

Module – V

COOPRATIVE SOCIETY ACCOUNTING

Introduction

A cooperative society is not a new concept. It prevails in all the countries, this is almost a universal concept. The cooperative society is active in all countries worldwide and is represented in all the sectors including agriculture, food, finance, healthcare, etc.

To protect the interest of weaker sections, the co-operative society is formed. It is a voluntary association of persons, whose motive is the welfare of the members.

Meaning: A cooperative society is a voluntary association of people with common needs who work together to achieve a common economic interest. The goal of a cooperative society is to serve the interests of the less fortunate in society through mutual and self-help.

The word “**cooperative**” means to work together and cooperate with each other, similarly, in a cooperative society, a group of people forms a voluntary association to benefit the members and work for the betterment of society, especially for the weaker sections. The members of a cooperative society raise the capital through the issue of shares, and the members themselves purchase those shares. The main aim is to protect the economic interest of the people by eliminating the middlemen. One of its major functions includes providing loans at a low rate of interest to its members and weaker sections of society.

Types of Cooperative Society

1] Producer Cooperative

To protect the interest of small producers, these societies are set up. The co-operative society members may be farmers, landowners, owners of the fishing operations. To increase the marketing possibilities and production efficiency, producers decide to work together or as separate entities.

They perform several activities like processing, marketing & distributing their own products. This helps in lower costs and strains in each area with a mutual benefit to each producer.

2] Consumer Cooperative

These businesses are owned and governed by consumers of a particular area for their mutual benefit. Their view is to provide daily necessary commodities at an optimum price. Rather than earning a pecuniary profit, their aim is towards providing service to the consumers.

3] Credit Unions

Credit unions are generally member-owned financial cooperatives. Their principle is of people helping people. They provide credit and financial services to the members at competitive prices. Each and every depositor has the right to become a member. Members attend the annual meeting and are given rights to elect a board of directors.

4] Marketing Cooperative Society

With an aim of helping small producers in selling their products, these societies are established. The producers who wish to obtain reasonable prices for their output are the members of this society.

For securing a favourable market for the products they eliminate the middlemen and improve the competitive position of its members. It collects the output of individual members. Various marketing functions like transportation, packaging, warehousing, etc are performed by the cooperative societies to sell the product at the best possible price.

5] Housing Cooperative Society

To help people with limited income to construct houses at reasonable costs, these societies are established. Their aim is to solve the housing problems of the members. A member of this society aims to procure the residential house at lower cost.

They construct the houses and give the option to members to pay in instalments to purchase the house. They construct flats or provide plots to members on which the members themselves can construct the houses as per their choice.

Objectives of Cooperative Society in India

After having seen the features, let us now see the objectives of Cooperative Society, which include:

1. Sourcing and Manufacturing Superior Goods and Resources

One of the major objectives of Cooperative Society is that Cooperative Societies prioritise the acquisition and production of top-notch goods, tools, machinery, and raw materials. The objective is to guarantee members have access to exceptional products and resources, elevating their enterprises and general welfare.

2. Collaboration with Government and Similar Organisations

Another one of the important objectives of Cooperative Society is that Cooperative Societies often seek to establish partnerships and collaborations with government agencies and other organisations engaged in similar business activities. Such alliances can facilitate access to resources, knowledge, and support for the society's members.

3. Undertaking Activities for Member Welfare and Community Development

Among the central objectives of Cooperative Society is to partake in activities that advance the welfare and prosperity of both its members and the larger society. These activities encompass vital services, educational and healthcare promotions, and efforts to tackle socio-economic challenges prevalent in the community.

4. Promoting Unity and Eliminating Internal Competition

Cooperative Societies aim to foster unity and solidarity among their members and this is also one of the important objectives of Cooperative Society in India. They

actively work to eliminate internal competition, ensuring that members collaborate rather than compete against each other. This cooperative spirit enhances the overall success and sustainability of the society.

5. Practising Transparent and Ethical Business Dealings

Transparency and ethical conduct are core objectives of Cooperative Society. They are committed to conducting business with honesty and fairness, maintaining the trust of their members and stakeholders. Transparent operations contribute to the society's credibility and long-term success.

Procedure for Cooperative Society Registration

After having understood the objectives of Cooperative Society, let us take a look at the process of cooperative society registration. Registering a cooperative society under the Cooperative Society Act, 1912 is a critical step in achieving its objectives. The registration process involves several steps, including:

1. Assemble a Minimum of 10 Individuals:

Gather a group of at least **10 individuals** who intend to form a cooperative society for mutual benefit.

2. Convene an Annual General Meeting (AGM):

Hold an AGM with all the members to establish a provisional committee and elect a chief promoter for the society.

3. Select a Name:

The chief promoter and members should mutually agree on the name of the cooperative society.

4. Prepare and Submit an application:

File an application with the registration authority that outlines the proposed society's business operations. Include all necessary documents.

If the application is accepted, the authority will issue a certificate of name approval.

5. Collect Registration Fees and Share Capital:

Collect the prescribed registration fees and share capital amount from each prospective member.

6. Open a Bank Account:

Open a separate bank account in the name of the cooperative society. Deposit the collected registration fees and share capital amount into this account to obtain a bank certificate.

7. Apply for Society Registration:

The chief promoter should submit the application for society registration in Form No. along with all the required documents.

Obtain the consent of at **least 90%** of prospective members.

8. Verification by Registrar:

The Registrar will review the authenticity of the documents provided. If satisfied, a Registration Certificate will be issued. Any discrepancies in the application must be rectified before approval.

9. Receipt for Application:

The Registrar will issue a receipt for the submission of the application. You can use this receipt to check the status of your application.

10. Entry in Register:

The registering authority will enter all the details of the newly formed cooperative society in the official register.

11. Notification and Registration Certificate:

Once the Registrar is fully satisfied and all requirements are met, the society's registration will be notified in the official gazette. A Registration Certificate will be issued to the cooperative society, confirming its legal status.

Completing these steps ensures that the cooperative society is officially registered and recognised under the **Cooperative Society Act, 1912**, allowing it to operate within the framework of the law and pursue its objectives effectively.

Following accounts usually maintained by the Co-operative societies –

- Day Book (Journal)
- Day Book (Cash Account)
- Day Book (Cash Book with Adjustment Column)

Day Book (Journal)

Day book is a book of original entries. In a day book, all types of cash or non-cash transactions are recorded, according to the principle of double entry system.

As per the practice followed in the co-operative societies, a separate journal book is not prepared rather all transactions are directly recorded in the day book. Day book has two sides Receipt (debit) and payment (credit) and there are two columns in each side of a day book, one for the cash transactions and second for the adjustment.

Transaction for the cash receipt and cash payment are recorded in cash column and payment side respectively. Similarly, entries are done in debit and credit side of a day book in the adjustment column.

Day Book (Ledger for Cash Account)

Since, all the cash transactions are recorded directly in a day book, it might be called as **ledger account of cash book**.

Day Book with Cash and Adjustment Columns

Specimen

Day Book with Cash and Adjustment Columns

Date	Particular	R.No.	Cash	Adjustment	Date	Particular	R.No.	L.F	Cash	Adjustment
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Ledger

In the co-operative societies, posting of ledger is not done on the double entry system. Receipt side of the day book on debit side of the ledger account and payment side of the day book posted on the credit side of the ledger account.

Closing of Ledgers

In the co-operative societies, balancing of a personal account is done at the time when any member clears his account or a new account is opened. Totals of all other accounts (receipt and payments) are kept as it is. Balancing of receipt and payment accounts are not required.

Receipt and Payment Account

A receipt and payment account is the summary of a day book and prepared for a specified period. Receipt and payment account is prepared from the totals of receipts and payment sides of the ledger accounts.

Final Accounts

Trading & Profit and Loss account and Balance sheet are prepared from the receipt and payment accounting after consideration of the adjustment entries. Items appear under the receipt side are treated as **income**, and items of the payment side are as **expenditure**.