comprehensive in the sense that it contained a number of clauses including the formation and registration of societies; member of societies and their rights and obligations; organs of societies; properties and funds of societies; audit, inquiry and inspection; arbitration; dissolution and winding-up of societies; and decision, appeal and execution.

##### **II. Cooperative under the Military Regime (1974 -1991)**

Following coming to the power of the military government in 1974, a socialist economic system was adopted and proclamation No 241/1966 was repealed and replaced by proclamation No. 71/1975. The new proclamation addressed the formation of peasant

association in which the objectives, power and duties of agricultural producers and service cooperatives were stipulated. Subsequently, proclamation number 138/1978 was issued with view to include the promotion of other types of cooperative societies. The main objectives of cooperatives outlined in article 3 of this proclamation.

Four types of cooperatives societies were to be established: (i) Producer Cooperatives; (ii) Service Cooperatives; (iii) Thrift and Credit Cooperatives and (iv) Housing Cooperative.

As a result of collectivization policy of the government in the era 1990s, there were 3,723 producer and 4,052 service cooperatives with a total of membership of about 10 million persons. However, in spite of the number and their membership sizes, many of the societies were unsuccessful in part due to state intervention. Cooperative societies were used as a means to exercise political programmes. Other causes for the failure include forceful promotion of cooperatives and non-voluntary nature of membership; and wastefulness and embezzlement.

### **III. Cooperatives under the incumbent Government (since mid 1991)**

Following of the overthrow of the military Government in May 1991, the Ethiopian People's Revolutionary Democratic Forces (EPRDF) led transitional government adopted a market-oriented economic system. Subsequently, a number of cooperative societies were either dissolved or ceased to operate.

In 1994, the Government issued Proclamation No. 85/1994 with the objective of restructuring agricultural cooperatives to enable contribute to the development of the national economy. The proclamation was generally featured by the principles of cooperation such as voluntary formation, business-orientation and democratic membership control. As a result, a number of, a number of cooperatives societies were restructured. Consequently Proclamation No. 85/1994 was replaced by a more comprehensive and multi-sectoral cooperative promotion Proclamation No. 147/1998.

This proclamation was based on internationally accepted cooperatives principles. It laid the ground for the development of all kinds of cooperative societies at different levels, and is comprehensive in its coverage. It provides or, among other things, the objectives, guiding

principles, formation and registration, bylaws of cooperative societies, amalgamation and division of societies, right and duties of members of a society, payment of share, register of members, voting, transfer of share or benefit, management of the cooperatives societies including their power and duties, special privacy of societies, mechanism of dissolution and winding up of society, maintenance of assets and fund of societies, and settlements of dispute as well as other miscellaneous provisions.

### **3.2 Reporting requirement of cooperatives**

According to Financial Manual procedure Prepared by Addis Ababa cooperative Promotion Bureau (2002) cooperatives required to prepare and report and get audited the following financial report reports

#### **Income Statement**

To show the cooperatives Income and Expenditure or Profit and loss each cooperative required to prepare income statement at end of each accounting or budget year.( see in the annex for the format used by the cooperatives)

#### **Balance sheet**

To show the position of the cooperatives Asset, liability and Capital at the particular date, the cooperatives required to prepare the balance sheet.

#### **Patronage account report**

Patronage account preparation makes different cooperatives accounting from others organization. Patronage account shows each member participation which is used as base for income distribution to members.

#### **Audit and Inspection**

According to Proclamation No. 147/98 the appropriate authority shall audit or cause to be audited by a person assigned by it, the accounts of any society at least once in year. The audit report shall submit to the general assembly.

The appropriate authority may, make or cause to be made by such person to be assigned by it an inspection to the organization, work execution documents and financial condition of a society. Inspection may be made:

- A majority of the members of the executive committee request;
- Not less than one-third of the total number of members of the society request.

## CHAPTER – FOUR

### DATA PRESENTATION AND ANALYSIS

#### 4.1. Cooperative Demography and Financial Management

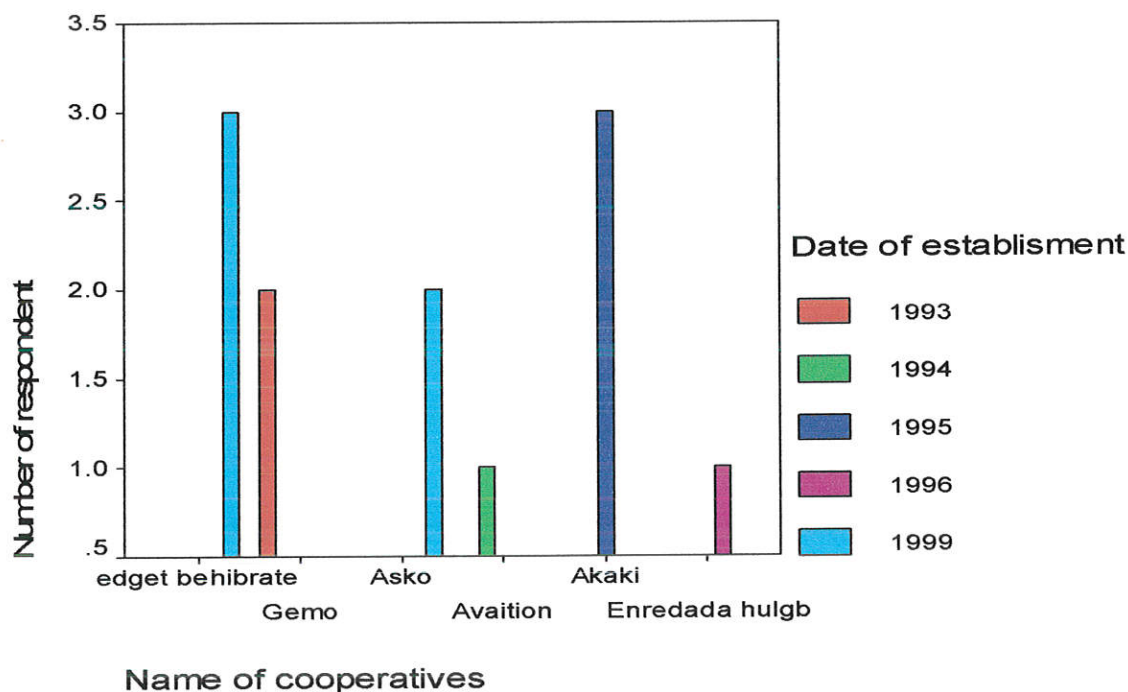
##### 4.1.1 Cooperatives demography

The cooperatives under this study have different date of establishment; 58.3 % of the cooperatives were between 4 to 7 years old and the rest were below four years. The cooperatives have as large as 574 members and as small as 93 members. The beneficiaries of the cooperatives range from 200 up to 10,000.

The minimum age in the cooperative leadership was 37 and the maximum age was 68 years. The average age was 52.42 years. All the respondents were male and it was found out that in the sample of the study there were not females in the leadership of the cooperatives.

Educational level of the respondents were, primary education 8.3%, secondary education 33.3% and college and above 58.3%

**Graph 1: Date of Cooperatives' establishment vs. name of the cooperatives**



## Structure of consumer cooperatives

With regard to institutional arrangement for decision making of the cooperatives the supreme body was the general assembly in all cases and this body will elect leaders. All the cooperatives under this survey have by-laws and work permit. It was found out members participated at different level of involvement in decision making to manage the day to day activities of the cooperatives. It was reported by the informants 25% of their members' participation rated as Excellent, 25% as very good and 50% as good in three scale rating.

### 4.1.2 Financial Management

It was observed that 58.3% of the cooperatives have financial manual but the rest do not have. Among those who have the financial manual 25% prepared in consultation with Addis Ababa city administration cooperative office and Federal Cooperative Agency. However, 33.4% of the cooperatives developed their financial manual by the management with out external technical support.

The highest decision making in financial management was done at various level of the cooperatives. It was reported by the respondents 8.3% of the decision was made at board level, 83.3% at general assembly level and 8.3 at treasurer level.

Majority of the cooperatives (75%) do have financial manager, as a result they have used to record their account using manual ledger system and excel spread sheet. Wherever there is a financial manager better book keeping has been observed (see table 1). However, 25% of the cooperatives do not have finance manager. When it was asked who is playing the role of finance manager all of them decline to respond to this question.

**Table 1: Existence of Financial manager and record system**

		<i>Record system</i>		<b>Total</b>
		Double entry	Traditional method	
Financial manager exist	No		25.0%	25.0%
	Yes	66.7%	8.3%	75.0%
<b>Total</b>		66.7%	33.3%	100.0%□

The level of cooperatives leadership involvement in financial decision making 27.3% was found out to be setting budgets, 45.5% was limited to checking expenditure and 27.3% at financial planning level only.

The higher portion of source of working capital came from sales activity which accounts for 66.7%. Some cooperatives indicated new member's shares sales as a source of working capital which is 33.3%.

It was observed that half of the cooperatives did not distribute income to its members. Beside this it was recognized the lowest member participation was observed where income was not distributed to the members which is 33% of the three scale participation measurement.

**Table 2: Member participation Vs. Income distribution**

		<i>Income distribution</i>		<b>Total</b>
		No	Yes	
Participation	Excellent	16.7%	8.3%	25.0%
	Very Good		25.0%	25.0%
	Good	33.3%	16.7%	50.0%
<b>Total</b>		50.0%	50.0%	100.0%

### **Capital**

It was identified that the cooperatives initial capital was members' share only. The current capital composed of members share and retained earning. The average current capital of the cooperatives was birr 869,451 and with the minimum of current capital of birr 20,000 and maximum of birr 3,200,000.

The data collected has suggested that there is a strong positive relationship between current capital and the number of members( $r = 0.751$ ,  $\alpha = 0.01$ ). This seems to point out that the higher the number of the members the bigger the current capital it may be.

On the contrary, the bivariate correlation revealed that there is a strong negative relationship between age of the cooperatives and amount of capital ( $r = - 0.629$ ,  $\alpha = 0.05$ ). This means the older the cooperatives does not necessarily the higher the capital.

In all cooperatives financial plan and capital budgeting is part and parcel of the budget. Among the reasons the purpose of preparing financial plan some mentioned conservation of capital took 27%, success for the entire cooperative 33.3%, and economy and co-ordination, rapid expansion of the cooperation's, optimum capital structure at minimum cost, and unity of action amounts to 39.7%.

### **Budget**

All the cooperatives found to prepare a budget which is to be endorsed by the General Assembly (66.67%) and cooperative management body (33.33%). All the cooperatives under study responded that their budget includes capital budget.

The cooperatives used various references to prepare their budget. Among the references they have used records of past year expenditure accounts for 25%, previous years budget documents 66.7% and use of experienced professional service were also be indicated which accounts 8.33%.

### **4.2 Financial Reporting practice**

It was found out that the cooperatives financial transaction record keeping and reporting responsibility rests on the financial manger in the 75% of the cases and in the rest 25% of the cases the responsibility rests either on management committee or out side agency.

Majority of the cooperatives used manual ledger system and excel spread sheet to record their accounts which was 66.7% and 25% respectively. There was cooperative which uses hand written notes for recording its transaction.

18.2% of the cooperatives used to record their accounts on daily journal, 9.1% used to record their account on general Journal and the highest portion of the cooperatives which is

72.7% used general journal, daily journal and members account (patronage account). Please see below table for further reference.

**Table 3: Type of accounts maintained vs recording system**

			<i>Recording system</i>		<b>Total</b>
			Double entry	Traditional method	
Type of accounts	Daily Journal		----	18.2%	18.2%
	General Journal		9.1%	---	9.1%
	All	% within type of accounts	75.0%	25.0%	100.0%
		% of Total	54.5%	18.2%	72.7%
<b>Total</b>			63.6%	36.4%	100.0%

The cooperatives have applied different accounting procedures for recording their transaction. In these regard 25% of the cooperatives used a procedure of Accrual Basis, 41.7% used Cash Basis and 33.3% Modified Cash Basis. Among the cooperatives 66.7% used double entry account recording and the rest used traditional account recording method.

Those cooperatives using a procedure of Accrual Basis of accounting and using double entry account recording method was amount 25%, Cash basis and double entry recording system 16.7% and traditional recording 25%. Modified Cash Basis and using double entry recording system was 25 % and traditional method 8.3%. Table 4 presents the data for the above claims.

**Table 4: Method of recording vs. Type of recording system**

		<i>Type of recording system</i>		<b>Total</b>
		Double entry	Traditional method	
Method of recording	Accrual Basis	25.0%	----	25.0%
	Cash basis	16.7%	25.0%	41.7%
	Modified cash basis	25.0%	8.3%	33.3%
<b>Total</b>		66.7%	33.3%	100.0%

The type of report produced by the cooperatives was found to be Balance sheet, Income statement and Cash flow statement. The cooperatives that have been carried out the above mentioned type of reports amount 58.3%. The cooperatives that produce only balance sheet and income statement accounts for 41.7%.

When the cooperatives asked how often financial report presented, 16.7% responded that they present at all committee meeting, 8.3% quarterly, 25% bi-annually and 50% annually.

## CHAPTER –FIVE

### CONCLUSTION AND RECOMMENDATION

Most of the cooperatives lead by middle aged people (average age for the leadership was 52.42 years). It seems to be the people in leadership might have vast life and professional experience. This claim could be supported by the educational level of the respondents which was found to be college and above educational background (58.3%) presiding over the cooperative leadership. This characteristic of the cooperatives' leadership might be taken as a plus for the success of the cooperatives. However, all the cooperatives under this study lacked gender mix. Then it may suggest that cooperatives could be viewed as men's club. It is not the purpose of this study to investigate the role and the impact of gender in the cooperatives financial management and reporting practice.

It was identified that the cooperatives initial capital was based on members' share only. The current capital composed of members share and retained earning. As Dr. Nakkiran (2002) also indicated paid up share capital is an important component for successful owned funds of a cooperative society. Therefore, this seems to suggest that members' ownership of the cooperatives is high, in this study. The data analysis section has revealed that there is a strong positive relationship between current capital and the number of members( $r = 0.751$ ,  $\alpha = 0.01$ ). It is safe to suggest increasing member and members' participation could be seen as important driving force for better consumer cooperatives.

This study has come up with a negative relationship between year of establishment of the cooperatives and amount of capital ( $r = - 0.629$ ,  $\alpha = 0.05$ ). This means the older the cooperatives does not necessarily the higher the capital. This might be explained by the number of members and the amount of share value.

It was found out members participated at different level decision making to manage the day to day activities of the cooperatives. However, half of the cooperatives leaders have rated moderate level of member participation. It seems difficult to conclude there is a participatory decision making practice to exist in all the cooperatives.

It was revealed that 58.3% of the cooperatives have financial manual but the rest do not have. Among those who have the financial manual 25% prepared in consultation with Addis Ababa city administration cooperative office and Federal Cooperative Agency. Therefore, at least half of the cooperatives are functioning without thoroughly and consciously designed manual that regulate financial activities. It is safe to conclude these cooperatives are solely depend traditional accounting system.

With regard to higher decision making in financial management very few cooperatives involve the board and treasurer (16.6%) but the majority 83.3% involves the general assembly. This seems to allow the cooperative members to exercise their right or the principle of one member one vote.

Majority of the cooperatives (75%) do have financial manager, as a result they have used to record their account using manual ledger system and spread sheet. It seems that wherever there is a financial manager better book keeping has been observed.

Based on this study all cooperatives under the sample responded that they prepare financial plan and capital budgeting for the purpose of raising and deploying recourses.

## **Budget**

The cooperatives under the study found to prepare budget with the use of different types of data, which is past year expenditure (25%), previous year budget (66.67), and use of professional service (8.33%). It seems there is lack of budget policy and uniformity in preparing budget among cooperatives.

## **Reports**

In the 75% of the cases cooperatives record keeping and financial reporting made by the finance manager, 25% done by management committee or out side agency. It seems where there is a finance manager standard reporting practice observed.

25% of the cooperatives used a procedure of Accrual Basis, 41.7% used Cash Basis and 33.3% Modified Cash Basis. Among the cooperative under the study 66.7% used double entry recording system and 33.3% used traditional recording system. It seems that there is no uniform accounting practice among cooperatives.

Among the basic financial statements Balance Sheet, Income Statement and cash flow statement all were prepared by 58.3% of cooperatives and 41.7% of the cooperatives prepare Income statement and balance sheet. This show it seems that there is no reporting requirement set by the responsible authority.

## **5.1. Recommendations**

The number of cooperatives currently operating in the Addis Ababa city is increasing at a significant rate. Thus, to have sound financial management and to increase consistency in financial reporting within the cooperatives and increase confidence of members and different users of financial statement the researcher at minimum recommends as follows:

- Share capital is the main source of working capital to the cooperatives. To raise share capital the cooperative need to increase their member size and participation. Hence the membership is related to share capital. On the other hand to increase borrowing power the cooperatives has to increase its share capital.
- Based on Proclamation No. 147/1998 the cooperatives account should be audited at least once in a year. There has to be responsible authority that has to follow-up the cooperative accounts reported and audited timely.
- The cooperatives are different from public sector organization, in their objective, approach, management vision and accountability to members and the society. The Addis Ababa city government cooperative office need to give technical assistance in the area of financial management training to the concerned leadership of the cooperatives.

- In order to make informed decision and evaluate past performances by the leadership of the cooperatives it is highly recommended to prepare financial reports based on Generally Accepted Accounting principle and get audited timely.
- To make further study on the role and impact of gender balance for cooperative leadership and management.

## BIBLIOGRAPHY

- Dr. S. Nakkiran (2002). A Treatise on Co-operative Management. 4<sup>th</sup> Edition Rainbow publication Senthil Nagar, Colmbator -641 030. India.
- Dr. G. Fauqst (1951). The Co-operative Sector. Co-operative Union LTD, Hoyoak House, Hanoues Street, Manchester. 4.
- Sheila Gorst (1959). Co-operative Organization in Tropical Countries. Basil Blackwell oxford.
- P. Manicka Vasagam (1989). A Treatise on Co-operative Account Keeping. Rainbow Publications Comibatore-30.
- Eugene F. Brigham Michael C. Ehrhardt (2002). Financial Management. Tenth Edition, Publisher mike Roche, Unifed State of America.
- Right Hon. Sir Arthur H.D. Aeland, Bart & Benjamin Jones (1947) Workingmen Co-operators: An account of the cooperative movement in Great Britain Ninth Edition, published by the cooperative Union Ltd., Hoyoake House Hanous Street, Manchester 4.
- T. N. HA Jela (2000) Cooperation (Principles, Problems and Practice). 6<sup>th</sup> Edition, Konark Publishers PVT LTD.
- Dr. B.S. Mathur (1971). Co-operation in India. SAHITYA BHAWAN, AGRA-3.
- Federal Negarit Gazeta (1998): Cooperative Societies Proclamation No 147/1998. Brehan Selam Printing Press.
- Johann Brazda & Robert Schediwy, (1989). Consumer Cooperatives in a Changing World.

Michael Cracknel. Cooperative in the Context of Globalization and Liberalization. FAO

Co-operatives Consultant Sustainable Development (SD) Food and Agriculture

Organization of the United Nations (FAO)

[http://www.fao.org/sd/rodirect/roan\\_001.htm](http://www.fao.org/sd/rodirect/roan_001.htm). Accessed on August 29 2007

Lithunion Consumers' Cooperation.

<http://www.lvks.lt/en/apie.phtml?IVk=apie> Accessed on September 5 2007

Types of cooperatives,

[http://www.nipco.coop/About/coop/Types\\_of\\_Cooperatives.html](http://www.nipco.coop/About/coop/Types_of_Cooperatives.html) Accessed on August 5

2007

SEDG California Cooperatives, 5397 Court Sacramento, California 95819

<http://www.calcoopratives.info/extended.css>. Accessed on September 20 2007

Journal of Association of Ethiopian Micro-finance Institution 2007 Edition

# **Annex 1**

**የጀምሮ ሁለገብ ሽማግሌ ጋ/የተ/የሀ/ሥ/ማህበር**  
**የሀብትና ዕዳ መግለጫ**  
ሰኔ 30 ቀን 1999 ዓ.ም

የተቀሳቀሽ ሀብት

ባንክ በተገባታቸው ገንዘብ	8370.47	
ባንክ በተገባታቸው ሀብረት ባንክ	76547.98	
ተሰብሳቢ ገንዘብ	173070.87	
ሀትመቶች	5396.06	
የሸቀጥ ቆጠራ ሰኔ 30/1999	31233.19	
የእህል ቆጠራ ሰኔ 30/1999	45555.22	
<b>ጠቅላላ ተገባታቸው ሀብት</b>		<b>340173.79</b>

ቋሚ ሀብት

ሀንጻዎች	2,872,926.95	
የቢሮ ዕቃዎች	5708.00	
ወጪ ለክፍያ ስጦታ	37691.00	
የሸቀጥ መሸጫ ስጦታ ዕቃ	2768.10	
የት/ቤት መገልገያ ዕቃዎች	183318.55	
ተልስፍ ሌሎች	6396.00	
<b>ጠቅላላ ቋሚ ሀብት</b>	<b>3,108,808.60</b>	
ሲቀነስ የተጠራቀመ የእርጅና ቅናሽ	(445045.33)	
<b>ጠቅላላ ቋሚ ሀብት</b>		<b>2663763.27</b>
<b>ጠቅላላ ሀብት</b>		<b>3,003,937.06</b>

ዕዳ

ለቤቶች ኤጀንሲ ተክፋይ	1,336,153.85	
የጉልት ነጋዴዎች ተመላሽ	12550.00	
ለሱቅ ተክራሮች	100440.00	
ለታጠቅ ንዣብ	500.00	
ለአለም ቦርሄ	3500.00	
የሥራ ግብርና ሌሎች ታክስ	1182.26	
ያልተከፈሉት ጉርፍ 70 %	179757.89	
ያልተከፈሉት ጉርፍ ታክስ	19973.10	
<b>ጠቅላላ ዕዳ</b>		<b>1654057.10</b>

ካፒታል

የመጠባበቂያ ተቀማጭ 30 %	187254.47	
ሼር /ዕጣ/	1162625.39	
<b>ጠቅላላ ካፒታል</b>		<b>1,349,879.96</b>
<b>ጠቅላላ ዕዳና ካፒታል</b>		<b>3,003,937.06</b>

*(Handwritten signatures and marks)*

**የጀም ሀ-ለገብ ሽማግሌች ኃ/የተ/የሀ/ሥ/ማህበር**  
**የትርፍና ኪሣራ ማግለጫ**  
የሰኔ 30/1999 ላለቀው ዓመት

<b>ሽያጭ</b>			
ከሱቅ ሽቀጣሽቀጥና እህል ሽያጭ ገቢ			247443.96
<b>የተሸጠ ዕቃ ዋጋ</b>			
የሽቀጥና እህል ቆጠራ ሐምሌ 1/1998	45443.19		
የሽቀጥና እህል ግዥ	<u>266086.42</u>		
ጠቅላላ ለሽያጭ የቀረበ	311529.61		
ሰኔ 30/1999 ቆጠራ	<u>76788.41</u>		
በአመቱ የተሸጠ ዋጋ		<u>234741.20</u>	
ያልተጣራ ትርፍ		12702.76	
<b>ክሊሎች ገቢዎች</b>			
ከወፍጮ አገልግሎት ገቢ	3032.65		
ቦት/ቤት ገቢ	194410.00		
ከአባልነት መመዝገቢያ	20.00		
ከተማሪዎች መመዝገቢያ	16010.00		
ከሱቅ ኪራይ	223620.00		
ከመኪና ማሳደሪያ	79845.00		
ከበግና ከአሸዋ ቦታ ኪራይ	5706.00		
የባንክ ወለድ ገቢ	101.96		
ሊሎች ገቢዎች	<u>10305.63</u>		
ጠቅላላ ገቢ		<u>533051.14</u>	
<b>ወጭ</b>			
የደመገዝ ወጪ	160995.44		
ለማስታወቂያ ሥራ	5783.70		
የዕ/መሣሪያ ግዥ	4863.24		
ለጥገና	8945.25		
ለፎቶ ኮፒና ለዕሑፍ ሥራ	4899.70		
ለስልክ አገልግሎት ወጪ	5579.34		
ሊሎች ወጪዎች	4476.90		
የትራንስፖርት ወጪ	3424.20		
ለዕዳት አገልግሎት	2483.91		
የጉልበት ዋጋ	1720.80		
የመብራት ፍጆታ	3711.11		
የውሀ ፍጆታ	4302.58		
የባንክ አገልግሎት	228.94		
በመጀመሪያ እርዳታ	455.45		
የትምህርት መርጃ መሣሪያ ወጪ	1961.95		
የደንብ ልብስ	2824.75		
አበል	1650.30		
የሽልማት ወጪ	11000.00		
የዕቃ ማሸጊያ	535.00		
መስተንግያ	3055.15		
የዕርጅና ቅናሽ	<u>166276.51</u>		
ጠቅላላ ወጪ		<u>399174.22</u>	
ከወጪ ቀሪ		146579.78	
<b>ሲቶኒስ</b>			
መጠባበቂያ ተተማጭ 30%	43973.94		
ትርፍ ክፍፍል 70% 102606			
የትርፍ ክፍፍል ታካስ 10%	<u>10260.59</u>		
		<u>54234.53</u>	
		<u>92,345.25</u>	

**የጅም ሁለገብ ሽማግሌት ኃ/የተ/የሀ/ሥ/ማህበር**  
**የሒሳብ መምከሪያ ማዘን**

ሰኔ 30/1999

**ዝርዝር**

ባንክ በተንቀሳቃሽ : ንግድ ባንክ	8370.47	
ባንክ በተንቀሳቃሽ : ህብረት ባንክ	76547.98	
ተሰብሳቢ ገንዘብ	173070.87	
የተለያዩ ህትመቶች	5396.06	
የሽቀጥና እህል ቆጠራ	45443.19	
ቋሚ ንብረት	3108808.6	445,045.33
የተጠራቀመ የእርጅና ቅናሽ		1,336,153.85
የረጅም ጊዜ ብድር/ቤቶች ኤጀንሲ/		12,550.00
የጉልት ነጋዴዎች ተመላላሽ		100,440.00
የሱቅ ተክራዮች ቅድሚያ ክፍያ		500.00
ለታጠቅ ንዛብ ተመላሽ		3,500.00
ለአለም በርሔ ተመላሽ		1,182.26
ያልተከፈለ የሥራ ግብር		87,412.64
ያልተከፈለ ትርፍ		9,712.51
ያልተከፈለ ትርፍ ታክስ		143,280.63
የመጠባበቂያ ተቀማጭ		1,162,625.39
ሺር /ዕጣ/		138,775.73
የሽቀጥ ሽያጭ		194,410.00
ከት/ቤት ወርሀዊ ገቢ		108,668.23
ከእህል ሽያጭ		3,032.65
ከወፍጮ አገልግሎት		10,305.63
ሌሎች ገቢዎች		20.00
ከአባልነት መመዘገቢያ		16,010.00
ከተማሪዎች መመዘገቢያ		223,620.00
ከሱቅ ኪራይ		79,845.00
ከመኪና ማሳደሪያ		5,706.00
ከበግና አሸዋ ቦታ ኪራይ		101.96
የባንክ ወለድ ገቢ	130,683.01	
የሽቀጥ ግዥ	135,403.41	
የእህል ግዥ	160,995.44	
የደመወዝ ወጪ	5,783.70	
ለማስታወቂያ ሥራ	4,863.24	
ለዕ/መሣሪያ ግዥ	8,945.25	
ለጥገና	4,899.70	
ለፎቶኮፒና ዕሑፍ ሥራ	5,579.34	
ለስልክ አገልግሎት ዋጋ	4,476.90	
ሌሎች ወጪዎች	3,424.20	
የትራንስፖርት ወጪ	2483.91	
ለዕዳት	1,720.80	
ለጉልበት ዋጋ	3,711.11	
ለመብራት ፍጆታ	4,302.58	
ለውሀ ፍጆታ	228.94	
የባንክ አገልግሎት ዋጋ	455.45	
የመጀመሪያ እርዳታ	1,961.95	
የትምህርት መርዳ መሣሪያ	2,824.75	
የደንብ ልብስ	1,650.30	
አበል	11,000.00	
ሽልማት	535.00	
የዕቃ ማሸጊያ	3,055.15	
መስተንግዶ	166,276.51	
የእርጅና ቅናሽ	4,082,897.81	4,082,897.81
ድምር		

*(Handwritten signatures and initials)*

የጀም ሁለተኛ ሽያጭ ጋ/የተ/የሀ/ሥ/ማህበር  
የባንክ ሒሳብ ማስታረቂያ  
ሰኔ ሰኔ 30/1999

የመዝገብ ባላንስ  
(30/10/99) 8370.47  
የባንክ ባላንስ (017091500860100)  
(30/10/99) 8370.47

የመዝገብ ባላንስ  
(30/10/99) 76547.98  
የባንክ ባላንስ (1011110002398018)  
(30/10/99) 76547.98



**የጀምሮ ሁለገብ ሽማግሌት ኃ/የተ/የሀ/ሥ/ማህበር**  
**የሀብትና እዳ መናሰጫ**  
**ሰኔ 30/1998**

<b>ተንቀሳቃሽ ሀብት</b>			
	ባንክ በተንቀሳቃሽ	41,492.54	
	ተሰብሳቢ ገንዘብ	136,667.78	
	የተለያዩ ህትመቶች	2957.9	
	የሽቀጥና ቆጠራ	30,451.15	
	የእህል ቆጠራ	14992.04	
	በግንባታ ላይ ያለ አጥር ሥራ	8334.77	
	<b>ጠቅላላ ተንቀሳቃሽ ሀብት</b>		<b>234,896.18</b>
<b>ቋሚ ሀብት</b>			
	ሀንፃዎች	2,855,641.61	
	የቢሮ ዕቃዎች	4,108.00	
	ወፍጮ ከነአስሰሪሪው	37,691.00	
	የሽቀጥ መሸጫ ሱቅ ዕቃ	2,768.10	
	ቱልስ	266.00	
	የት/ቤት መገልገያ ዕቃዎች	169,572.55	
	<b>ጠቅላላ ቋሚ ሀብት</b>		<b>3,070,047.26</b>
<b>ሊቀነስ የተጠራቀመ የአርጅና ቅናሽ</b>			<b>-278,768.82</b>
			<b>27191278.44</b>
<b>ጠቅላላ ሀብት</b>			<b>3,026,174.62</b>
<b>እዳ</b>			<b>1,514,368.53</b>
	ለቤቶች ኢጀንሰ የተቋማት ሽያጭ		70.00
	የክረምት ትምህርት		359.60
	ዊዝ ሆልዲንግ ታክስ		3,500.00
	ለአለም በርሔ		8,042.25
	ለተፈሪ በየነ		9,798.94
	ለመብራት ኃይል		291,485.97
	ያልተከፈለ ትርፍ		34,078.70
	ያልተከፈለ ትርፍ ታክስ 10%		100,440.00
	ለሱቅ ተከራዮች		<b>1,962,143.99</b>
<b>ጠቅላላ እዳ</b>			<b>143,280.63</b>
<b>ካፒታል</b>			<b>920,750.00</b>
<b>የመጠባበቂያ ተቀማጭ</b>			<b>1,064,092.78</b>
<b>ሽ.ር ካፒታል</b>			<b>3,026,174.62</b>
<b>ጠቅላላ ካፒታል</b>			
<b>ጠቅላላ ሀብትና እዳ</b>			




**የጅም ሀ-ለገብ ሽማግሌች ኃ/የተ/የሀ/ሥ/ማህበር**  
**የትርፍና ኪሣራ ማግለጫ**  
**ሰኔ 30/1998 ሳለቀው ዓመት**

187868.75

**የሽቀጥ የአህል ሽያጭ**  
**የተሸጠ እቃ ዋጋ**

ሐምሌ 1997 ቆጠራ	51358.88	
የሽቀጥና አህል ግዥ	164922.68	
ጠቅላላ ለሽያጭ የቀረበ	216281.56	
ሲቀነስ ሰኔ 30/1998ቆጠራ	<u>45443.19</u>	<u>170,838.37</u>
ያልተጣራ ትርፍ		17,030.38

**የተለያዩ ገቢዎች**

ከት/ቤት ወርሀዊ ገቢ	149,600.00	
ከወጥሮቤት አገልግሎት	2416.75	
ከአባልነት መመዘገቢያ	30	
ከት/ቤት መመዘገቢያ	12320	
ከሱቅ ኪራይ	200460	
ከመኪና ኪራይ	40936	
ከበግና ከአሸዋ ቦታ ኪራይ	10130	
ሌሎች ገቢዎች	<u>2685.69</u>	<u>418578.44</u>
ድምር		435608.82
ጠቅላላ ገቢ		

**ወጪ**

ለእርጅና ተቀናሽ ወጭ	123869.73	
ደመወዝ	128259.47	
ለማስታወቂያ ሥራ	6433	
ለዕለመሣሪያ	3794	
ለጥገና	8156	
ለፎቶኮፒና ዕሩክ ሥራ	3571.25	
ለስልክ አገልግሎት ዋጋ	3639.61	
ልዩ ልዩ ወጪዎች	1821	
የትራንስፖርት	2903.95	
ለዕዳት	1101.1	
ለጉልበት ዋጋ	1742.65	
ለመብራትናጅታ	3690.81	
ለውሀ ፍጅታ	2136.99	
የትምህርት መርጃ መሣሪያ	1757.7	
የመጀመሪያ እርዳታ	48	
የደንብ ልብስ	2466	
ለእቃ ማሸጊያ	189.75	
የባንክ አገልግሎት ዋጋ	100.2	
አበል	119	
መስተንግያ	<u>1057.5</u>	<u>296858.61</u>
ጠቅላላ ወጪ		138750.21
ከወጪ ቀሪ		

**ተቀናሽ**

መጠባበቂያ ተቀማጭ 30%	(41625.06)
የትርፍ ክፍፍል 70%	97125.15
የትርፍ ክፍፍል 10%	(9712.51)
የተጣራ ያልተከፈለ ትርፍ	<u>87412.64</u>

የጀም ሁለገብ ሽማግሌት ኃ/የተ/የሀ/ሥ/ማህበር

የሒሳብ መምከሪያ ማዛን

ሰኔ 30/1998

ባንክ በተንቀሳቃሽ	41,492.54	
ተሰብሳቢ ገንዘብ	136,667.78	
የተለያዩ ህትመቶች	2957.9	
የሸቀጥና ቆጠራ	18,550.78	
የእህል ቆጠራ	32808.1	
በግንባታ ላይ ያለ	8334.77	
ቋሚ ንብረት	3,070,047.26	
የተጠራቀመ የእርጅና ተቀናሽ		278,768.82
ተከፋይ እዳ ለቤቶች ኤጀንሲ		1,514,368.53
የክረምት ተማሪ		70.00
ዊዝ ሆልዲንግ ታክስ		359.60
ለአለም በርሔ		3,500.00
ለተፈሪ በየነ		8,042.25
ለመብራት ኃይል		9,798.94
ያልተከፈለ ትርፍ		204,073.33
ያልተከፈለ የትርፍ ታክስ		24,366.19
ለሱቅ ተከራዮች ተከፋይ ሂሳብ		100,440.00
ሼር ካፒታል		920,750.00
የመጠባበቂያ ተቀማጭ		101,655.57
የሸቀጥ ገቢ		116,450.30
ከት/ቤት ወርሀዊ ገቢ		149,600.00
ከወፍጮ አገልግሎት		2,416.75
ከእህል ሽያጭ		71,418.45
ሌሎች ገቢዎች		2,685.69
ከአባልነት መመዘገቢያ		30.00
ከተማሪዎች መመዘገቢያ		12,320.00
ከሱቅ ኪራይ		200,460.00
ከመኪና ማሳደሪያ		40,936.00
ከአሸዋና ቦታ ኪራይ		10,130.00
የሸቀጥሸቀጥ ግዥ	115,742.68	
የእህል ግዥ	49,180.00	
የደመወዝ	128,259.47	
ለማስታወቂያ ሥራ	6,433.00	
ለዕ/መሣሪያ	3,794.00	
ለጥገና	8,156.90	
ለፎቶኮፒና ዕሉፍ ሥራ	3,571.25	
ለስልክ አገልግሎት ዋጋ	3,639.61	
ለልዩ ልዩ ወጪዎች	1,821.00	
የትራንስፖርት ወጪ	2,903.95	
ለዕዳት	1,101.10	
ጉልበት ዋጋ	1,742.65	
ለመብራት ፍጆታ	3,690.81	
ለውሀ ፍጆታ	2,136.99	
የትምህርት መርጃ መሣሪያ	1,757.70	
የመጀመሪያ እርዳታ	48.00	
የደንብ ልብስ	2,466.00	
የዕቃ ማሸጊያ	189.75	
ለባንክ አገልግሎት	100.20	
አበል	119.00	
የመስተንግዶ ወጪ	1,057.50	
የእርጅና ትናሽ	<u>123,869.73</u>	
ድምር	<u>3,772,640.42</u>	<u>3,772,640.42</u>




# **Annex 2**

የ\_\_\_\_\_ ኃ.የተ. የኅብረት ሥራ ማህበር

የትርፍና ኪሣራ መገለጫ

ከ----- እስከ -----

ገቢዎች

በዓመቱ ከሽያጭ የተገኙ ገቢዎች XXX

ሲ.ቀነስ:-  
ግዥዎች

በዓመቱ ውስጥ ለግዥ የዋለ XXX

ሲ.ደመር:-

በዓመቱ መጀመሪያ በመጋዘን የነበረ XXX

ጠቅላላ ለሽያጭ የቀረበ XXX

ሲ.ቀነስ

በዓመቱ መጨረሻ በመጋዘን የተቆጠረ XXX

በዓመቱ ውስጥ የተሸጠ የግዢ ዋጋ (XXX)

በሂሳብ ዓመቱ የተገኘ ጥቅል ትርፍ XXX

ሲ.ደመር

ሌሎች ገቢዎች XXX

ድምር XXX

ሲ.ቀነስ:- ወጪዎች

የዘመኑ የተጣራ ትርፍ/ኪሣራ / XXX

የሀብትና ዕዳ መግለጫ አዘገጃጀት ናሙና(2)

balance Sheet

ንብረት

ተንቀሳቃሽ ንብረቶች	<u>XXX</u>	
የተንቀሳቃሽ ንብረቶች ድምር		XXX
ቋሚ ንብረቶች	XXX	
ሲቀንስ የተጠራቀመ የአገልግሎት ተቀናሽ	<u>XXX</u>	
ንብረቶቹ በዕለቱ ያላቸው ዋጋ		<u>XXX</u>
የንብረቶች ድምር		<u>XXX</u>

ዕዳ

ተከፋይ ዕዳዎች	<u>XXX</u>	
ድምር		XXX

ካፒታል

የዕዳና የካፒታል ድምር		<u>XXX</u>
		<u>XXX</u>





# **Annex 3**

## Questionnaire

**Addis Ababa University**  
**Faculty of Business and Economics**  
**Department of Accounting and Finance**  
**MSc program**

The objective of this questionnaire is to gather information, on the financial management and reporting practice of consumer cooperative, to be used for academic research. Your opinion and experience are very essential for the interpretation of the over all findings of this study. The recommendations to be obtained from the research are also believed to help improve the Consumer Cooperatives financial management system and their reporting practice. Responses will be examined in aggregate form and the research results will be held in strictest confidence. The researcher is very grateful for your help, which needs devoting your precious time in filing this questionnaire.

Thank you in advance for your cooperation.

---

The Researcher

**Questionnaires on Financial Management and Reporting**  
**Practice on Consumer Cooperative in Some Selected Addis**  
**Ababa Sub-City**

Please read each statement and indicate your level of agreement by taking from the options provided. If you make an error, cross it out and indicate your actual response.

Your elaboration will add tremendous value to the findings of this study. Hence, if you need more space to express your opinions use the back of each page in this questionnaire.

**1. General**

1.1. Age \_\_\_\_\_

1.2. Sex     M              F

1.3. Responsibility in the cooperative leadership \_\_\_\_\_

1.4. Education

1.4.1. Illiterate                              1.4.3 Primary cycle

1.4.2. Secondary cycle                              1.4.4. Collage and above

1.5. Name of the cooperative society

1.6. Address \_\_\_\_\_ Sub city \_\_\_\_\_ Kebele \_\_\_\_\_

1.7. Establishment Date \_\_\_\_\_

1.8. How many members have the cooperative? \_\_\_\_\_

1.9. Estimated number beneficiary of the cooperative \_\_\_\_\_

1.10.     Amount of capital to date \_\_\_\_\_

## 2. Structure of consumer cooperatives

### 2.1. Supreme body of the cooperative

Board  Elected committee

General assembly  Government

### 2.2. How is the cooperative leadership appointed? (interview)

---

---

### 2.3. Does the consumer cooperative have any by-law?

Yes  No

### 2.4. Does the cooperative have trade license?

Yes  No

If yes from which institution trade license issued?

---

### 2.5 Members participation in cooperatives activities (choose one)

Excellent  Strong

Very strong  Poor

## 3. Capital

### 3.1 Initial Capital

Members patronage  Loan

Government assistance  other

Donation

### 3.2 Current Capital

Members patronage       Loan   
Government assistance       other   
Donation

## 4. Financial Management

4.1. Does the consumer cooperative have financial policy/procedure manual?

Yes       No

4.1.1. By whom was the financial manual /procedure prepared. \_\_\_\_\_

\_\_\_\_\_

4.2. What are the types of services provided by the consumer cooperative?

\_\_\_\_\_

\_\_\_\_\_

4.3. Main source of capital for cooperative

	Yes	No
Members' patronage	<input type="checkbox"/>	<input type="checkbox"/>
External assistance	<input type="checkbox"/>	<input type="checkbox"/>
Loan	<input type="checkbox"/>	<input type="checkbox"/>
Retained Profits	<input type="checkbox"/>	<input type="checkbox"/>
Others	<input type="checkbox"/>	<input type="checkbox"/>

4.4. Who is moving financial decision of the cooperatives? (Choose one)

Board  
 Financial manager  
 General assembly  
 General Manager

4.5. Does the consumer cooperative have finance manager?

Yes  No

4.6. If your answer for 4.5 yes, is the finance manager also working for other cooperatives?

Yes  No

If yes, for how many cooperative? \_\_\_\_\_

4.7. If no who took the role of finance manager? \_\_\_\_\_

4.8. Have ever the cooperative took loan?

Yes  No

If yes from which institution

	Yes	No
Bank	<input type="checkbox"/>	<input type="checkbox"/>
Individual	<input type="checkbox"/>	<input type="checkbox"/>
Kebele	<input type="checkbox"/>	<input type="checkbox"/>
Other	<input type="checkbox"/>	<input type="checkbox"/>

4.9 Does the cooperative prepare financial plan? If your answer is yes go to next question

Yes  No

4.10 For what purpose cooperative prepare financial plan

- Conservation of capital
- Economy and co-ordination
- Success for entire cooperative
- Rapid expansion of the cooperation's
- Optimum capital structure at minimum cost
- Unity in Action

4.11 Does the cooperative includes capital budgeting in its financial plan?

Yes

No

4.12 Whose responsibility is it to check the cooperatives finances are in order?

Member of the staff

Board

Finance manager

Out side agency

Management committee

4.13. How is the management committee involved in the cooperatives financial decision making?

Setting budgets

Checking expenditure

Financial planning

Other

4.14. Does the cooperative management committee, as a whole sure of their legal responsibilities?

Yes

No

4.15. What is its source of working capital?

---

---

4.16. Have ever been profit shared among member shareholders?

Yes

No

4.17. If your answer to 4.16 is no then how profit shared among shareholders?

---

---

## 5. Reporting

5.1. Does the cooperative keep any accounts?

- Hand written notes
- Manual ledger system
- Excel spread sheet
- Professional software  (which software) \_\_\_\_\_

5.1.1 Which type of account register book maintained by the cooperatives?

	Yes	No
Daily journal	<input type="checkbox"/>	<input type="checkbox"/>
General journal	<input type="checkbox"/>	<input type="checkbox"/>
Members account		
Patronage account	<input type="checkbox"/>	<input type="checkbox"/>
Capital	<input type="checkbox"/>	<input type="checkbox"/>
Retained earning	<input type="checkbox"/>	<input type="checkbox"/>
Member accounts receivable	<input type="checkbox"/>	<input type="checkbox"/>
Others	<input type="checkbox"/>	<input type="checkbox"/>

5.1.2. Who does the bookkeeping?

- Employee trained accountant
- Selected members
- Contract out to professional accountant

5.1.3. Where is financial documents kept?

- In the office  Locked filling cabinet

5.2. Does the consumer cooperative produce financial report?

Internal party		External Party	
Yes	No	Yes	No
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

5.3. Method of account recording

Cash basis       Actual basis       Modified cash basis

5.4. Which type of recording transaction is being applied?

Single entry	<input type="checkbox"/>
Double entry	<input type="checkbox"/>
Traditional method unique to cooperatives	<input type="checkbox"/>
Not known	<input type="checkbox"/>

5.5. What types of financial report are produced by cooperatives?

	Yes	No
Balance sheet	<input type="checkbox"/>	<input type="checkbox"/>
Income statement	<input type="checkbox"/>	<input type="checkbox"/>
Statement of cash flow	<input type="checkbox"/>	<input type="checkbox"/>

5.6. Are the consumer cooperative audited by external auditors?

Yes       No

5.6.1. What Aspects of consumer cooperative audit has been applies?

Statutory audit       State controlled audit

5.7. Which Stakeholder requires financial report?

	Yes	No
Members (share holder)	<input type="checkbox"/>	<input type="checkbox"/>
Banks	<input type="checkbox"/>	<input type="checkbox"/>
Government bodies	<input type="checkbox"/>	<input type="checkbox"/>
Donors	<input type="checkbox"/>	<input type="checkbox"/>
Kebele	<input type="checkbox"/>	<input type="checkbox"/>
Sub city	<input type="checkbox"/>	<input type="checkbox"/>
Tax authority	<input type="checkbox"/>	<input type="checkbox"/>
Others	<input type="checkbox"/>	<input type="checkbox"/>

5.8. How often are the finance reports submitted to the committee meetings?

At all the committee meetings	<input type="checkbox"/>
Quarterly	<input type="checkbox"/>
Annually	<input type="checkbox"/>
By-annually	<input type="checkbox"/>

5.9. How does a member know about the cooperation's finances?

Attending committee meetings	<input type="checkbox"/>
Reading committee meeting minutes	<input type="checkbox"/>
Annual report	<input type="checkbox"/>
Members meeting	<input type="checkbox"/>
Ad hoc	<input type="checkbox"/>
Not shared	<input type="checkbox"/>

5.10. Does the cooperative compile an annual report?

Yes  No

5.11. Does the cooperative know its legal requirements for having audited accounts?

Yes  No

## 6. Budget

6.1. Does the cooperative use a budget?

Yes  No

6.2. If your answer to 6.1 is no, why not? \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

6.3. How does the cooperative get approval for the budget?

At annual general assembly meeting

By the management committee

6.4. What sources does the cooperative refer to prepare its budget?

Records of expenditure

Previous budgets

Experienced professionals

**Once again, thank you very much for your cooperation.**