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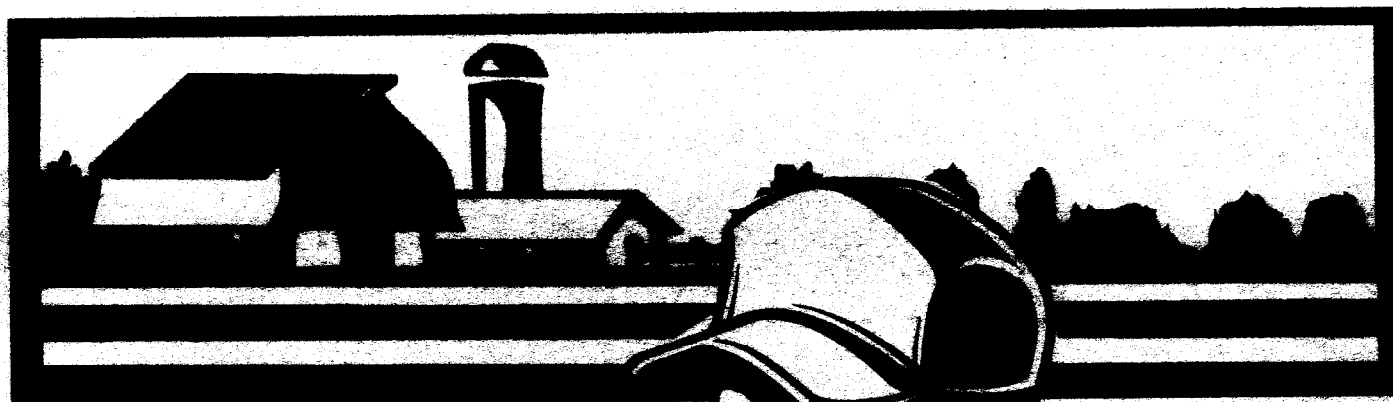


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Report 57

Understanding Cooperative Bookkeeping and Financial Statements



Preface

This guide has been designed to present the very basics in bookkeeping and cooperative financial statements. The format is designed for those that have limited bookkeeping or accounting experience. It is not meant to be all inclusive, but to provide guidance in developing the cooperative's record keeping system and understanding financial statements.

In most cooperatives, trained accountants will take care of the financial reports and more difficult accounts, such as depreciation expense. However, all board members should understand the bookkeeping functions and be able to interpret financial reports. By understanding all components of bookkeeping and the financial documents, the board will be better able to design an accounting system for their cooperative, maintain accurate bookkeeping records, and make prudent business decisions based on the financial reports.

Practice exercises are included that should be completed after the sections on the daily journal and the general ledger and a final exercise at the end of the guideline.

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Understanding Cooperative Bookkeeping and Financial Statements

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Agricultural Economist

Financial reports are used to evaluate past operations and are the basis for management and operating decisions on future projects. The board of directors use 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 cooperatives'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. This section also explains the monthly cash flow statement, a planning tool for management. Section 2 covers the record keeping functions of the daily journal and general ledger. Section 2

also covers 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 1—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
-

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.

Exhibit 2—Balance Sheet

Cooperative Balance Sheet as of December 31

Assets	Liabilities
Current:	Current:
Cash	Accounts Payable
Accounts Receivable	Long-term: Loans
Inventory	
Fixed:	Member Equity
Buildings	Stock
Equipment	Retained Earnings

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.

For example, Exhibit 3 shows the cooperative's total bulk fertilizer sales of \$60,000 on the income statement separately from the \$10,000 service revenue from the spreading function.

Notice on the income statement that the cost of goods sold in the amount of \$35,000 is subtracted from fertilizer sales, resulting in a gross margin amount of \$25,000.

Cost of goods sold is the amount the cooperative paid its' supplier for the fertilizer. The gross margin of \$25,000 is the cooperative's profit from selling the fertilizer. Because spreading fertilizer is a service the cooperative provides, there is no cost of goods sold to subtract from this revenue.

The entire \$10,000 service revenue from the spreading function (Exhibit 3) is added to the \$25,000 gross margin from fertilizer sales for a total gross revenue of **\$35,000**.

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.

Administrative costs include the salaries of sales staff, management, and office personnel. Others are office supplies, insurance, accountant fees, and advertising. These expenses are not directly linked to operations, but are the support services it provides. Some are considered fixed costs of operations because they do not vary with the level of output.

Exhibit 3—Income Statement**Cooperative Year Ending December 31**

Revenue:	
Fertilizer Sales	\$60,000
- Cost of Goods Sold	<u>35,000</u>
= Gross Margins	25,000
+ Service Revenue	<u>10,000</u>
= Net Revenue	35,000
Expenses:	
Administrative	8,000
Operating	11,000
Depreciation	3,000
Interest	1,500
Miscellaneous	<u>2,000</u>
Total Expenses	25,500
Income Before Taxes	9,500
Income Taxes	<u>1,000</u>
Net Income (Loss)	\$8,500
Patronage Refunds:	
Cash (30%)	2,550
Allocated Reserves (70%)	5,950

For Example, the manager's salary in exhibit 3 will be the same whether the cooperative sells 500 or 750 tons of fertilizer.

Operating expenses can be directly linked to the delivery of service and vary with output, such as in a cooperative that packs and sells vegetables. Operating expenses would include vegetable boxes, wages of packers, and machinery maintenance. These are variable costs because the total amount varies with the level of day-to-day operations.

In a vegetable packing cooperative the cost for boxes would increase as the cooperative's output went from 2 to 5 tons of vegetables, because more boxes would be needed.

Interest expense is the cooperative's cost of borrowing money. Depreciation represents the cost of using high value items such as machinery and equipment. This expense allows the cooperative to write

down the cost of machinery or equipment over the useful life of the item and is usually included on the income statement at the end of each fiscal year.

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.

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 include 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 include the acquisition or redemption of loans, the sale of capital stock, redemption of member equities or payment of patronage refunds.

**Producer's 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 cooperatives'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 year-end 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.

MONTHLY CASH FLOW STATEMENT

Cash basis accounting recognizes that the exchange of cash does not always occur at the same time as the business transaction. This can affect the liquidity of the cooperative or its ability to meet cash obligations. The amount of cash received by a cooperative during a given month often does not equal the amount paid, especially for seasonal businesses or those providing credit sales to members.

The monthly cash flow statement is an important management planning tool to indicate the cooperative can meet monthly cash obligations. Exhibit 5 shows the monthly cash flow statement used to project the amount of cash flowing into the cooperative each month, the amount of cash flowing out, and the projected ending cash balance.

The cash flow statement (Exhibit 5) shows the projected monthly cash flows of a cooperative with a seasonal operating year. Even though a positive year-end net cash balance is projected, a negative cash flow is projected for some months.

Using the monthly cash flow statement as a planning tool, the cooperative manager can determine if an operating loan will be needed during those months that have projected negative cash flows, or schedule payments on accounts payable during months with positive cash flows.

Exhibit 5—**Monthly Cash Flow Statement, for Year Ending December 31**

item	Jan	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
Cash Received													
Member Payments	0	0	0	0	2,500	5,500	8,000	8,500	7,000	5,000	1,500	0	38,000
Member Dues	2,500	0	0	0	0	0	0	0	0	0	0	0	2,500
Total Cash Received	2,500	0	0	0	2,500	5,500	8,000	8,500	7,000	5,000	1,500	0	40,500
Cash Disbursed:													
Wages	1,500	1,500	1,500	1,500	2,300	2,300	2,300	2,300	2,300	2,300	1,500	1,500	22,800
Benefits	300	300	300	300	460	460	460	460	460	460	300	300	4,566
Marketing	0	0	0	100	100	150	150	150	150	150	0	0	950
Insurance	0	0	0	0	1,250	0	0	0	0	0	2,500	0	2,500
Licenses	0	0	0	0	250	0	0	0	0	0	0	0	250
Accounting	0	250	0	0	0	0	0	0	0	0	0	0	250
Utilities	75	75	75	75	125	175	200	200	200	200	200	150	1,750
Supplies	75	75	75	75	150	150	150	150	150	150	150	75	1,425
Truck Expenses	50	50	50	50	350	350	350	300	300	300	300	1255	2,575
Total Operating Expense	2,000	2,250	2,000	2,100	4,985	3,585	3,610	3,560	3,560	3,560	3,700	2,150	37,060
Loan Payment:													
Principle	0	0	0	0	600	600	600	600	600	600	600	600	4,800
Interest	0	0	0	0	60	60	60	60	60	60	60	60	280
Total	0	0	0	0	660	660	660	660	660	660	660	660	5,280
Total Cash Disbursed	2,000	2,250	2,000	2,100	5,645	4,245	4,270	4,220	4,220	4,220	4,360	2,820	42,340
New Cash Flow	500	(2,250)	(2,050)	(2,100)	(3,145)	1,255	3,370	4,280	2,780	780	(2,860)	(2,810)	1,840
Beginning Cash	4,300	4,800	2,550	550	3,250	105	1,360	5,090	9,370	12,150	12,930	10,070	4,300
Loans Received	0	0	0	4,800	0	0	0	0	0	0	0	0	4,800
Ending Balance	4,800	2,550	550	3,250	105	1,360	5,090	9,370	12,150	12,930	10,070	7,260	7,260

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.

Dual Entry Accounting

A cooperative operates by conducting several business transactions each day. During each transac-

tion, 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 6, 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 6—Sample Daily Journal-Recording

Daily Journal		Page 1		
Date	Transaction and Explanation	Account	Debit	Credit
1/3	Cash	101	125.00	
	Member sales	401		125.00
	Supplies to Joe Jackson, #234			
1/3	Electricity	502	75.00	
	Cash	101		75.00
	12/93 statement, check # 123			

Exhibit 7—Chart Of Accounts**Producers Cooperative**

Account Number	
	<i>Assets</i>
101	Cash
102	Accounts Receivable-Members
103	Accounts Receivable-Other
104	Prepaid Expenses
105	Equipment
106	Buildings
107	Inventory
	<i>Liabilities</i>
201	Accounts Payable-Members
202	Accounts Payable-Others
203	Short Term Loans
204	Long Term Loans
	<i>Equity</i>
301	Member Capital
302	Allocated Reserves
	<i>Revenue</i>
401	Member Sales
402	Member Dues
403	Other Sales
404	Other Income
	<i>Expenses</i>
501	Salaries
502	Utilities
503	Supplies
504	Insurance
505	Taxes
506	Rent
507	Advertising
508	Repairs

In both transactions, an entry is made to the resource the cooperative received and a balancing entry was made to the resource the cooperative exchanged.

Transaction Date

The date entered in the daily journal should indicate when the transaction occurred, not the date recorded. This will ensure that the date shown coincides with the date on every piece of paper from each transaction.

Account Names

Each type of business transaction that will likely occur during normal operations should be given an account name. For example, each asset such as cash, accounts receivable, or equipment and buildings. The account names for each balancing entry (Exhibit 6) should be offset from each other. The resource the cooperative acquires during the transaction is recorded on the left and the resource the cooperative exchanges or the obligation it incurs is offset to the right.

Account Numbers

Each account name should also have a numerical reference. Sequential numbers are typically assigned to similar accounts, such as numbers 100 through 199 used for all assets. Each cooperative will have unique accounts and reference numbers, depending on the particular business and the transactions that occur. The most common category groups used are assets, liabilities, equity, revenue, and expenses.

A chart of accounts (Exhibit 7) should be developed for each cooperative that lists all the accounts used and the corresponding reference numbers. Large block of sequential numbers should be designated for each category so that other accounts can be added as operations expand or other needed accounts are identified.

Some accounts can be shown in even more detail by including another digit to the account number. For example, a cooperative may want to list the salary expense for each phase of operations by designating 501-1 for management, 501-2 for warehouse, and 501-3 for sales personnel.

Dollar Amounts-As Debits and Credits

“Debits Must Always Equal Credits”

The dollar amount of each transaction is entered in the last two columns of the daily journal as either a debit or credit. Because each transaction is an equal exchange, the amount entered in the debit column must equal the amount in the credit column.

Distinguishing Debits from Credits

When recording a business transaction in the daily journal, the resource the cooperative acquired during the exchange is offset to the left and the resource the cooperative exchanged or the obligation it incurred is offset to the right. The same is true for the dollar value of the exchange. In Exhibit 6, the value of the resource the cooperative acquired during both

transactions is entered in the left column as a debit and the resource given up or the obligation incurred is entered on the right as a credit.

Debits are gains to the cooperative and always entered in the left-hand column when a business transaction is recorded. A credit amount indicates a resource the cooperative has given up or an obligation it has incurred and is entered in the right hand column. Each account can have both debit and credit entries, as in the cash account (Exhibit 5). When the cooperative sold merchandise, it acquired cash and the dollar amount was entered as a debit to indicate a gain to the cooperative. When the cooperative paid the electric bill, the amount was recorded in the right-hand column as a credit to indicate a resource the cooperative gave up.

To determine if an entry should be a debit or credit, it is easiest to determine if it is a gain to the cooperative or a resource it gives up or an obligation it incurs. Exhibit 8 indicates if an increase or decrease to various accounts would be recorded as a debit or credit.

THE GENERAL LEDGER

The general ledger is used to combine all the transactions from the daily journal, which are in chronological order, into each of the cooperative accounts. It contains the same information as the daily journal, but is used to show the balance for each account. The balance can then be used to generate the financial reports of the cooperative. Transferring entries from the daily journal to the general ledger is called posting.

Posting Entries in the General Ledger

Each ledger sheet should be labeled with the name of the account and the corresponding account number from the chart of accounts. The information transferred from the daily journal to the general ledger during posting includes:

1. Date of the transaction;
2. Description of the transaction;
3. Reference number to the daily journal;
4. Dollar value entered as a debit or credit; and,
5. Account balance, as a net debit or net credit.

The previous sample transactions are posted to a general ledger sheet for cash in Exhibit 9.

Exhibit 8-Results of Increases and Decreases

<u>Account</u>	<u>Increase</u>	<u>Decrease</u>
Assets	Debit	Credit
Expenses	Debit	Credit
Liabilities	Credit	Debit
Equity	Credit	Debit
Revenue	Credit	Debit

Date, Description, and Dollar Amount

The date entered in the general ledger is the same as recorded in the daily journal, which is the day it occurred. The description of the transaction and the dollar amount, listed as a debit or credit, is also **shown** in the general ledger as it is in the daily journal. However, now all transactions are grouped together into the same ledger account.

Reference Number

The number in the reference (**REF**) column is the page number of the daily journal where the transaction is recorded. The reference number can be used to determine where the transaction was recorded in the daily journal and on what day it occurred. This information provides an “audit trail” so the paperwork from each transaction can be easily tracked.

Account Balance

The last two columns of the general ledger page show the dollar balance for each account as either a net debit or net credit. As each new transaction is posted, the debit or credit amount transferred from the daily journal is added to or subtracted from the balance in the general ledger. The account balance is used to generate the cooperative’s financial reports.

The first transaction posted to the general ledger in Exhibit 9 is the cash the cooperative received from member sales. The \$125 debit amount in the daily journal is posted to the general ledger cash account as a \$125 debit. Because this is the first item posted in the general ledger, the account balance is also a net debit of \$125. The next transaction posted is the cash payment for electricity. The \$75 credit is transferred to the general ledger and subtracted from the \$125 debit bal-

Exhibit +-The General Ledger-Cash

Account		Cash		Account Number		101	
						Balance	
Date	Transaction	Ref	Debit	Credit	Debit	Credit	
1/3	Member Sales	1	125		125		
1/3	Electricity Bill	1		75	50		

ance, for a new net debit balance of \$50. If financial reports were generated at this time, the amount of cash shown on the balance sheet would be \$50.

Although financial statements are usually generated at specific times, the general ledger should be kept current so that the balance of some accounts, such as accounts receivable, can be checked whenever necessary.

MEMBER ACCOUNTS

Accurate records of each member's patronage and their benefit from and obligation to the cooperative are important to members and other agencies to show the cooperative is operating within cooperative guidelines and principles.

Patronage account-Accurate records of the level of each member's patronage are needed to determine the distribution of patronage refunds. Member volume is also needed to determine the cooperative's tax liability because any profit not allocated to members is taxable income for the cooperative.

Capital—Cooperatives usually require some member investment, especially for start up capital. Members will rely on the cooperative to have accurate and current records of their investment in the cooperative. Capital accounts will also be important to banks and other lending institutions. Lenders usually require members to provide some portion of the capital.

Retained Earnings-These are used by the cooperative to finance the future operations or supplement start up capital. They are returned to the members in accor-

dance with the bylaws. **The retained earnings account for each member should show the amount earned each year, the amount returned, and the current balance.**

Per-Unit Capital Retains-This is another method of member capital investment. Instead of members making a direct investment or the cooperative retaining a portion of the year-end profits, a set amount is retained by the cooperative for each unit of product it markets for the members.

Member Accounts Receivable-Sales on credit to member-users should be monitored closely. High accounts receivable can have a negative impact on the availability of operating cash and the ability of the cooperative to pay its bills.

SUBSIDIARY LEDGERS

When preparing financial reports, the total dollar amount of the accounts is used. For example, the total sales revenue shown on the income statement represents sales to several members. Or, lending institution may request the total amount member capital investment, but not each member's account balance.

However, the cooperative must maintain accurate and current records of each member's use of the cooperative to properly distribute patronage refunds, maintain accounts receivable and redeem capital stock. Each member should have their own record for all member accounts used by the cooperative. These individual accounts are subsidiary accounts to the general ledger. A general ledger and three subsidiary accounts are shown in Exhibit 10.

On 5/6/XX, member 234 bought supplies for \$25 and member 567 bought \$84. The amount charged by

each member was posted in their accounts receivable account for that day. The combined total of these two members, \$109, is then posted to general ledger accounts receivable for 5/6/XX. This process is repeated for every subsidiary and general ledger account used by the cooperative for each day's operation. A balance sheet for 5/13/XX would show a net balance of \$287 in the general ledger for accounts receivable.

Exhibit 10—Subsidiary Ledger Accounts						
Account		Account Receivable			Account Number 102	
Primary Ledger Account					Balance	
Date	Transaction	Ref	Debit	Credit	Debit	Credit
5/6	Total Members	1	109		109	
5/6	Total Members	3	154		263	
5/6	Total Members	7	24		287	
Joe Jackson, Member No 234					Balance	
Date	Transaction	Ref	Debit	Credit	Debit	Credit
5/6	Supplies	1	25		25	
5/8	Supplies	3	57		82	
Tammy Thompson, Member No 567					Balance	
Date	Transaction	Ref	Debit	Credit	Debit	Credit
5/6	Supplies	1	84		84	
Tim Wallace, Member No. 934					Balance	
Date	Transaction	Ref	Debit	Credit	Debit	Credit
5/8	Supplies	3	97		97	
5/13	Supplies	7	24		121	

EXERCISES

Exercise On-The Daily Journal

A group of local gardeners organized a cooperative to obtain bags of mulch. The cooperative bought the mulch by the truckload for \$1.00 per bag and sold it to members for \$1.50 and non-members for \$1.80 per bag. The following transactions occurred on May 6:

1. Joan, member #124, paid cash for 40 bags of mulch.
2. Jackson, member #243, paid cash for 70 bags.
3. A new filing cabinet was delivered. Invoice 4021 for \$150 is due to Office Outfitters with terms of 2/10 net 30.
4. Check #221 for \$500 is sent as payment for 500 bags of mulch from Mory's Mulch, invoice 4329, dated April 15.
5. Placed an add in the Weekend Gardener for an upcoming sale. Check #222 for \$50 was paid with invoice number 1794.
6. Joe, member #97, paid \$50 for dues, which were charged on April 1.
7. Allen, a non-member, purchased 10 bags of mulch.
8. Supplies were purchased from Office Outfitters for \$25 cash, invoice 4105.
9. Thomas, member #187, purchased 120 bags of mulch and charged them to his account.
10. One worker was paid for 20 hours at \$5.50 per hour, check #223. (Do not use payroll taxes for this exercise.)

Excercises

Enter the transactions into a daily journal. (A sample daily journal page is given on page 15). Use the account names and numbers from the chart of accounts in Exhibit 7.

Exercise Two-The General Ledger

Transfer the daily journal entries from Exercise 1 to the appropriate general ledger accounts. Maintain a current debit or credit balance for each general ledger account as each entry is posted. A sample general ledger sheet is given on the page 16.

Use these beginning account balances in the general ledger:

Cash	\$650 Debit
Accounts Receivable-Members	\$250 Debit
Accounts Payable-Others	\$500 Credit
All other accounts	\$ 0

Final Exercise

Twenty producers started Tasty Kernels Cooperative (TKC) to sell their sweet corn at a local farmer's market so they could increase sales volume and obtain a higher price. None of the producers have enough individual volume to rent a space at the market.

Exercises

From the transactions given for TKC's first year of operations:

1. Develop a chart of accounts.
2. Record business transactions in a daily journal.
3. Post the entries from your daily journal into the appropriate general ledger account. Designate appropriate subsidiary ledger accounts as needed.
4. Develop a year-end balance sheet and income statement. The cooperative would like to purchase a delivery truck sometime in the future, so the board of directors has decided to return 20% of the net income to the members as cash, and keep 80% as allocated reserves.

Background Information

TKC's fiscal year starts April 1. Sweet corn is sold during an eight-week season beginning in July and ending in mid-September. At the beginning of the fiscal year each member signed a marketing agreement committing acreage to the cooperative. Dues of \$1.50 per acre were assessed. According to the bylaws, dues are considered member capital investment. Quality standards require an average production yield of 25 dozen ears per acre. The cooperative will purchase crates, which hold 5 dozen ears, for members to pack and transport the corn. The cost of the crates is an operating expense for the cooperative.

Member must deliver their corn to the market each weekend morning. They are paid by check each Monday for all sweet corn delivered over the weekend. TKC pays members \$10 per crate and sells the corn for the following prices:

Unit	Price (\$)
Crate	12.00
Dozen	3.00
Half-Dozen	2.00
Per Ear	50

Members volunteer weekends to coordinate deliveries and manage sales. All sales are for cash and all money is deposited directly into the bank at the end of each sales day except for money kept in a petty cash fund. This is used to purchase supplies and other needs of the cooperative. Whenever the fund falls below \$200, it is replenished with cash from sales during the following weekend or from cash in the bank account.

First Quarter

- Six members join the cooperative and pay \$125 each for capital stock on March 15.
- TKC incorporated April 1. A cash fee of \$100 is paid to register with the State. The incorporation fee is shown on the income statement as a license expense.
- Dues were assessed to each member according to the acreage they projected on their marketing agreement signed with the cooperative as follows:

Member	Acreage	Dues (\$)
Adam	25	37.50
Danielle	15	22.50
Cara	10	15.00
Maribeth	20	45.00
Eli	30	30.00
Elliot	100	<u>150.00</u>
Total	200	300.00

All members paid in full except Cara and Eli. Dues for these two members were charged to their accounts with the cooperative.

- A bank account was opened with First County with a initial deposit of \$690.
- A rental agreement was signed with Green's Farmer's Market for sales floor and storage space. Rent of \$100 is paid each weekend of use. The electricity is prorated among all booths and charged monthly.
- TKC ordered 1,000 crates from Bob's Containers at the cost of \$.50 each.
- The secretary paid \$37 cash for office supplies.

8. received the packing crates and was billed on invoice 45793 with terms 2/10 net 30.

Second Quarter

- Cara and Eli pay their dues in full.
- Members pick up crates in the following quantities:

Member	Number of Crates
Adam	125
Danielle	75
Cara	50
Maribeth	100
Eli	150
Elliot	480
Total	980

- Check number 101 was written to Green's for the first week's rent and the cooperative had the following transactions for the first weekend:

Crates Delivered		Sales	
Member	Number	Units	Number Sold
Adam	20	Crates	25
Maribeth	25	Dozen	350
Elliot	75	Half-Dozen	230
		Individual	120

- The following members were paid for their weekend deliveries:

Adam: Check number 102 for \$200.
Maribeth: Check number 103 for \$250.

- During the second weekend, check number 104 was written to Green's for rent and the following transactions occurred:

Crates Delivered		Sales	
Member	Number	Units	Number Sold
Adam	40	Crates	50
Danielle	15	Dozen	300
Eli	30	Half-Dozen	150
Elliot	55	Individual	180

14. The following payments were made to members.
 Danielle: Check number 105 for \$150.
 Eli: Check number 106 for \$300.
 Elliot: Check number 107 for \$1,300.
15. Remit payment for crates, 40 days after received shipment, check number 108.
16. During the third weekend, check number 109 was written to Green's for rent and the following transactions occurred:

Crates Delivered		Sales	
Member	Number	Units	Number Sold
Cara	20	Crates	50
Maribeth	25	Dozen	380
Eli	40	Half-Dozen	120
Elliot	55	Individual	120

17. Payments were made to these members:
- Adam: Check number 110 for his balance.
 Cara: Check number 111 for \$200.
 Eli: Check number 112 for \$400.
 Elliot: Check number 113 for \$550.
18. Paid the July electric bill of \$87 with check number 114.
19. Used \$34 cash to buy office supplies.
20. Purchased cleaning supplies for the market stand for \$27 cash.
21. During the fourth weekend, check number 115 was written to Green's for rent and the following transactions occurred:

Crates Delivered		Cash Sales	
Member	Number	Units	Number Sold
Elliot	140	Crates	50
		Dozen	400
		Half-Dozen	90
		Individual	60

22. Paid Elliot \$1,400 with check number 116.
23. Maribeth was paid by check for sweet corn delivered during week three.
24. The following deliveries and sales were made during weeks 5 through 8. The total deliveries for each member is given as one transaction as well as the total sales.

Crates Delivered

Member	Number	Units	Number Sold
Adam	65	Crates	200
Danielle	60	Dozen	1,115
Cara	30	Half-Dozen	340
Maribeth	50	Individual	180
Eli	80		
Elliot	155		

Cash Sales

Also, during this time, the cooperative bought 20 crates of sweet corn from Corn Wholesalers. The corn was bought on account, invoice #59460, for \$9.50 per crate. All were sold at the crate price.

25. Payments were made to these members:

- Adam: Check number 118 for \$650.
 Danielle: Check number 119 for \$600.
 Cara: Check number 120 for \$300.
 Maribeth: Check number 121 for \$500.
 Elliot: Check number 122 for \$1,550.

26. Check number 123 for \$40, was written to Green's for the remainder of the rent.
27. The cooperative paid the final electric bill of \$139 with check number 124.
28. Check number 125 was mailed to Corn Wholesalers for the full amount due.

ACCOUNT NAME			ACCOUNT NUMBER			
					BALANCE	
DATE	TRANSACTION	REF	DEBIT	CREDIT	DEBIT	CREDIT

**UNDERSTANDING BOOKKEEPING AND
FINANCIAL STATEMENTS
EXERCISES ANSWERS**

Exercise One-The Daily Journal

Daily Journal		Page 1		
DATE	TRANSACTION	ACCOUNT	DEBIT	CREDIT
1	CASH	101	60.00	
	MEMBER SALES	401		60.00
	<i>JOAN, MEMBER 124, 40 BAGS</i>			
2	CASH	101	105.00	
	MEMBER SALES	401		105.00
	<i>JACKSON, MEMBER 243, 70 BAGS</i>			
3	EQUIPMENT	105	150.00	
	ACCOUNTS PAYABLE - OTHERS	202		150.00
	<i>OFFICE OUTFITTERS, INVOICE 4021</i>			
4	ACCOUNTS PAYABLE - OTHERS	202	500.00	
	CASH, CHECK NUMBER 221	101		500.00
	<i>PAYMENT - MORY'S MULCH, INVOICE 4329</i>			
I5	I ADVERTISING	507	50.00	
	CASH, CHECK NUMBER 222	101		50.00
	<i>WEEKEND GARDENER, INVOICE 1794</i>			
6	CASH	101	50.00	
	ACCOUNTS RECEIVABLE - MEMBERS	102		50.00
	<i>DUES PAYMENT - BO, MEMBER 97</i>			
7	CASH	101	18.00	
	OTHER SALES	403		18.00
8	SUPPLIES	503	25.00	
	CASH	101		25.00
	<i>OFFICE OUTFITTERS, INVOICE 4105</i>			
9	ACCOUNTS RECEIVABLE - MEMBERS	102	180.00	
	MEMBER SALES	401		180.00
	<i>THOMAS, MEMBER 187, 120 BAGS</i>			
10	SALARIES	501	110.00	
	CASH - CHECK 223	101		110.00
	<i>20 HOURS @ \$5.50</i>			

Exercise Two -- The General Ledger

ACCOUNT NAME		CASH			ACCOUNT NUMBER		101	
							BALANCE	
DATE	TRANSACTION	REF	DEBIT	CREDIT	DEBIT	CREDIT		
	BALANCE				650.00			
1	MEMBER SALES	1	60.00		710.00			
2	MEMBER SALES	1	105.00		815.00			
4	MORY'S MULCH - CHECK 221	1		500.00	315.00			
5	WEEKEND GARDENER - CHECK 222	1		50.00	265.00			
6	DUES PAYMENT - ACCOUNTS RECEIVABLE	1	50.00		315.00			
7	OTHER SALES	1	18.00		333.00			
8	OFFICE OUTFITTERS	1		25.00	308.00			
10	SALARY - CHECK 223	1		110.00	198.00			

ACCOUNT NAME		ACCOUNTS RECEIVABLE - MEMBERS			ACCOUNT NUMBER		102	
							BALANCE	
DATE	TRANSACTION	REF	DEBIT	CREDIT	DEBIT	CREDIT		
	BALANCE				250.00			
6	DUES PAYMENT - JOE - MEMBER 97	1		50.00	200.00			
9	MEMBER SALES - THOMAS - MEMBER 187	1	180.00		380.00			

ACCOUNT NAME		EQUIPMENT			ACCOUNT NUMBER		105	
							BALANCE	
DATE	TRANSACTION	REF	DEBIT	CREDIT	DEBIT	CREDIT		
3	PURCHASE - OFFICE OUTFITTERS	1	150.00		150.00			

ACCOUNT NAME ACCOUNTS PAYABLE - OTHERS					ACCOUNT NUMBER 202	
					BALANCE	
DATE	TRANSACTION	REF	DEBIT	CREDIT	DEBIT	CREDIT
	BALANCE				500.00	
I 3	I PURCHASES - OFFICE OUTFITTERS	1	150.00		650.00	
4	PAYMENT - MORY'S MULCH	1		500.00	150.00	

ACCOUNT NAME MEMBER SALES					ACCOUNT NUMBER 401	
					BALANCE	
DATE	TRANSACTION	REF	DEBIT	CREDIT	DEBIT	CREDIT
1	JOAN - 40 BAGS	1		60.00		60.00
2	JACKSON - 70 BAGS	1		105.00		165.00
9	THOMAS - 120 BAGS	1		180.00		345.00

ACCOUNT NAME OTHER SALES					ACCOUNT NUMBER 403	
					BALANCE	
DATE	TRANSACTION	REF	DEBIT	CREDIT	DEBIT	CREDIT
7	CASH SALES	1		18.00		18.00

ACCOUNT NUMBER SALARIES					ACCOUNT NUMBER 501	
					BALANCE	
DATE	TRANSACTION	REF	DEBIT	CREDIT	DEBIT	CREDIT
10	SALARIES PAID - 20 HOURS	1	110.00		110.00	

ACCOUNT NUMBER SUPPLIES					ACCOUNT NUMBER 503	
					BALANCE	
DATE	TRANSACTION	REF	DEBIT	CREDIT	DEBIT	CREDIT
8	PURCHASES - OFFICE SUPPLIES	1	25.00		25.00	

ACCOUNT NUMBER ADVERTISING					ACCOUNT NUMBER 507	
					BALANCE	
DATE	TRANSACTION	REF	DEBIT	CREDIT	DEBIT	CREDIT
5	WEEKEND GARDENER	1	50.00		50.00	

Final Exercise

Daily Journal		Page 1		
DATE	TRANSACTION	ACCOUNT	DEBIT	CREDIT
1	CASH	101	I 750	
	MEMBER EQUITY	301		750
	INITIAL CAPITAL INVESTMENT			
2	LICENSE	504	100	
	CASH	101		100
	INCORPORATION EXPENSE			
3	CASH	101	255	
	ACCOUNTS RECEIVABLE - MEMBERS	102	45	
	MEMBER CAPITAL	301		300
	YEARLY DUES			
4	BANK ACCOUNT	104	690	
	CASH	101		690
	OPEN ACCOUNT			
7	SUPPLIES	503	37	
	CASH	101		37
	PURCHASE OFFICE SUPPLIES			
8	SUPPLIES	503	500	
F	ACCOUNTS PAYABLE - OTHER	202		500
	CRATES - BOB'S CONTAINER'S - INVOICE 45793			
9	CASH	101	45	
	ACCOUNTS RECEIVABLE - MEMBERS	102		45
	DUES PAYMENTS			
11	RENT	506	100	
	BANK - CHECK 101	104		100
	GREEN'S MARKET - WEEK ONE			

Daily Journal

DATE	TRANSACTION	ACCOUNT	DEBIT	CREDIT
11	PURCHASES, MEMBERS - WEEK ONE - 120 CRATES	402	1200	
	ACCOUNTS PAYABLE - MEMBERS	201		1200
	ADAM - 20 / MARIBETH - 25 / ELLIOT - 75			
11	CASH	101	1870	
	SALES-MEMBER PRODUCE-WEEK ONE	401		1870
	BANK - DEPOSIT - WEEK ONE SALES	104	1893	
	CASH	101		1893
12	ACCOUNTS PAYABLE - MEMBERS	201	450	
	BANK - CHECKS 102 & 103	104		450
	PAID: ADAM - \$200 / MARIBETH - \$250			
13	RENT	506	100	
	BANK - CHECK 104	104		100
	GREEN'S MARKET - WEEK TWO			
13	PURCHASES, MEMBERS - WEEK TWO - 140 CRATES	402	1400	
	ACCOUNTS PAYABLE - MEMBERS	201		1400
	ADAM - 40 / DANIELLE - 15 / ELI - 30 / ELLIOT - 55			
13	CASH	101	1890	
	SALES - MEMBER PRODUCE - WEEK TWO	401		1890
13	BANK - DEPOSIT - WEEK TWO SALES	104	1890	
	CASH	101		1890
14	ACCOUNTS PAYABLE - MEMBERS	201	1750	
	BANK - CHECKS 105,106,107	104		1750
	PAID: DANIELLE - \$150 / ELI - \$300 / ELLIOT - \$ 1300			

Daily Journal

DATE	TRANSACTION	ACCOUNT	DEBIT	CREDIT
15	ACCOUNTS PAYABLE - OTHER	202	500	
	BANK - CHECK 108	104		500
	<i>PAID: BOB'S CONTAINER'S - INVOICE 45793</i>			
16	RENT	506	100	
	BANK - CHECK 109	104		100
	<i>GREEN'S MARKET - WEEK THREE</i>			
16	PURCHASES, MEMBERS - WEEK THREE - 140 CRATES	402	1400	
	ACCOUNTS PAYABLE - MEMBERS	201		1400
	<i>CARA - 20 / MARIBETH - 25 / ELI - 40 / ELLIOT - 55</i>			
16	CASH	101	2040	
	SALES - MEMBER PRODUCE - WEEK THREE	401		2040
16	BANK - DEPOSIT - WEEK THREE SALES	104	2040	
	CASH	101		2040
17	ACCOUNTS PAYABLE - MEMBERS	201	1550	
	BANK - CHECKS 110, 111, 112, 113	104		1550
	<i>PAID: ADAM - \$ 400 / CARA - \$200 / ELI - \$ 400 / ELLIOT - \$550</i>			
18	ELECTRICITY	502	87	
	BANK - CHECK 114 - GREEN'S MARKET	104		87
19	SUPPLIES	503	34	
	CASH	101		34
	<i>OFFICE SUPPLIES</i>			
20	SUPPLIES	503	27	
	CASH	101		27
	<i>CLEANING SUPPLIES</i>			

Daily Journal

DATE	TRANSACTION	ACCOUNT	DEBIT	CREDIT
21	RENT	506	100	
	BANK - CHECK 115	104		100
	GREEN'S MARKET - WEEK FOUR			
21	PURCHASES, MEMBERS - WEEK FOUR - 140 CRATES	402	1400	
	ACCOUNTS PAYABLE - MEMBERS	201		1400
	ELLIOT - 140			
21	CASH	101	2010	
	SALES - MEMBER PRODUCE - WEEK FOUR	401		2010
21	BANK - DEPOSIT - WEEK FOUR SALES	104	1949	
	CASH	101		1949
22	ACCOUNTS PAYABLE - MEMBERS	201	1400	
	BANK - CHECK 116	104		1400
	PAID: ELLIOT - \$1400			
23	ACCOUNTS PAYABLE - MEMBERS	201	250	
	BANK - CHECK 117	104		250
	PAID: MARIBETH - \$250			
24	PURCHASES, MEMBERS - WEEKS 5 - 8, 440 CRATES	402	4400	
	ACCOUNTS PAYABLE - MEMBERS	201		4400
	ADAM - 65 / DANIELLE - 60 / CARA - 30 / MARIBETH - 50 / ELI - 80 / ELLIOT - 155			
24	PURCHASES, NON-MEMBERS	404	190	
	ACCOUNTS PAYABLE - OTHERS	202		190
	CORN WHOLESALERS, INC. - INVOICE 59460			
24	CASH	101	6515	
	SALES, MEMBER PRODUCE - WEEKS 5-8	401		6515

Daily Journal

DATE	TRANSACTION	ACCOUNT	DEBIT	CREDIT
24	CASH	101	240	
	SALES, NON-MEMBER PRODUCE	403		240
24	BANK - DEPOSIT - WEEKS 5 - 8 SALES	104	6755	
	CASH	101		6755
25	ACCOUNTS PAYABLE - MEMBERS	201	3600	
	BANK - CHECKS 118, 119, 120, 121, 122	104		3600
	PAID: ADAM - \$650 / DANIELLE - \$600 / CARA - \$300 / MARIBETH - \$500 / ELLIOT - \$1550			
26	RENT	506	400	
	BANK - CHECK 123	104		400
	GREEN'S MARKET - WEEKS FIVE - EIGHT			
27	ELECTRICITY	502	139	
	BANK - CHECK 124 - GREEN'S MARKET	104		139
28	ACCOUNTS PAYABLE - OTHER	202	190	
	BANK - CHECK 125	104		190
	PAID: CORN WHOLESALERS, INC - INVOICE 59460			

ACCOUNT NAME		CASE	ACCOUNT NUMBER		101	
					BALANCE	
DATE	TRANSACTION	REF	DEBIT	CREDIT	DEBIT	CREDIT
1	MEMBER EQUITY	1	750		750	
2	INCORPORATION FEE	1		100	650	
3	MEMBERSHIP DUES	1	255		905	
4	OPEN BANK ACCOUNT	1		690	215	
7	PURCHASE SUPPLIES	1		37	178	
9	ACCOUNTS RECEIVABLE PAYMENTS	2	45		223	
11	SALES - WEEK ONE	2	1870		2093	
11	BANK DEPOSIT	2		1893	200	
13	SALES - WEEK TWO	2	1890		2090	
13	BANK DEPOSIT	2		1890	200	
16	SALES - WEEK THREE	3	2040		2240	
16	BANK DEPOSIT	3		2040	200	
19	SUPPLIES	3		34	166	
20	SUPPLIES	3		27	139	
21	SALES - WEEK FOUR	4	2010		2149	
21	BANK DEPOSIT	4		1949	200	
24	SALES (MEMBERS) - WEEKS 5 - 8	4	6515		6715	
24	SALES (NON-MEMBERS)	5	240		6955	
24	BANK DEPOSIT	5		6755	200	

ACCOUNT NAME		ACCOUNTS RECEIVABLE - MEMBERS			ACCOUNT NUMBER	102	
					BALANCE		
DATE	TRANSACTION	REF	DEBIT	CREDIT	DEBIT	CREDIT	
3	MEMBERSHIP DUES	1	45		45		
9	PAYMENTS	1		45	0		

ADAM		102 - A			BALANCE	
DATE	TRANSACTION	REF	DEBIT	CREDIT	DEBIT	CREDIT

DANIELLE		102 - B			BALANCE	
DATE	TRANSACTION	REF	DEBIT	CREDIT	DEBIT	CREDIT

CARA		102 - c			BALANCE	
DATE	TRANSACTION	REF	DEBIT	CREDIT	DEBIT	CREDIT
3	MEMBERSHIP DUES	1	15		15	
9	PAYMENT	1		15	0	

MARIBETH		102 - D			BALANCE	
DATE	TRANSACTION	REF	DEBIT	CREDIT	DEBIT	CREDIT

ELI		102 - E			BALANCE	
DATE	TRANSACTION	REF	DEBIT	CREDIT	DEBIT	CREDIT
3	MEMBERSHIP DUES	1	30		30	
9	PAYMENT	1		30	0	

ELLIOT		102 - F			BALANCE	
DATE	TRANSACTION	REF	DEBIT	CREDIT	DEBIT	CREDIT

ACCOUNT NAME		BANK ACCOUNT			ACCOUNT NUMBER 104	
					BALANCE	
DATE	TRANSACTION	REF	DEBIT	CREDIT	DEBIT	CREDIT
4	OPEN ACCOUNT	1	690		690	
11	RENT - WEEK 1 - CHECK 101	2		100	590	
11	DEPOSIT - WEEK 1 SALES	2	1893		2483	
12	ADAM - CHECK 102	2		200	2283	
12	MARIBETH - CHECK 103	2		250	2033	
13	RENT - WEEK 2 - CHECK 104	2		100	1933	
13	DEPOSIT - WEEK 2 SALES	2	1890		3823	
14	DANIELLE - CHECK 105	2		150	3673	
14	ELI - CHECK 106	2		300	3373	
14	ELLIOT - CHECK 107	2		1300	2073	
15	BOB'S CONTAINERS - CHECK 108	3		500	1573	
16	RENT - WEEK 3 - CHECK 109	3		100	1473	
16	DEPOSIT - WEEK 3 SALES	3	2040		3513	
17	ADAM - CHECK 110	3		400	3113	
17	CARA - CHECK 111	3		200	2913	
17	ELI - CHECK 112	3		400	2513	
17	ELLIOT - CHECK 113	3		550	1963	
18	ELECTRICITY - CHECK 114	3		87	1876	
21	RENT - WEEK 4 - CHECK 115	4		100	1776	
21	DEPOSIT - WEEK 4 SALES	4	1949		3725	
22	ELLIOT - CHECK 116	4		1400	2325	
23	MARIBETH - CHECK 117	4		250	2075	
24	DEPOSIT - WEEKS 5 - 8 SALES	5	6755		8830	
25	ADAM - CHECK 118	5		650	8180	
25	DANIELLE - CHECK 119	5		600	7580	
25	CARA - CHECK 120	5		300	7280	
25	MARIBETH - CHECK 121	5		500	6780	
25	ELLIOT - CHECK 122	5		1550	5230	
26	RENT - WEEKS 5 - 8 - CHECK 123	5		400	4830	
27	ELECTRICITY - CHECK 124	5		139	4691	
28	CORN WHOLESALERS - CHECK 125	5		190	4501	

ACCOUNT NAME					ACCOUNT NUMBER	
ACCOUNTS PAYABLE - MEMBERS					201	
					BALANCE	
DATE	TRANSACTION	REF	DEBIT	CREDIT	DEBIT	CREDIT
11	PURCHASES - WEEK 1	2		1200		1200
12	PAYMENTS	2	450			750
13	PURCHASES - WEEK 2	2		1400		2150
14	PAYMENTS	2	1750			400
16	PURCHASES - WEEK 3	3		1400		1800
17	PAYMENTS	3	1550			250
21	PURCHASES - WEEK 4	4		1400		1650
22	PAYMENTS	4	1400			250
23	PAYMENTS	4	250			0
24	PURCHASES - WEEKS 5 - 8	4		4400		4400
25	PAYMENTS	5	3600			800

* SEE SUBSIDIARY LEDGER SHEETS ON FOLLOWING PAGES

ACCOUNT NAME					ACCOUNT NUMBER	
ACCOUNTS PAYABLE - OTHER					202	
					BALANCE	
DATE	TRANSACTION	REF	DEBIT	CREDIT	DEBIT	CREDIT
8	BOB'S CONTAINERS	1		500		500
15	PAYMENT - BOB'S CONTAINERS - CHECK 108	3	500			0
24	CORN WHOLESALERS	1-4		190		190
28	PAYMENT - CORN WHOLESALERS - CHECK 125	5	190			0

ACCOUNT NAME		ACCOUNTS PAYABLE - ADAM			ACCOUNT NUMBER		201-A	
					BALANCE			
DATE	TRANSACTION	REF	DEBIT	CREDIT	DEBIT	CREDIT		
11	20 CRATES	2		200		200		
12	PAYMENT - CHECK 102	2	200			0		
13	40 CRATES	2		400		400		
17	PAYMENT - CHECK 110	3	400			0		
24	65 CRATES	4		650		650		
25	PAYMENT - CHECK 118	5	650			0		

ACCOUNT NAME		ACCOUNTS PAYABLE - DANIELLE			ACCOUNT NUMBER		201 -B	
					BALANCE			
DATE	TRANSACTION	REF	DEBIT	CREDIT	DEBIT	CREDIT		
13	15 CRATES	2		150		150		
14	PAYMENT - CHECK 105	3	150			0		
24	60 CRATES	4		600		600		
25	PAYMENT - CHECK 115	5	600			0		

ACCOUNT NAME		ACCOUNTS PAYABLE - CARA			ACCOUNT NUMBER		201-c	
					BALANCE			
DATE	TRANSACTION	REF	DEBIT	CREDIT	DEBIT	CREDIT		
16	20 CRATES	3		200		200		
17	PAYMENT - CHECK 111	3	200			0		
24	30 CRATES	4		300		300		
25	PAYMENT - CHECK 120	5	300			0		

ACCOUNT NAME		ACCOUNTS PAYABLE - MARIBETH			ACCOUNT NUMBER		201-D	
							BALANCE	
DATE	TRANSACTION	REF	DEBIT	CREDIT	DEBIT	CREDIT		
11	25 CRATES	2		250		250		
12	PAYMENT - CHECK 103	2	250			0		
16	25 CRATES	3		250		250		
23	PAYMENT - CHECK 117	4	250			0		
24	50 CRATES	4		500		500		
25	PAYMENT - CHECK 121	5	500			0		

ACCOUNT NAME		ACCOUNTS PAYABLE - ELI			ACCOUNT NUMBER		201-E	
							BALANCE	
DATE	TRANSACTION	REF	DEBIT	CREDIT	DEBIT	CREDIT		
13	30 CRATES	2		300		300		
14	PAYMENT - CHECK 106	3	300			0		
16	40 CRATES	3		400		400		
17	PAYMENT - CHECK 112	3	400			0		
24	80 CRATES	4		800		800		

ACCOUNT NAME		ACCOUNTS PAYABLE - ELLIOT			ACCOUNT NUMBER		201-F	
							BALANCE	
DATE	TRANSACTION	REF	DEBIT	CREDIT	DEBIT	CREDIT		
11	75 CRATES	2		750		750		
13	55 CRATES	2		550		1300		
14	PAYMENT - CHECK 107	3	1300			0		
16	55 CRATES	3		550		550		
17	PAYMENT - CHECK 113	3	550			0		
21	140 CRATES	4		1400		1400		
22	PAYMENT - CHECK 116	4	1400			0		
24	155 CRATES	4		1550		1550		
25	PAYMENT - CHECK 122	5	1550			0		

ACCOUNT NAME					SALES - MEMBER PRODUCE			ACCOUNT NUMBER		401	
							BALANCE				
DATE	TRANSACTION	REF	DEBIT	CREDIT	DEBIT	CREDIT					
11	WEEK 1	2		1870		1870					
13	WEEK 2	2		1890		3760					
16	WEEK 3	3		2040		5800					
21	WEEK 4	4		2010		7810					
24	WEEKS 5 - 8	4		6515		14325					

ACCOUNT NAME					PURCHASES - MEMBER PRODUCE			ACCOUNT NUMBER		402	
(COST OF GOODS SOLD)							BALANCE				
DATE	TRANSACTION	REF	DEBIT	CREDIT	DEBIT	CREDIT					
11	WEEK 1	2	1200		1200						
13	WEEK 2	2	1400		2600						
16	WEEK 3	3	1400		4000						
21	WEEK 4	4	1400		5400						
24	WEEKS 5 - 8	4	4400		9800						

ACCOUNT NAME					SALES - NON-MEMBER PRODUCE			ACCOUNT NUMBER		403	
							BALANCE				
DATE	TRANSACTION	REF	DEBIT	CREDIT	DEBIT	CREDIT					
24	WEEKS 5 - 8	5		240		240					

ACCOUNT NAME					PURCHASES - NON-MEMBER PRODUCE			ACCOUNT NUMBER		404	
(COST OF GOODS SOLD)							BALANCE				
DATE	TRANSACTION	REF	DEBIT	CREDIT	DEBIT	CREDIT					
24	WEEKS 5 - 8	4	190		190						

ACCOUNT NAME		<i>MEMBER CAPITAL</i>			ACCOUNT NUMBER		301	
							BALANCE	
DATE	TRANSACTION	REF	DEBIT	CREDIT	DEBIT	CREDIT		
1	INITIAL CAPITAL INVESTMENT	1		750		750		
1	YEARLY DUES	1		300		1050		

ACCOUNT NAME		<i>UTILITIES</i>			ACCOUNT NUMBER		502	
							BALANCE	
DATE	TRANSACTION	REF	DEBIT	CREDIT	DEBIT	CREDIT		
18	ELECTRICITY	3	87		87			
27	ELECTRICITY	5	139		226			

ACCOUNT NAME		<i>SUPLIES</i>			ACCOUNT NUMBER		503	
							BALANCE	
DATE	TRANSACTION	REF	DEBIT	CREDIT	DEBIT	CREDIT		
7	OFFICE	1	37		37			
8	CONTAINERS	1	500		537			
19	OFFICE	3	34		571			
20	CLEANING	3	27		598			

ACCOUNT NAME		<i>LICENSE</i>			ACCOUNT NUMBER		504	
							BALANCE	
DATE	TRANSACTION	REF	DEBIT	CREDIT	DEBIT	CREDIT		
2	INCORPORATION FEE	1	100		100			

ACCOUNT NAME		<i>RENT</i>			ACCOUNT NUMBER		506	
							BALANCE	
DATE	TRANSACTION	REF	DEBIT	CREDIT	DEBIT	CREDIT		
11	WEEK 1	2	100		100			
13	WEEK 2	2	100		200			
16	WEEK 3	3	100		300			
21	WEEK 4	4	100		400			
26	WEEKS 5 - 8	5	400		800			

Chart of Accounts

Balance Sheet

Account Number		Current Assets	Dollars
	<i>Assets</i>	Cash	200
101	Cash	Accounts Receivable-Members	0
102	Accounts Receivable-Members	Accounts Receivable-Others	0
103	Accounts Receivable-Other	Bank Account	4,501
104	Bank Account	Total Current Assets	4,701
	<i>Liabilities</i>	Fixed:	
201	Accounts Payable-Members	Building and Equipment	0
202	Accounts Payable-Others		4,701
203	Patronage Refunds Payable		
504	Rent	Total assets	4,701
	<i>Equity</i>	Current: Liabilities	
301	Member Capital	Accounts Payable-Members	800
302	Allocated Reserves	Account Payable-Others	0
		Patronage Refunds Payable	570
		Total Current Liabilities	1,370
401	Member Sales		
402	Member Purchases	Long Term Liabilities	0
403	Non-Member Sales	Total Liabilities	1,370
404	Non-Member Income		
	<i>Expenses</i>	Member Equity	
501	Utilities	Capital Investments	1,050
502	Supplies	Allocated Reserves	2,281
503	License	Total Member Equity	3,331
		Total Liability and Member Equity	4,701

Income Statement

Revenue	
Sales:	
Sales - Member Produce	\$14,325
Sales - Other Produce	<u>240</u>
Gross Sales	14,565
Cost of Goods Sold:	
Purchases - Member Produce	\$ 9,800
Purchases - Other Produce	<u>190</u>
Total Cost of Goods Sold	9,990
Gross Revenue	4,575
Expenses	
Utilities	226
Supplies	598
License	100
Rent	800
Total Expenses	<u>1,724</u>
Net Income	\$2,851
Patronage Refunds	
Cash (20%) \$ 570	
Allocated Reserves (80%)	\$2,281

U.S. Department of Agriculture

Rural Business-Cooperative Service

Stop 3250

Washington, D.C. 20250-3250

Rural Business-Cooperative Service (RBS) provides research, management, and educational assistance to cooperatives to strengthen the economic position of farmers and other rural residents. It works directly with cooperative leaders and Federal and State agencies to improve organization, leadership, and operation of cooperatives and to give guidance to further development.

*The cooperative Segment of RBS (1) helps farmers and other rural residents develop cooperatives to obtain supplies and services at lower cost and to get better prices for products they sell; (2) advises rural residents on developing existing resources through cooperative action to enhance rural living; (3) helps cooperatives improve services and operating efficiency; (4) informs members, directors, employees, and the public on how cooperatives work and benefit their members and their communities; and (5) encourages international cooperative programs. RBS also publishes research and educational materials and issues *Rural Cooperatives* magazine.*

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