



The Co-operative University of Kenya

END OF SEMESTER EXAMINATION DECEMBER-2016

EXAMINATION FOR THE DEGREE OF BACHELOR OF CO-OPERATIVE
BUSINESS
(YR II SEM II)

UNIT CODE: HCOB 2212

UNIT TITLE: PRINCIPLES AND PRACTICE OF CO-OPERATIVE BANKING

DATE: 9TH DECEMBER, 2016

TIME: 2:00 PM – 4:00 PM

INSTRUCTIONS:

- Answer question **ONE** (compulsory) and any other **TWO** questions

QUESTION ONE

- Explain the meaning of Co-operative Savings Scheme. (2 Marks)
- Differentiate between Centralized and Decentralized banking systems. (10 Marks)
- With an aid of a diagram, describe the flow of funds in the co-operative banking system. (10 Marks)
- The following information was extracted from the transactions of Mr. Masinde member number 2114 of Maji Mazuri SACCO (C/S no. 67) in relation to Matunda

Activity (Activity No. 02) as at 31st August 2016.

1. 01/05/2016	Net Payment Journal ks. 45,000
2. 02/05/2016	Debtors Members Journal ks. 25,000 D
3. 10/05/2016	Net Payment journal ks. 50,000
4. 22/05/2016	Cash withdrawal voucher ks. 15,000
5. 28/05/2016	Debtors Members Journal Ks. 5,000
6. 02/06/2016	Cash deposit voucher ks. 30,000
7. 08/06/2016	Net Payment Journal ks. 54,000
8. 12/06/2016	Cash withdrawal voucher ks. 45,000
9. 16/06/2016	Cash withdrawal voucher ks. 18,000
10. 25/06/2016	Cash deposit voucher ks. 32,000
11. 01/07/2016	Debtors Members Journal ks. 12,000
12. 01/07/2016	Cash withdrawal voucher ks. 22,000
13. 01/07/2016	Cash deposit voucher ks. 34,000
14. 01/07/206	Net payment Journal ks. 50,000

Required:

Post the above transactions to a members Personal account (MPA) provided. (8 Marks)

QUESTION TWO

- Explain FIVE historical reasons for establishing cooperative savings scheme. (10 Marks)
- Explain any TWO levels at which the feasibility study needs to be carried out before establishing a UBS/Sacco. (10 Marks)

QUESTION THREE

- (a) Explain SIX conditions that must be met by individual members of co-operative society before participating in a co-operative savings scheme. (12 Marks)
- (b) Explain non physical security measures that needs to be put in place before establishing a SACCO. (8 Marks)

QUESTION FOUR

Teller's Journal and Teller's Cash report are very important tools used in SACCOs. Outline the use of each citing the relevant components. (20 marks)

QUESTION FIVE

- (a) The following information was extracted from the transactions of Ms. Muhimu, member number 0031 of Alfajiri SACCO (C/S no. 123) in relation to Housing Activity (Activity No. 01) as at 16th July 2016.

(i)	01/01/2014	Opening savings balance Ksh. 150,000
(ii)	03/01/2014	Cash Deposit Ksh. 40,000
(iii)	15/01/2014	Cheque Deposit Ksh. 13,000
(iv)	12/01/2014	Cash Withdrawal Ksh. 35,000
(v)	05/02/2014	Cash Withdrawal Ksh. 35,000
(vi)	09/03/2014	Cash Deposit Ksh. 15,000
(vii)	20/03/2014	Cash Deposit Ksh. 12,000
(viii)	27/03/2014	Cash Withdrawal Ksh. 5,000
(ix)	28/03/2014	Cash Withdrawal Ksh. 11,000

Required:

Post the above transactions into the Members Savings Account (MSA) using the form provided below and compute the member's interest if the interest rate was at 11%p.a. (10 Marks)

- (b) Outline FIVE factors which led to the establishment of the Co-operative Bank in Kenya. (10 Marks)