

**6th SEMESTER BCOM CO-OPERATION
CALICUT UNIVERSITY**

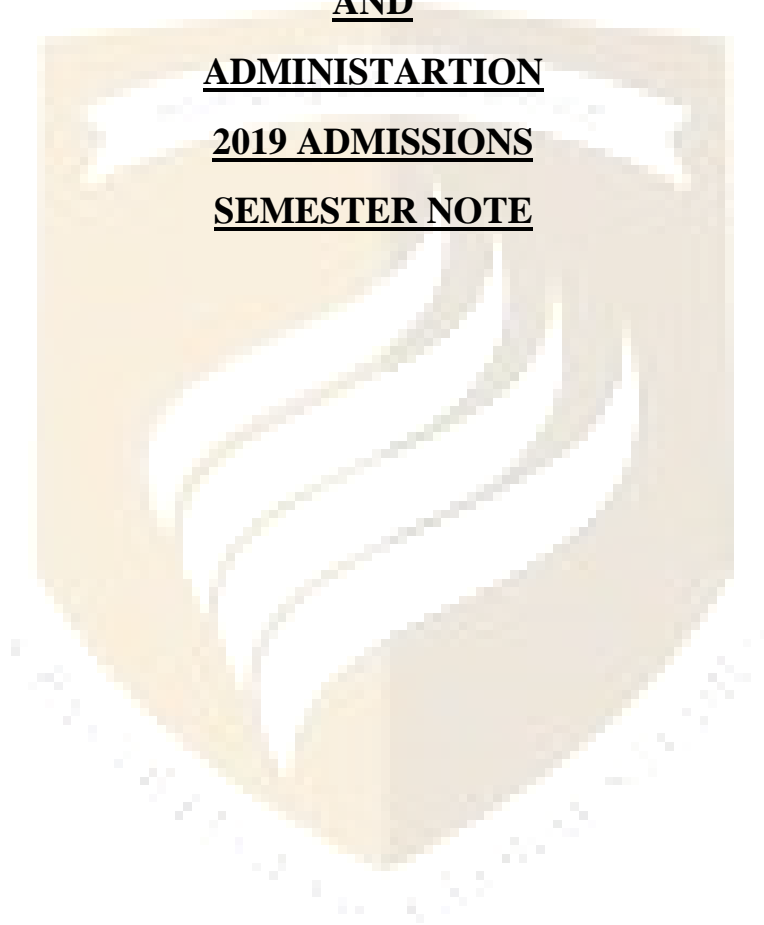
CO-OPERATIVE MANAGEMENT

AND

ADMINISTRATION

2019 ADMISSIONS

SEMESTER NOTE



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SYLLUBUS

BC6B15 CO-OPERATIVE MANGEMENT AND ADMINISTRATION

Lecture hours per week: 5

Credits: 5

Internal: 20 external 80

Module 1

Management of societies-general body-representative general body-election-supersession-privilege of cooperative societies-state and cooperatives-properties and funds of cooperative societies-disposal of net profit-cooperative education fund-audit-inquiry and supersession-disputes-settlement of disputes-winding up and cancellation of registration-execution-appeals revision and review

Module 2

Role of management in the development of cooperative organizations – principles of management- cooperative management- unique features of cooperative management-integrating the principles of cooperation and principles of management-professional management for cooperative-meaning-importance and evaluation criteria organizational structure of a cooperative-designing organization structure for cooperatives

Module 3

Cooperative leadership-leadership-meaning- importance- types- problems of leadership in cooperative organization-path-goal theory of leadership and case studies of cooperative leadership-nature of management leadership-combination of management and leadership qualities.

Module 4

Cooperative audit- -features-differences between cooperative audit and general audit, financial audit and administrative audit-auditor-duties, rights, and responsibilities-stages of audit work-preparation of audit programs-vouching-verification-evaluation of assets and liabilities-auditing of reserves & provisions-audit memorandum-audit classification-audit certificate-audit fees

Module 5

Cooperative accounting-meaning-definition-special features of cooperative accounting-sources of funds-owned and borrowed funds-state aid to cooperatives-preparation of trail balance-profit and loss account and balance sheet-treatment of overdue interest-books and registers maintained by cooperatives-statutory requirements-daybook and subsidiary bay book-triple column cash book-rough cash chitta-R&D statements-computerized accounting system

Management of cooperative societies

Final authority or general body

The general body meeting is only forum in which the member's i.e., the owners of society can exercise their right in the affairs of the society. There are five types of meetings are included in general body meeting, i.e., first general body, representative general body, annual general body, special general body, and last general body.

Functions

- To discuss the complaint raised on a member.
- To discuss the matter relating to a member in respect of delisting or expulsion.
- To amendment Bye-laws as per act and rules.
- To perform all those measures directed by the Bye-laws.
- To take a decision on such other matters on the agenda.

Type

First general body

According to rule 8, the chief promoter of newly registered society is bound to convene its first general body meeting of its members who have signed the application for registration within a period of 3 months from the date of registration of the society. If the promoter fails to conduct the 1st meeting. Agenda:

- Election of the president for the meeting.
- Reading and recording of the registered bye-laws of the society.
- Admission of members and allotment of shares.
- Statement of account of all transaction.
- Budget for the year.

Powers

- Conduct election to the managing committee and dismiss the members of the managing committee.
- To conduct a discussion about annual accounts.
- To conduct the division of profit.
- To pass an annual budget.
- Approval of the annual report.
- To dismiss a member.

Representative general body

Representative General Body one member may be represented for every 50 Member if the society may:

- The number of members is 10000 or more or.
- The area of operation is one taluk or more Representative General Body shall be constituted once in five years. It may be either area wise or class wise.it should be one member represented for every 50 members. the representation norms are
- 50 in case total members does not exceed 2500.
- 200 in case of total members is above 2500 and below 10000.
- 500 in any other cases.

Annual general body

- Approval of the budget.
- Election of the managing committee.
- Consideration of an audit report and follow up action.
- Disposal of net profit in the manner prescribed in the act.
- Consideration of any other matter which may be brought for a decision of general body.

Special general body

- It is convened at any of the following circumstances.
- The committee of a society can convene a special general body of the society at any time.
- It shall convene within a period of one month from the request of a registrar or members or proportion of members.
- An officer, who conduct an enquiry in a society under section 65.

Last general body

Within 30 days from the date of completion of liquidation proceedings, the liquidator shall convene a general body which is called last general body. He has to report, what sums remain in his hand if any. At least the number of members who form quorum according to the bye-law must attend in the general body. Generally, the majority decision will prevail except.

- Change of name of the society.
- Change of liability of a society.
- Amendment of bye-laws.

- Transfer of assets and liability, amalgamation and division of society.

State cooperative election commission

A state cooperative election commission has been appointed by the government for the superintendence, direction and control of the conduct of election to the committee of all credit, apex, central, federal societies in the state. it consists of not more than 3 members, one among them shall be chief cooperative election commissioner and others shall be commissioners. The appointment of members shall be for a period of five years from the date of assumption of office or 62 years **whichever is earlier.**

Procedures regarding conduct of election to the committee of societies

- Decision to conduct election.
- Appointment of returning officer.
- Issue of election notice.
- Publication of voters list.
- Filing nomination papers.
- Scrutiny of nomination papers.
- Publication of valid nomination.
- Withdrawal of candidature.
- Polling.
- Counting of votes.

Supersession of committee (section 32)

This section deals with the removal of a duly elected committee of a society. The registrar can invoke this power, after an inquiry by himself or through his subordinates or on a report of the financing bank, or the vigilance and anticorruption bureau of the government or the vigilance officer or otherwise.

Circumstances

- If the committee persistently makes default.
- If the committee is negligent in the performance of his duties.
- If the committee acts prejudicial to the interest of the society.
- Makes any payment contrary to this act or rules.
- Causes any loss or any damage to the asset of the society.

Appointment of new committee

The registrar can appoint one administrator or an administrative committee consisting of not more than 3 individuals who need not be members of the society. One among them is convener to manage the affairs.

Privileges of cooperative societies

First charge of society

Section 35 confers on a society a very important privilege of prior charge. According to this section a society gets priority in recovering any debt or outstanding demand owing to the society by any member whether deceased, past or present. The debt or outstanding demand due to the society, however, ranks only second in point of priority. The society will have a first charge in the following cases:

- Upon crops or other agricultural produce.
- Upon any cattle, fodder for cattle, agricultural or industrial implements or machinery.
- Raw material purchased or supplied by the society and articles manufactured from such raw materials.

Charge on land owned or held by members who borrow loan from certain societies

This provision is applicable only in case of societies where majority members are agriculturists. The members can create a charge on land by making declaration in the prescribed form and this charge will be available for the loan taken at the time of creating the charge as well as future loan if any together with interest. This charge will be first charge except the following cases,

- If there is tax arrears due to the government.
- If there is any amount due to an agriculture development bank.
- If there is any mortgage loan taken from the government.
- If there is any prior claim on account of alienation made before the grant of loan by the society.

Charge on movable or immovable property of borrower by creating gehan

It is in favour of state cooperative bank or district cooperative bank or district cooperative bank or primary agricultural credit society or any cooperative society dealing with credit activity may be created by gehan in respect of which provision of 10 to 15 of Kerala state cooperative agricultural and rural development banks act 1984. gehan means the special charge on movable or immovable property.

Deductions from salary of debtors

It enables society for the collection of its dues from members who are salary earners or wages earners. Sub-section (1) provides that members execute an

agreement for the purpose of making a deduction from salary or wage. Sub-section (2) consists on execution should recover the amount and transmitted to society within 7 days.

Deductions from salary or wages

It deals with the procedure regarding a deduction from salary or wages who execute an agreement with society under section 37. according to this rule, the society has to intimate this fact to the employer by post or local delivery.

Charges and set-off

Another important privilege of a cooperative society is double rights .1. Society shall have a charge upon share and interest in the capital and on the deposit of the member whether past, present, or deceased. 2. Society may set-off any claim due to it from the above and pay only the balance if any,

Shares or interest or reserve fund not liable to be attached

Section 39 gives protection to members from the attachment of their shares or interest thereon.

Exemptions

- From stamp duty and registration fee
- From compulsory registration.

State and cooperatives

State participation in cooperative has been an important feature of the cooperative movement in India. State partnership or state participation in the share capital of societies is the most important prominent state aid.

Kerala cooperative movement

- In Kerala cooperative movement began in 20th century.
- It was started as a credit movement. But has diversified its activities to several areas. Today there are more than 20,000 cooperatives.
- Cooperatives in Kerala governed by cooperative society act 1969 and many amendments are made.
- It has two broad sectors, agriculture credit sector and non-agriculture credit sector.

The integration of state and cooperatives is very clear in the following sections and rules in the Kerala cooperative societies act and rules.

1. Direct share capital participation of the government in societies.(section 42)

2. Indirect share capital participation of government in societies(section 43)
3. Principal state partnership fund: section 44 deals with the establishment of a fund called principal state partnership fund. According to this section, an apex society which receives funds from the government under section 43 may establish a fund with the money called “principal state partnership fund”.
4. Subsidiary state partnership fund: according to section 45 a central society which receives money from the principal state partnership fund has to establish with that money a fund called subsidiary state partnership fund.
5. Approval of government for purchase of shares.(section 46)
6. Liability to be limited in respect of shares.(section 47)
7. Restriction on rate of dividend(section 48)
8. Indemnity of apex and central societies: section 49 makes it clear that government shall not have any claim against the apex society which purchased shares from the money in the principal state partnership fund in a society which is subsequently wound-up or dissolved. But government is entitled to any money received by the apex society in liquidation or on dissolution as the case may be.
9. Disposal of share capital and dividend(section 50)
10. Disposal of funds on winding up of apex or central society (section 51)
11. Agreement by government, apex society or central society.
12. Other forms of state aid (section 53)

Properties and funds of cooperative societies

Funds not to be divided

No part of the funds other than the net profits of a society shall be paid by way of bonus or dividend or otherwise distributed among its members.

Disposal of net profit

1. Society shall out of its net profit in the year
2. The balance of net profit may be utilized for all or any the following purposes :
 - Payment of dividend to members.
 - Payment of bonus to members.
 - 7% net profit to the agriculture credit stabilization fund.
 - 5% net profit to a professional education fund.
 - Balance of net profit may be utilized for any purposes specified in bye-law

Disposal of non-banking asset

The immovable property acquired by the society through sale by the sale officer or through any legal proceedings for realization of loan amount shall be disposed of by the society within seven years from the acquisition with prior sanction of the general body and the registrar

Investment of fund

A society may invest or deposit its fund

- A government saving bank
- Any securities specified in Indian trust act.
- Any share of securities.
- In any bank approved by the registrar.

Cooperative development and welfare fund

- The government may by notification in the gazette a scheme is called cooperative welfare and development scheme.
- A society shall contribute to the fund
- Subject to the provision of this act and scheme, it is utilized for payment of grant or loan.

Constitution of cooperative education fund

The net profit of any society as declared by the registrar in respect of any cooperative year shall be appropriated in the manner set forth in section 56 subject to the following conditions, namely:

- Not less than 15% of the net profits shall be carried to the reserve fund.
- Every society having a net profit of Rs. 1000 and above shall set apart a sum calculated at five percent of the net profit for contribution to the cooperative education fund contemplated in clause (b) of sub-sec (1) of sec 56 subject to a maximum of Rs.60,000.

Inquiry

Sec 65 deal with the inquiry. an inquiry is held by the registrar to enquire in to the constitution, working and financial condition of a society as and when occasion arises and circumstances warrant it. Inquiry is ordered at the following:

Circumstances

- Registrar on his own accord.
- Enquiry report of vigilance officer.

- Report of the director of cooperative audit.
- Application by majority of committee.
- Application by the apex society.
- Application of affiliated society.

Powers

Following are the powers of registrar or person authorized by him

- He shall have free access to the books, accounts, documents, securities, cash, and other properties belonging to the custody of the society.
- He may summon the person in possession of or responsible for the custody of the above things.
- The enquiry officer may himself call a general body or as the president or a secretary to convene a general body meeting.

Procedures

1. Registrar make an order for enquiry
2. Copy of such order is served to president or secretary of the society and receives the authorization.
3. Examine the relevant books, accounts, and other documents.
4. Registrar will submit the report concerning all the point of enquiry.
5. The report contains his findings and his suggestions.
6. The registrar may communicate the result of enquiry to the financing bank and the cooperative circle.

Supervision and inspection

According to Kerala cooperative society act the registrar can inspect the working of cooperative institutions. Inspection of books of accounts of a society may be made by the registrar or by his staff periodically to see that the account and register are kept up to date and in the proper form

Power of registrar to give direction

Registrar may issue general direction and guidance to any or all of the cooperative societies for implementing government policies for the benefit of the members and societies.

Suspension of officers

If the registrar, in the course of any inquiry or on inspection or on auditor on the report of vigilance officer appointed, is satisfied that any officer or other than the president, vice president, chairman, vice chairman, and member of the committee of any society has done act detrimental to the interest of the society or its members and that there is reason to believe that such officer has indulged

in misappropriation, manipulation of accounts, forgery, destruction or tampering of records of the society, he may for reasons to be recorded in writing issue a direction to the committee of the said society to suspend the officer or officers responsible for the offence forthwith.

Submission of returns to the registrar

Every cooperative society shall file returns, within six months of the closure of every financial year, before the registrar.

Cost of inquiry or inspection

Where an inquiry or an inspection is held on the application of a creditor, the registrar may by order, apportion the cost, or such portion of the cost, as he may deem fit, among the society, the members, the financing bank, or the creditor demanding an inquiry or inspection, and the officers or former officers of the society.

Surcharge

Section 68 deals with surcharge. Under this section wide powers are given to the registrar for the recovery of money or property lost to the society on account of negligence, misappropriation etc. by a person who is or was entrusted with the organization and management. Surcharge order requiring a person to pay or restore money or order property as determined by the registrar.

Vigilance officer

- The vigilance officer appointed under sec 68A of the act
- Headquarters of the vigilance officer shall be the headquarters of the registrar
- Vigilance officer shall have power to inquire, investigate and report to the registrar or any matters of corruption, misappropriation, fraud, manipulation or tampering or destruction of records or any other matters as referred to him by the registrar.
- In course of an inquiry or investigations the records of any cooperative institution are required the officer can summon ny person related to the case.

Settlement of dispute

Sec (2)(i) of the KCS act the term dispute is defined “ a dispute means any matter touching the business, constitution, establishment or management of a society capable of being the subject matter or litigations and includes a claim in respect of any sum payable to or by a society whether such claim be admitted or not”

Disputes to be decided by the registrar and cooperative arbitration court

Sec 69 provides that any dispute touching the constitution or business or establishment or management of society which falls under the following categories shall be referred to the registrar or cooperative arbitration courts:

- Among members, past members and persons claiming through members or past members or declared members.
- Between a member and past member or persons or persons claiming through a member, past member or deceased member and the society.
- Between a society or its committee and any past committee, any officer, agent or employee or any past officer, past agent or past employee or nominee.
- Between the society and any other society. Etc,

Explanatory note

Subsection 3 provides that no dispute arising in connection with the election of the board of management or an officer of the society shall be entertained by the cooperative arbitration court unless it is referred to him within one month of the date of election.

Award on disputes

Sec 70 provides that cooperative arbitration court on receipt of reference of a dispute shall pass an award in accordance with the provisions of this act and rules and the bye laws made there under such award shall subject tot the provisions of section 82, be final.

Reference of disputes, payment of expenses and decisions of disputes

Rule 67 lays down the procedure for the disposal of arbitration cases. The applications to be in writing, accompanied by a list of relevant records on which the dispute is based.

Fee for deciding the dispute

Sub rule 10 prescribes the arbitration fees. For monetary disputes at the rate of 50 paisa for claim of every RS 10 or part thereof, minimum being RS 75 and a maximum of RS 750 up to rupees one lack and RS.1500 for value above rupees one lack.in case of non-monetary disputes RS 1500

Liquidation

A cooperative society is formed with definite objectives. Members normally expect certain services from a society. But this may not be really achieved from

a defunct or dormant society. Registrar usually appoints a liquidator for dissolution of societies.

Winding up of societies

Section 71(1) states that if the registrar after an enquiry has been held under section 65 or on inspection has been made under section 66 or on receipt of an application made by not less than $\frac{3}{4}$ of the members of a society, is of the opinion that, the society ought to be wound up he may make an order in writing to direct the society to be wound.

The other circumstances of liquidation are the following

- a) Where the total number of members has been reduced to less than 25
- b) Where the society has not commenced working within six months of its registration.
- c) Where the number of actual workers falls below the prescribed limit in the case of a society formed exclusively for the benefit of persons engaged in a particular industry or operation.

Appointment of liquidator

Under section 72 liquidators is appointed by registrar and issue orders for the winding up of the society. Under section 71 registrar is also competent to fix the remuneration for the liquidator.

Powers of liquidator

- The liquidator shall publish a notice requiring all claims against the society to be submitted to him within a period of 2 months.
- File the case for and on behalf of the society.
- To determine the contribution to be made by members, pas members, legal heirs, nominees etc. after settling the assets and liabilities of the society.
- Liquidator shall investigate the claim against the society.
- Cost of liquidation shall be decided by him
- He shall have the power to decide whether a person is a member, past member, nominee, heir etc.
- He shall have the authority to carry on the business for the beneficial winding up of the society.
- He shall have to submit periodical reports to the registrar with regard to the progress of winding up
- He can empower any person to assist him.

- The liquidator can call general body meeting of the members whenever necessary and explain the proceedings taken so far and decide the utilization of balance of fund with him.

Liquidation procedure

Rule 69 specifies liquidation procedure

Sub rule (2) order of winding up take effect the liquidator is to publish a notice requiring all claims against the society to be submitted within two months from the date of publication.

Sub rule (3) provides that the liquidator shall first settle the assets and liabilities of the society as stood on the date of order of winding up.

Sub rule (4) the liquidator is submits to the registrar in the prescribed proforma, quarterly progress report.

Sub rule (5) the liquidator may act with the previous sanction of the registrar if it specified in the laws

Sub rule (6) that the liquidator shall deposit all funds in his charge in respective bank.

Sub rule (7) registrar shall fix the remuneration.

Sub rule (8) gives power to the liquidator to call for general body meeting of members.

Sub rule (12) the liquidator shall complete the winding up proceedings within a period of three years from the date of his appointment.

Cancellation of registration of a society

According to section 74 the registrar shall make an order for the cancellation of the registration of the society under the following the circumstances.

- If the liquidator fails to take charge of the liquidation within two months from the date of order.
- If an appeal made to the government confirmed and by the time the liquidator has not been appointed within two months.
- When the affairs of the society is wound up
- When the registrar is satisfied that the final wind up is not possible due to destruction of records.

Execution

Enforcement of charge

No order shall be made under this section, unless the member, past member or the nominee, heir or legal representative of a deceased member, has been served with notice of obligation and has failed to pay a debt or outstanding demand within 30 days from the date of such service.

Application for enforcement of charge

- Every application under section shall be signed by a person authorized in that behalf by the committee of the society concerned.
- The application shall be presented either in person or by registered post to the registrar.
- On receipt of the application, the registrar shall arrange to make entries thereof in the register maintained in his office.
- If the party failed to pay a debt or outstanding demand within the time limit prescribed, registrar makes an order directing the payment of the debt.
- Any amount remaining after the sale of the property having a first charge in respect of which an order under section 75 has been issued may be realized by the society.

Procedure for execution of decision, award or order

- If any decision, award or order has been executed as provided under clause 76 shall apply to the register.
- Every application shall be made in the form specified by the registrar and shall be signed by the decree holder.
- On receipt of application, the registrar shall verify the correctness and genuineness of the particulars in the application with records.

Execution of orders etc.

Every order made under sub section (2) of section 68 or under section 75, every decision or award under section 70 every order made by the liquidator under section 73 and every order made by the tribunal under section 82, 84, 85 or 86 and every order made under section 83 shall execute

Execution proceedings under the revenue recovery act

Recovery of money under clause (b) of section 76 shall be made by revenue officers and when the decision, award or order is executed through them, the costs of execution under revenue recovery act shall be recovered and credited to

the government. This shall be deducted in the first instance from the amounts realized and balance alone paid to the decree holder.

Order in which proceedings shall be taken

Unless the decree holder has expressed desire that proceedings shall be taken in a particular order as laid down in sub rule (2) of rule 74, execution shall ordinarily be taken in the following manner,

- Movable property of the defaulter shall be first proceeded against but this shall not preclude the immovable property being proceeded against simultaneously in case of necessity
- If there is no immovable property or if the sale proceeds of the movable or properties available for attachment and sale are considered to be insufficient to meet in full demand of the decree holder the immovable property mortgaged to the decree holder or other immovable property belonging to the defaulter may be proceeded against.

Appeals, Revision, and Review

TRIBUNAL (SEC 81)

Introduction

(1) The Government shall constitute a single member Tribunal to exercise the powers and discharge the functions conferred on the Tribunal under this Act. (2) A person shall not be qualified for appointment as a member of the Tribunal unless he is or has been holding the post of a District Judge in the State. (3) The term, salary and allowances and other conditions for service of the member shall be such as may be decided by Government from time to time. (4) The Government shall make rules for regulating the procedure and disposal of the business of the Tribunal.

Provisions as to certain pending Proceeding (Sec 81 A)

Every proceeding pending before the Tribunal immediately before the commencement of this Act shall stand transferred to and will be decided by the Tribunal constituted under this Act: Provided that all such proceedings relating to orders passed by the Registrar under sections 32 and 33 of the Act, shall be sent to the Government for their decision.

Head Quarters

The Tribunal appointed under section 81 shall be called The Kerala Co-operative Tribunal and its headquarters will be at Trivandrum.

Interlocutory orders

Where an appeals made to the Tribunal under section 82 or where the Tribunal calls for the record of a case under section 84, it may, in order to prevent the ends of justice being defeated, make such interlocutory order pending the decision of the appeal or revision as it may deem fit.

Custody of records etc...

- The secretary shall have custody of the records of the tribunal and exercise powers as such assigned by him.
- The official seal to be used in tribunal shall be such as tribunal may time to time direct and kept safe custody.
- Subject to any special and general direction given by tribunal the seal of tribunal shall not use under the authority in writing secretary.
- He shall kept separate list of cases filled from the area of jurisdiction of each joint registrar.
- Secretary shall in consultation with tribunal prepare at the end of each month at which sitting place with date of hearing and forward same of concerned deputy registrar.

Additional powers and duties of the secretary

- To require any petition of appeal, application for review or other proceeding presented to the Tribunal.
- To publish the date of hearing of appeals application or other proceedings an issue notice thereof.
- To grant leave, to inspect and search the records of the Tribunal and order the grant of copies of documents to parties to proceedings.

Appeal

Appeals to tribunal

According to sec 82 an appeal to the Tribunal in the following cases may be made by the aggrieved person within 60 days.

- An award of the cooperative arbitration court.
- An order of registrar. Any decision or order made.
- Any award of arbitrator

Appeals to other authorities

1. An appeal shall lie under this section against (a) An order of the Registrar made under sub-section (2) of section 7 refusing to register a society; or (b) An order of the Registrar made under sub-sections (4) and (6) of section 12 refusing

to register an amendment of the bye-laws of a society; or(c) A decision of a society refusing to admit any person as a member of the society or expelling any member of the society; or(d) An order made by the Registrar under section 67 apportioning the cost of inquiry held under section 65 or an inspection made under section 66; or

(e) An order of surcharge made by the Registrar under section 68; or(f) An order made by the Registrar under section 71 directing the winding up of a society; or(g) Any order made by the liquidator of a society in exercise of the powers conferred on him by section 73; or(h) Any order made under section 76; or(i) An order for attachment of any property made by the Registrar under section 78; or(j) Any order made by any person exercising all or any of the powers of the Registrar.

Revision and Review

Revision by Tribunal

The Tribunal may call for and examine the record of any proceedings in which an appeal lies to it for the purpose of satisfying itself as to the legality or propriety of any decision or order passed and if in any case it shall appear to the Tribunal that any such decision or order should be modified, annulled or revised, the Tribunal may pass such order thereon as it may deem fit: Provided that the Tribunal shall not take any action under this section if (a) The time for appeal against the decision or order has not expired; or (b) The decision or order has been made the subject-matter of an appeal; Provided further that no order shall be made under this section unless notice has been given to all interested parties and they have been given a reasonable opportunity of being heard.

Review of orders by Tribunal

The Tribunal may, either on the application of the Registrar or on the application of any party interest, review its own order in any case and pass in reference there to such order as it think fit: Provided that no such application shall be entertained unless the Tribunal is satisfied that there has been a discovery of new and important matter or evidence which after the exercise of due diligence was not within the knowledge of the applicant or could not be produced by him at the time when its order was made or that there has been some mistake or error apparent on the face of the record or that there is any other sufficient reason for reviewing its order.

Application

Forms of appeal and application

1. (A) Every appeal memorandum to the tribunal under sub section 1 of section 82 shall be in Form no 15 of appendix 2 of the rules and be verified in the manner specified. (b) It shall be duplicate (two copies, by such member)
2. 2. (a) Every application of review under section 85, by the tribunal shall be in form number 16 (b) It shall be duplicate and be accompanied by the following
3. 3. All memoranda of appeal, application for review, affidavits and other proceedings shall be written blue black ink or type written or legibly in Malayalam or English printing.

Presentation of appeal and application

1. Every appeal or application shall be presented in person by the applicant as the case may be or by his Pleader or duly authorized agent to the secretary.
2. 2. Where an appeal or application is signed and presented by an agent or Pleader it shall be accompanied by a letter of authority or vakalath appointing him as much and duly signed.
3. 3. No appeal or application shall be accepted by the secretary unless it confirm to provisons of sub rule (2)

Registration of appeal and application

- On receipt of any appeal or application, secretary shall endorse on it the date of its receipt.
- If secretary is satisfied the appeal or application in order he shall cause appeal or application to be registered in appropriate registrar.
- Appeal or application presented to him does not confirm any provision in the act and rule, he shall make a note on appeal or application

Maintenance of register

- Appeal in Form No: 21.
- Application for review in Form No: 22.
- Application for revision in Form No: 23.
- Application for Restoration in Form No: 24.
- Application for Miscellaneous manner in Form No: 25.
- Unregistered appeal and application Form No:26

Intimation to Registrar

When an appeal or application has been registered under rule 100, the secretary shall as soon as may be, send intimation thereof in form No.27.

Admission

1. On receipt of the records and proceedings relating to the appeal or application the tribunal shall go through the relevant records and if he is opinion that there is substance in the appeal or application he shall admit it
2. 2. If the tribunal of opinion, that there is no substances in the appeal or application he may direct that it be placed before the tribunal for preliminary hearing
3. Secretary shall give a notice
4. .Whether in any case, the tribunal is one of the opinion that it is not necessary to go through any record or proceedings pertaining to an appeal or application he may admit it

Death of party

If any party to a proceeding dies before the conclusion of final hearing of the same tribunal shall adjourn further proceedings enable the impleading of the legal representative of deceased.

Abatement

- When pending proceeding abate, no fresh proceeding shall be started on same cause of action.
- Any person bound to apply for impleading legal representative of deceased party may apply within 60 days from the date of abatement.
- Provision of section 5 of the limitation act 1963 shall apply to application under sub rule 2.

Powers of revision of Registrar and Government

Introduction

1. The Registrar may of his own motion or on application call for and examine the record of any officer subordinate to him not being an officer exercising the powers of the Registrar, Provided that every application to the Registrar or the Government for the exercise of the powers under this section shall be preferred within three months from the date on which the proceeding, decision or order to which the application relates was communicated to the applicant.

2. No order prejudicial to any person shall be passed under sub-section (1) unless such person has been given an opportunity or making his representation.

Fees for appeal, revision and review

In appeals and or applications before the Tribunal the fees at the following rates shall be paid by the appellants or the applicants as the case may be an appeal under Sec.82.

- a) Monetary disputes - 5 % of the amount involved subject to a minimum of 200 and maximum of 2000
- b) Non-monetary disputes.
Election dispute: 2000 (ii) other disputes: 500 An application for revision under section 84 and review under section 85: rs 250

Principles of management and cooperation

Management has greatly improved as cooperatives have become larger, more diversified, and integrated to match similar advances in the market place and on the farm. Many cooperatives failed because of ineffective operating management and poor monitoring by the board.

Role of management

Management combines ideas, processes, materials, facilities and people effectively to provide needed services to member owners. Management is the decision making element of cooperative. Its role entitling formulating and executing operating policies, providing good services, maintaining financial soundness, and implementing operating efficiencies to meet its objects successfully.

Cooperative principles and objectives present a distinctly different managerial premise. That premise is revealed in more detail through the following perspectives an executive must acquire to be a good cooperative manager.

1. Adjusting decision making to a business where the customers are also the owners
2. Dealing with complex issues of equitable treatment of owner patrons, the manager of an investor owned firm will discover that distributing the net earnings of a cooperative is much more complicated than declaring a dividend on capital stock
3. Working in a service oriented organization is a spotlighted atmosphere
4. Cooperatives have unique management implications of business ownership and control

Resources to manage

1. People
2. Capital
3. Facilities

Functions of management (principles of management)

Management is the process of utilizing material and human resources to accomplish designated objectives. It involves organization, direction, coordination, and evaluation of the people to achieve goals.

1. Planning
Planning is deciding in advance what to do, how to do, when to do it and who is to do it. Planning bridges the gap from where we are to, where we want to go
2. Organizing
Organization is the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives.
3. Staffing
Staffing means hiring and developing required personnel to fill in various positions in the organization. This includes recruitment, selection, training, development and appraisal of employees
4. Directing
The managers have the responsibility not only of planning and organizing the operations but also of guiding and supervising the subordinates
5. Communication
Communication is essential for the success of cooperative organization.
6. Leadership
7. Control

Cooperative principles

Cooperatives worldwide generally operate using these seven principles

1. Voluntary and open membership

Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership without gender, racial, social, political or religious discrimination.

2. Democratic member control

Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions

3. Member's economic participation

Members contribute equally to, and democratically control, the capital of their cooperative. at least part of that capital is usually the common property of the cooperative

4. Autonomy and independence

Cooperatives are autonomous, self-help organizations controlled by their members.

5. Education training and information :Cooperatives provide education and training to their members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperatives.

6. Cooperation among cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional, and international structures

7. Concern for community

While focusing on member needs cooperatives must work for the sustainable development of communities through policies accepted by their members.

To sum up linking management principles with cooperative principles is the fundamental action for effectively managing a cooperative organization successfully.

Principles of management	Principles of cooperation
1. Planning(objective, policies and forecasting)	Objective of maximization of service, cost plus pricing and limited interest on capital
2. Organization, delegation, centralization, decentralization	Democracy, federalism and open membership
3. Direction (leadership, motivation, communication and supervision)	Democracy, education officialisation and deofficialisation
4. Coordination; the essence	Federalism, cooperation among cooperatives
5. Control is forward looking	Democratic control

COOPERATIVE MANGEMENT

CO-OPERATIVE MANAGEMENT

E.V Mendor- “co-operative management may be defined as the 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 “

Features of cooperative management

- Cooperative management decisions are made at all the three levels of management pyramid
- The objective of cooperative management is to serve the needs of the members
- It seeks to achieve its aim by means of effective and efficient use of resources
- Cooperative management integrate the principles of management and cooperation

Objectives of cooperative management

- ❖ Improvement of operational efficiency
- ❖ Aims at improving viability of the cooperative society
- ❖ Strive to achieve member satisfaction by providing economic benefit, member loyalty, and greater patronage
- ❖ Strive for community acceptance
- ❖ Aims at ethical and moral development of members
- ❖ Develop organizational and management competency

Uniqueness of cooperative management

- ❖ Investor owned business v/s cooperative business
- ❖ Normative character
- ❖ Superior value structure
- ❖ Integration
- ❖ Complex aims system
- ❖ Distinct economic process
- ❖ Democratic control

System concept of management

System concept of management is understood as a cooperative society is a sub system and it takes resources from environment and transforms goods and services into the system.it consist of clear defined goal, full recognition of environment, identification of different component and inventory

Investor owned business v/s cooperative business

Investor owned business	Cooperative business
It is essentially a union of capital	Union of people
Organization of investors	Organization of users
Organized by entrepreneurs to attract and serve customers	People to serve themselves
Controlled by majority of shares	Majority persons of who are members
Surplus earnings or profits are distributed as decided by board of directors	Belong to user members and distributed by the membership in annual meeting
Closed system	Open system and freedom to access

Normative character

Cooperation is more normative than positive. These are set of standard and settled rule of action which have universal application. There is an element of compulsion, particularly when principles are translated to legal form. Proper application of cooperative principle is essential for success of movement, and achievement of cooperative movement's role.

Superior value structure

- Apart from being an economic enterprise a cooperative society is an ethical, social, and moral entity as well.
- The cooperative ideology draws its moral and social content from the reformist doctrines of Robert Owen, the father of cooperation who advocated a new moral world free from profit, competition, and exploitation
- Besides promoting material prosperity the cooperative movement aims at educational betterment, thrift and morals, honesty, independence and self-respect, democracy, brotherhood, and religion.
- Thus a cooperative society is both an enterprise and an association
- Raymond firth “ it is an economic organization set in a social framework
- Successful cooperative management must involve both these aspects

- It is the responsibility of cooperative management to aim at success in both fields and to perform the management functions of planning, organizing, directing, and control in such a way that a fair balance between these two is achieved.

Complex aims system

The aims system is more complex in respect of integrated type of cooperatives in which the individual member economies are quite distinct from cooperative enterprise are organically linked with later

The aims system of complex cooperative combines the following diverse influences

- a) Personal individual aim system of every member
- b) Corresponding individual operational objectives for single member economy
- c) System of aim and operational objectives of cooperative group
- d) Personal individual aim of the manager
- e) Aim of employees and workers
- f) Influence of managers from secondary and territory body
- g) Decision making process adopted within the cooperative enterprise

Distinct economic process

Economic process of transforming organizational objectives into product and services specification significantly differs in cooperatives as compared with other form of business. Here there is close linkage between ownership control and use.

Democratic control

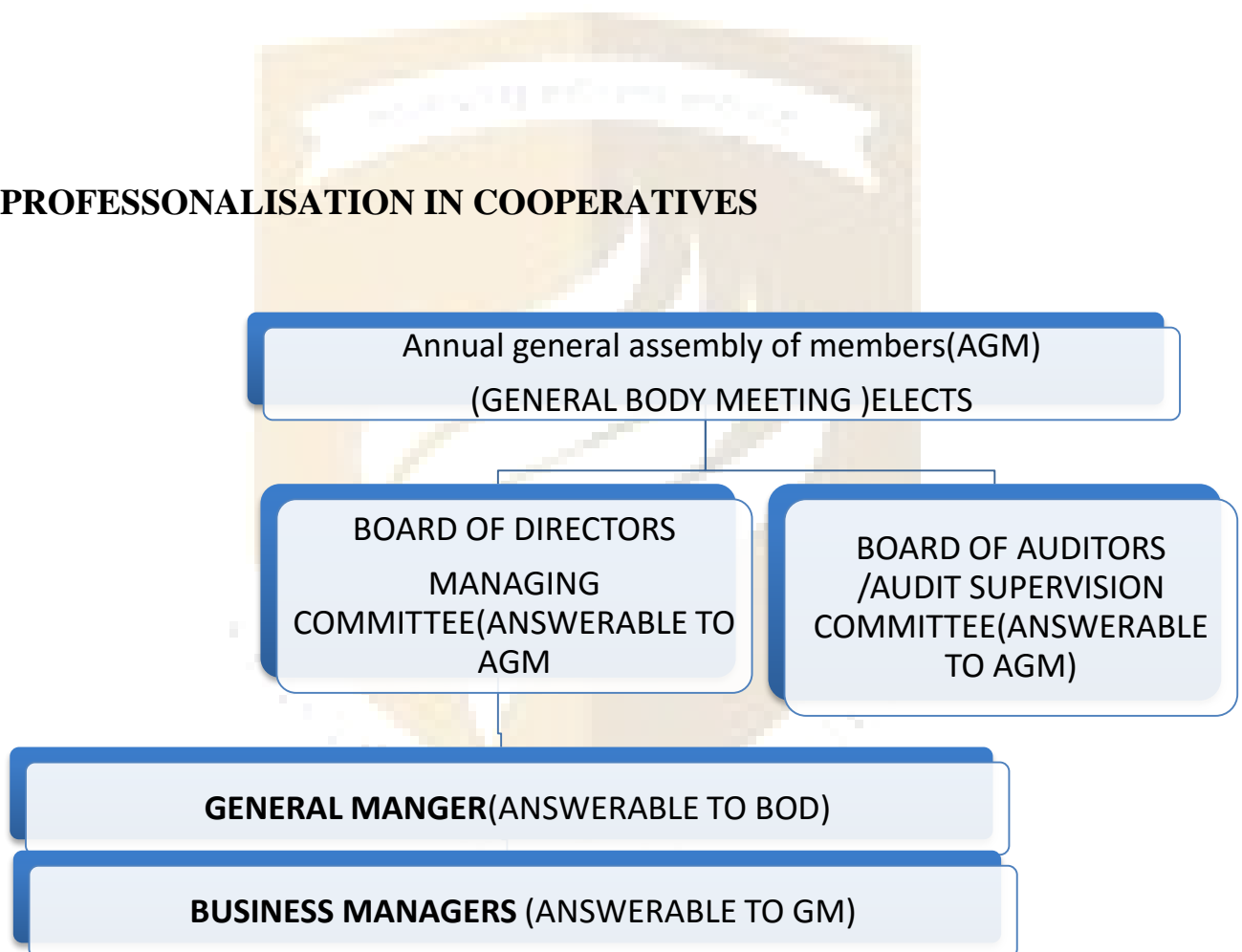
The cooperative management needs to involve more groups of people in decision process. As a result Decision making process become wasteful. Thus cooperative management is to develop methods and techniques to involve large number of people without decreasing efficiency. Success of cooperative management lies democratic control co inside with efficiency by synthesizing principles of management and social ownership

PROFESSIONAL MANGEEMT IN COOPERATIVES

Introduction

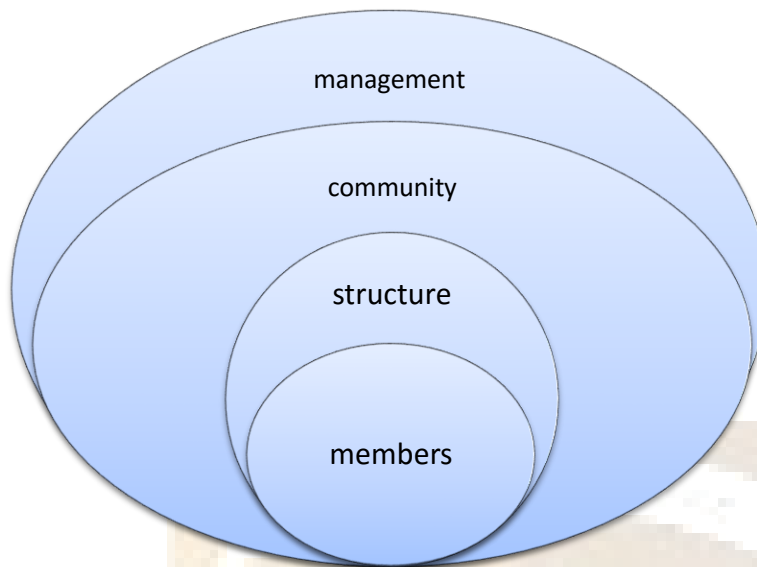
Training and development of managerial person in exercising their function of these management tasks. Cooperative management should be a profession in the truest and best sense of that word. Cooperation to succeed needs the best management.

PROFESSIONALISATION IN COOPERATIVES



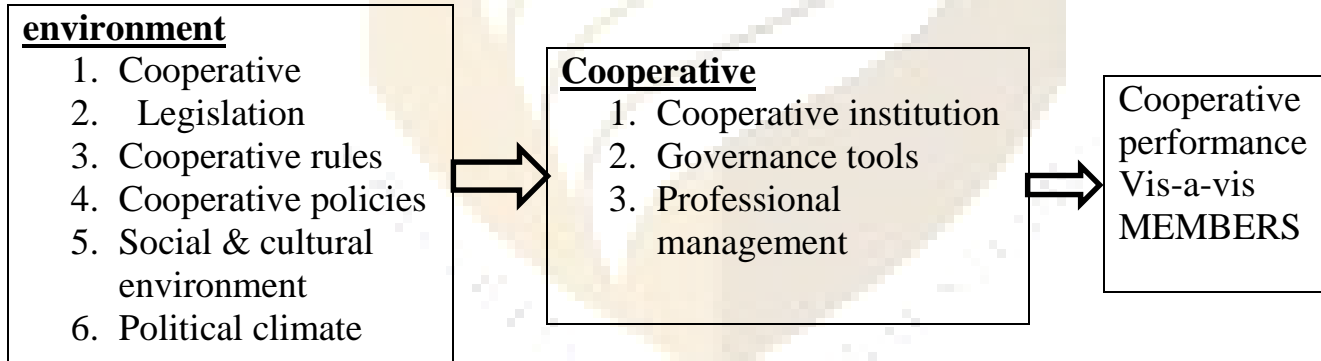
A cooperative has a constitution (called bylaws) which establishes formally several organs of its governance. The rights and duties of all these organs and functionaries are explained in bylaws.

Main spheres of cooperative functioning



Environment and performance

Environmental factors influencing performance of a cooperative institution



Professional performance of a cooperative (evaluation criteria)

- General benefits-economic-social accruing to the members in short term and long term perspective
- Credibility, creditworthiness, goodwill, acceptability, market value of the organization itself which procures goods for them and then supplies them to the members .transparency in these transactions ability of the board of directors , management and employees come under the scanner
- Efficiency. Quickness, and professionalism
- Cooperative are not expected to make profits

- Cooperatives have to provide services at reasonable cost
- Good governance in a judicious and fair way of doing business based on best practices, ethics and code of conduct
- Continuity and consistency in service delivery
- Meeting the statutory requirements
- Compensation and turnover of professionals
- Member awareness and staff development

Cooperatives strive to promote fair dealing and transparency

- Cooperative institutions are small, medium and large business organizations
- They are formed by members on their free will
- They are managed democratically by the members themselves in accordance with the principle of cooperation believing in the concept of one man one vote
- Cooperatives protect the interests of their members.
- They are free to take their own decision
- They are autonomous
- They take care of the community women and youth

Governance in cooperatives

Members of cooperatives always look for good governance in their cooperatives through the implementation of values, cooperative principles, legal norms and procedures. Good governance will be experienced if the existing laws are honestly applied and if cooperative spirit with due respect, is put into practice.

So, here we talk of two elements i.e., existing laws to be applied honestly and the cooperative spirit to be respected. The principal objective before a cooperative is not only to earn the participation of its members but also to offer good service to them so that the members are able to generate additional income and social comforts for themselves. In this task the role played by the board of directors and the professionals managing the affairs of a cooperative cannot be overlooked.

Both these arms should make all efforts to set up good governance without any compromise with self-interest of a group of individuals or of individuals. Legislation is the umbrella under which the tree of an organization grows.it provides protection against harsh and difficult conditions.it provides the needed comforts and nourishments.

Professionalization promotes good governance

Once the institution is placed in the hands of professionals, its expansion in other functions is not only impossible but also becomes faster. Due to a high level of professionalization, members and users get better service rather value added services and their loyalty stays intact. When both the elements professional employees and the users are happy naturally the board of directors feels confident to take up additional activities with greater vigor.

Conditions to promote professionalization

- Sweet, cordial and professional relationship between BOD and general manager
- Competitive and progressive work conditions which promote career planning and job security
- Clear and religious - like division of responsibilities between the leaders and professional mangers
- Keeping local politics, nepotism, and groupism separate from professional work
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Organization structure of cooperatives

1. Geographical territory served

- Local cooperatives: typically operate in a single state, often within one or two countries. Individuals are the members of these local cooperatives

- Regional cooperatives: usually serve an entire state or a number of states. They can have operations that are nationwide or that cover major portions of India. Some cooperatives are deal with international operations also

2. Governance or control structure

- Centralized: large geographical area in which one central office, one board of directors, a manager (CEO) who supervisor entire operation. Business conducted with several branch offices
- Federated : it separate business entity that owns membership share entitling it to voting rights in the affairs of the regional
- Mixed : combination of individual producer as well as local cooperatives

3. Functions

- Marketing products: Marketing cooperatives provide an increasing variety of off-farm processing and marketing services .They help farmers produce and process quality products to market specification. E.g. : livestock markets, vegetable markets ,nut fruit packing plants
- Purchasing supplies: Supplies feed, fuel, fertilizer and seed Purchasing of other production supplies and services such as farm chemicals, animal health products, fencing, building supplies, etc.

Main objective is to reduce production costs for members through manufacturing, distributing, procuring quality products, and providing related services

- Services: Some agricultural service cooperatives provide services related to the production and marketing of farm commodities. Others provide general services. Related services cooperatives offer unlimited possibilities and are used in solving mutual problems and provide specialized services that affect the location, form, or quality of farm supplies or products(Examples of services : Recommending and applying fertilizer, or pesticides, animal feed processing, crop harvesting)

4. Financial

- Capital stock organization: members receive stock certificates as evidence of their ownership interest. Most stock cooperatives issue one share of common stock per member to show membership

- Nonstock organization: it issue some kind of certificates to show capital contributions of members

5. Other structural arrangements:

- Marketing agency : organized by two or more marketing cooperatives to market products or providing services
- Subsidiary : cooperation's organized, owned, and controlled either totally or partially by a parent cooperative
- Joint venture : an association of two or more participants, persons, partnerships cooperatives to carry on specific economic operation

Leadership-meaning and definition

Leadership is a process by which a Pearson influences others to accomplish an objective and directs the organization in a way that makes it more cohesive and coherent

G.R.Terry defines –"leadership is the activity of influencing people to strive willingly for group objectives “

Characteristics of leadership

- Leadership is a personal quality of behavior and character in a man which helps in exercising personal influence of individuals
- It is a mutual relationship between the leader and followers
- Leadership helps others to attain specific goals
- It is the process of guiding, directing, influencing the people to do their best for the attainment of specific goals
- Leadership related to a particular situation, at a given point of time and under the specific set of circumstances
- It involves the sharing of interest between the leader and his followers

Types

Trait theory: The trait theory of leadership suggests that certain inborn qualities and characteristics make someone a leader. These qualities might be personality factors, physical factors, intelligence factors and so on (height, intellect, extravert, fluency, and other traits)

Process theory: Process leadership suggests that leadership is an event that depends on the interaction between the leader and the follower. Leaders carry out the process by applying their knowledge and skills. Knowledge and skills directly contribute to the process of leadership

Factors of leadership

Leader: You must have an honest understanding of who you are, what you know, and what you can do. To be successful you have to convince you followers, not yourself or your superiors, that you are worthy of being followed.

Followers: A person who lacks motivation requires a different approach than one with a high degree of motivation. You must know your people. The fundamental starting point is having a good understanding of human nature, such as needs, emotions, and motivation

Communication: Leading takes place only through two way communication. Much of such communication is nonverbal. For instance a leader should not communicate to his followers to perform anything that he himself would not will to do. Communication between the leader and followers either builds or harms the relationship between them.

Situation: All situations are different. What a person do in one situation will not always work in another.one must use his own judgment to decide the best course of action and the relationship style needed for each situation.

Principles of leadership

- Know yourself and seek self-improvement
- Be technically proficient
- Seek responsibility and take responsibility for your actions
- Make sound and timely decisions
- Set the example-be a good role model
- Know your people and lookout for their well being
- Keep your workers informed
- Develop a sense of responsibility in your workers
- Ensure that tasks are understood, supervised, and accomplished

Qualities of a leader of cooperative society

- *Character:* The first essential quality of a leader is his character. He should be honest, kind, and truth loving so that he can easily persuade people to agree with his views and so lead the movement successfully
- *Intelligence:* the term intelligence refers to the power of the mind which is mostly an inborn quality. The leader should have a higher intelligence with which he can guide the members of the society effectively

- *Temperament:* the quality demanded from the leader of the cooperative is perseverance .he should have the utmost patience; he should be tolerant and not be swayed by the opposing views expressed by a section of the members.
- *Dedication:* to be a leader he must dedicate himself to the cause of the society. He should not be a person whose actions are motivated by selfish considerations, and he should be broad minded. He should have a sense of commitment to the society.
- *Courage:* one of the most important qualities that the leader should have is courage. If he knows that he is doing the right thing, he should pursue it boldly without any fear.
- *Broader vision:* the leader should not be short sighted but must be capable of working out long range plans and solutions
- *Clear understanding:* the leader should have a clear understanding of the nature of the cooperative society its principles, philosophy, objectives etc.
- *Knowledge:* leader should be capable of making proper assessment of the socio economic environment in which the society works. He should moreover, be capable of adjusting his strategies to the changing environmental factors
- *Sympathy:* a person to be a leader of the cooperative should be sympathetic about the problems confronting the members. He should patiently listen to the views of the members and make efforts to find out suitable solutions of the problems
- *Commonsense:* the pre requisite condition of leadership in a cooperative society is that the leader should be a practical man. He should not work out only theoretical possibilities.

Functions of a leader in a cooperative

- *Initiator:* it is at the initiative of the leader that the cooperative society comes into existence. He organizes the society. He forms the association by persuading people to get together, and strives hard to maintain the group spirit
- *Encourager:* as an encourager the leader of the cooperative society has two important functions to perform. First he has to set the tasks before members and motivate them to take action in an organized manner secondly the leader encourages the people living in the surrounding areas of the cooperative society to become its members in large numbers.
- *Suggester :* the third function of the leader of the cooperative is to assist the society in the formulation of correct policies for the economic and social well-being of the members.
- *Implementer:* for the smooth conduct of the day to day affairs of the society the leader has to take the initiative to translate the policies into

action. The leader has to channelize the member's energies in the right direction to achieve the desired results.

Path-goal theory of leadership

Meaning

The path goal theory created by Robert house is a management theory that states that the manager's leadership style is a major factor in worker motivation, productivity, and job satisfaction. The manager should pick a leadership style that is specific to the personalities of the members of the group. This theory suggests that one leadership style is not better in all situations, so the leader should be familiar with several leadership styles.

Path goal theory is closely related to the expectancy theory of motivation. According to which the effort of a person is influenced by two factors: expectancy and valance

Expectancy is the degree to which a person expects that his or her behavior will lead to certain outcomes. Valance is how attractive these outcomes are to that person. Goal plays a central role in leadership development

Path-goal type of a leader

Directive (telling) : here the leader inform her followers on what is expected of them, such as telling them what to do, how to perform task, and scheduling and coordinating work

Supportive: the leader makes works pleasant for the workers by showing friendly approach

Participative: leader consults with his followers before making decision

Achievement: leader set challenging work for followers and expect to meet at highest level.

Strengths of path goal theory

- It is the first attempt to provide an expanded framework which combines the previous works of situational. Contingent leadership and expectancy theory
- It is also the first theory to emphasize the importance of motivational factors from the subordinate perspective
- It defines very practical and clear roles for a leader

Criticism of path goal theory

- It is very complex theory

- It is challenging to evaluate and analyze various components of the theory in real organizational situations
- It is also criticized for placing a great deal of responsibilities on the leader and less on subordinates. Thus it makes the subordinate more dependent On leadership and inhibit their independent growth

Leadership case study

- VKRC is the leading company in the development of hardware solutions
- Company it known as honest and straight forward in dealing with customer and employees.
- Soly has been a senior manager at VKRC for four years. In a recent 360 degree survey, he scored 70 percentile in the competency and motivates others to higher performance.
- David is one of the soly's direct reports who has worked VKRC for more than 9 years. It is generally known that David doesn't have a strong technical background.at same time he has very efficient work style.
- Soly had assigned him two project, which is not easy to hit
- She maintained positive relation with team members and work together
- David's performance is not as per expectation and she found the reason behind unusual behavior
- He was felt with some family issues and soly coaches him

Leadership and management

Management is getting things done with the aid of people and other resources .it is the process of leading and directing all or part of the oraganization.it involves effective utilization and coordination of resources.

Leadership is the process of influencing others to understand and agree about what needs to be done and how to do it, and process of facilitating individual and collective effort to accomplish shared objectives.

Yuki (2006) notes that a person can be a manger without leading and a person can be a leader without being a manger..

Auditing

Audit is the examination or inspection of various books of accounts by an auditor. Auditing is the systematic examination of books and records of a business or other organization, to ascertain or verify and to report upon the facts regarding its financial operations and the results thereof.

- A cooperative society is a democratic institution; it is being managed by elected representatives of members. Audit helps the members to ascertain whether their elected representatives have effectively managed the affairs of the society for the common interest of all.
- Thus an efficient audit ensure the proper management of a society
- Cooperatives are assisted and financed by the government and central cooperative banks
- Therefore they should know the creditworthiness and financial stability of the borrowing institutions
- Audited accounts and balance sheets are reliable documents for this purpose.
- In that respect audit is quit indispensable in the cooperatives

Advantages of audit

- Apart from the detection of errors and frauds, regular audit work would help to keep books of accounts of business concern up-to-date
- It acts as moral check and prevent fraud and errors
- Help to provide an independent opinion to members general body about the management of their committee and institution
- Relied upon assessing income tax and sales tax and also disbursement of government assistance
- Safeguard the creditors
- Ascertain correct and true state of affairs of the business

Types of audit

Concurrent /continuous audit

- A concurrent audit is one where the auditor visits the institution daily or periodically and completes the examination of accounts up to date.
- When the accounts are audited throughout the year by the audit staff under the guidance of auditor, it is called continuous audit
- This kind of audit is adopted by societies having large volume of business and which have huge daily transactions
- Advantages: mistakes and frauds can be discovered easily ,maintain accounts up-to-date ,final accounts completed easily and timely.

Interim audit

- Interim audit is performed between two final accounts.
- It helps the auditor to get the final accounts done easier and quicker

- Interim audit report has to be submitted with copy of receipts and disbursement statements for the period with the summary of defects if any.

Final audit

- Final audit is the statutory annual audit
- It is taken up at the close of the financial or trading period when all the accounts are balanced and a trading and profit and loss account and balance sheet are prepared
- Year shall ordinarily mean the period commencing on the first day of April of any year ending with March 31st of the succeeding year
- With the previous permission of registrar any registered society or class of societies may change its year to any other date e.g. ; cooperative schools

Test audit

- Test audit is one special to the cooperative field.
- The deputy registrar/assistant registrars are expected to test audit a few societies to ascertain whether the auditor has done the audit correctly or not. this is called test audit
- This involves audit of the accounts of the society the audit which is tested.

Cooperative audit-definition

Cooperative audit is a close examination of financial transactions, maintenance of books of accounts, documents and other records of a business and includes an inquiry into the affairs of the society in order to ascertain the correctness of accounts and the extent to which its activities were useful in promoting the economic welfare of its members in accordance with cooperative principles.

The cooperative auditor cannot confine himself to the books of accounts, but should go beyond the books and make enquiries about the working and general affairs of the society.

Cooperative audit may also be described as a critical examination by an auditor, of the documentary and other evidence from which the profit and loss account and the balance sheet of a cooperative society /bank have been drawn up, in order to enable him to report that they present a true correct and fair view of the summarized transactions for the period under audit and of the financial position of the society as at the end of the cooperative year.

Main features of cooperative audit

- Adherence to cooperative principles
- Observance of provisions of act, rules and by laws
- Valuation of securities
- Verification of balances of depositors and creditors
- Examination of overdue debts and classification of bad debts
- Personal verification of members and examination of their pass book
- Discussion of draft audit report with managing committee
- Audit classification of society
- Examination of the working and other prescribed particulars of the society.

Objectives of cooperative audit

- Verification of the accuracy of the books of accounts and ascertaining correctness of accounts
- Detection of clerical errors and errors of principles and prevention of such errors.
- Detection and prevention of frauds.
- Examination of the affairs of the society in order to ascertain whether they have been carried on in accordance with the provisions of the cooperative law and the principles of the cooperation and on sound business principles.
- Assessment of the extent to which the conditions of the members, particularly their economic conditions have improved by the operations of the society
- Certification of actual profit realized or loss incurred.

Distinction between financial audit and administrative audit

- The financial audit is concerned with the financial aspects of business transactions for the year under audit whereas administrative auditing is critical review of the soundness and propriety of decisions taken in the past and helps management to correct mistakes and improve methods
- Financial audit is compulsory in case of companies, trusts societies etc. but there is no legal compulsion as regards administrative audit
- The financial auditor makes report to the owners of the enterprise.i.e. The shareholders in case of a company where as in administrative audit, the auditor reports to the management of the enterprise.

Distinction between cooperative audit and company audit

- The audit of the cooperative societies is conducted by the cooperative department of the state government or by the registrar of cooperative

societies. Whereas the audit of companies are conducted as per the Indian companies act.

- The appointment of auditor of cooperative societies is made by the registrar while in a joint stock company it is made by its shareholders.
- As joint stock company mainly a profit seeking concern the important result of audit normally expect is the disclosure of the net profit available for distribution as dividend, but in cooperative society the primary objective is to find out how far the society has been carrying on its businesses on sound cooperative lines and aiming at the material and moral improvement of its members.
- Usually in a joint stock company the statement of accounts are prepared by the company themselves. Whereas in a cooperative society the auditor may have to prepare all the statement of accounts which will be signed by him
- As per section 63 of Kerala cooperative society act the cooperative auditor is expected to examine the overdue debts, if any and also to value the assets and liabilities but in a joint stock company the auditor simply check the valuation made by a management
- The fees of auditor of a society are paid by the society but in a joint stock company the remuneration of the auditors are fixed in a general meeting.

Statutory provision

As per section 63 of Kerala cooperative societies act 21 of 1969 audit of cooperative societies has become the statutory responsibility of the registrar. Subsection(1)of section 63 lays down that “the registrar shall audit or cause to be audited by a person authorized by him by general or special order in writing in this behalf the accounts of every society at least once in each year”.

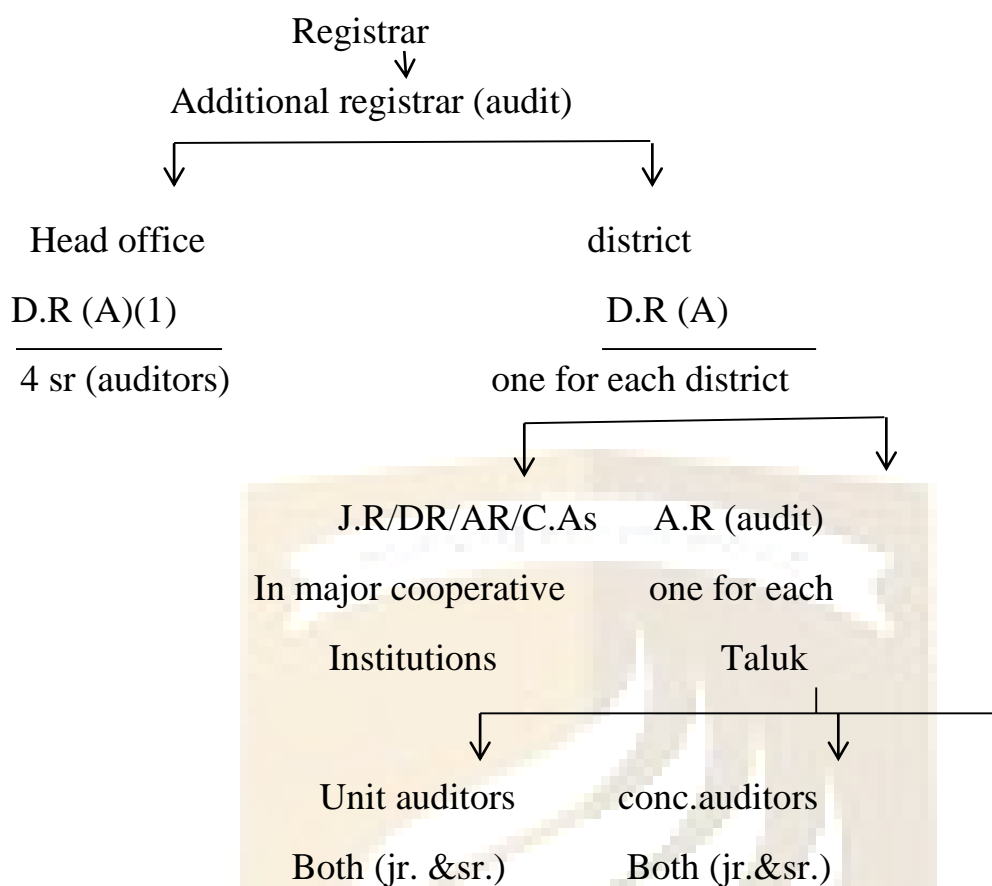
Audit at the headquarters or at the branches of the society

The auditors should conduct the audit at the headquarters or branches of the society and should not remove the books of records from there.

Arrangement and set up for audit

For the efficient and timely audit of cooperative societies there is a separate set of staff who is not concerned with the administration of societies in the department

The audit of societies other than those under the control of the registrar of cooperative societies (industrial, fisheries, diary etc.) is also attended to by the above audit staff in the cooperative department



Co-ordination between the concerned administrative department and audit wing of the cooperative department

Close coordination between the concerned administrative department and audit wing of the cooperative department assumes importance in the control and conduct of audit and rectifying defects pointed out in audit.

Every cooperative society shall prepare for each cooperative year in such forms as may be specified by the registrar, a statement of receipt and disbursement for the year, a profit and loss account, a balance sheet and such other statements as may be specified by the registrar.

Director of cooperative audit

- The government shall, by notification in the official gazette, appoint a person to be the director of cooperative audit with the jurisdiction over the whole of the state
- The qualification and the terms and conditions of the person to be appointed as the director of cooperative audit shall be such as may be prescribed
- The government may by general or special order delegate all or any of the powers of the director of cooperative audit in the act to his subordinate auditors.

- It shall be the duty of the auditor of the cooperative auditor to audit or to cause to be audited through persons authorized by him, the accounts of every society at least once in each year
- the government shall prescribe the manner in which audit is to be conducted
- Audit certificate shall be valid for all purposes required to be filed before the state and non-governmental authorities
- The director of cooperative auditor shall be under the control of the registrar of cooperative societies.

Audit procedure

The auditor shall submit an audit memorandum in the form prescribed by the director of cooperative audit. on the accounts examined by him and on the balance sheet and final accounts as on the date for the period up to which the accounts have been audited and shall state whether in his opinion and to the best of his information and the explanations given by him.

The audit memorandum shall state,

- Whether the auditor had obtained all the information and explanations which to the best of his knowledge and belief were necessary for the purpose his audit
- Proper books of accounts as required by the act these rules and the byelaws of the society have been kept and regularly maintained by the society
- Whether the balance sheet and the final accounts examined by him are in agreement with the books of accounts and returns of the society
- Where any of the matters referred above are answered in the negative or with a qualification the persons who does not audit shall specify the reasons for the answers in the audit memorandum

The audit memorandum shall also contain schedules with full particulars of,

- All transactions which appear to be contrary to the provisions of the act the rules and byelaws of the societies
- All sums which ought to have been but have not been brought into account by the society
- Any material irregularity in the expenditure
- Any money or property belonging to the society which appears to the auditor to be bad or doubtful debt

- An audit classification statement prepared in accordance with the instructions issued by the registrar
- Any other matter

The society shall publish or exhibit in the notice board of the society,

- The audit certificate
- The statement showing the receipt and disbursements for the year
- The profit and loss account
- The balance sheet
- The summary of the audit memorandum shall also be read out at the general body meeting of the society.

Audit programme

An audit program is a written statement and predetermined plan of action for conducting an audit. It is an action plan containing exact details in regards to the conduct of a particular audit. Prepared by the senior staff in consultation with the auditor.

Advantages

- It defines duties of clerks clearly.
- To know the volume of work done earlier.
- Audit programme fixes the responsibility of audit staff.
- It defends the auditor.
- It serves as a guide for future reference.
- It is helpful to the new audit staff.
- It brings uniformity in auditing.
- Timely completion of audit.
- Effective control over audit staff.
- To assess the cost of audit.

Disadvantages

- It makes audit work mechanical and stereotype
- Out of date and useless
- No chance to use intelligence
- Unable to cover all the point
- Not suitable to all types of firms
- Hurry in completion of audit as per programme

Vouching

Vouching may be described as an examination of every transaction of a business with relevant, valid, documentary and other evidences with a view to find out whether it is genuine and bonafide.

Auditor's duties and responsibilities

- Verify the cash balance on the date of his visit and record the result of verification with his signature, date and designation
- Verify whether all the books and registers prescribed in the KCS rules made under by the registrar
- Verify the genuineness and adequacy of all personal security ,mortgage and other bonds
- Submit a detailed report on overdue debts
- Verify outside liabilities with central bank's statements of outstanding balances
- State whether any of the bylaws has been infringed or instructions of registrar violated

Powers

Shall at all reasonable times have access to all the books of accounts, documents, papers, securities, cash and other properties belonging to or in the custody of society and may summon any person in possession of or responsible for the custody of any such books, accounts, documents, papers, securities, cash or other properties, to produce the same at any place at the headquarters of the society or any branch thereof.

Liability of auditor

- Criminal liability: the auditor can be held criminally liable only if his acts constitute an offence under the Indian penal code.
- Civil liability: There have been several circumstances. an auditor certifying the profit and loss a/c and the b/s does not merely guarantee the arithmetical accuracy of the statements but also express his opinion that the statements reveal true and fair view of the financial position of the business

Various stages of practical work

Mechanical audit

- Aims at ensuring the accuracy of accounts recorded in the books of the society
- Consist of vouching receipts and payments in the day book

- Day book is the book of original entry
- Verify the entries in subsidiary corresponding ledgers (admission register, deposit register, loan ledger etc

Administrative audit

- Special feature of cooperative audit
- The duty of the cooperative auditor is not merely to find out the errors and omission,
- but also to ensure the accuracy of the maintenance of accounts and also to arrange for the rectification of defects pointed out in the earlier audit certificate and inspection reports

Preparation of final statements

- Prepare consolidated receipt and disbursements from general ledger
- Form R&D statement auditor prepare trading P/L a/c and b/s
- Audit memorandum is prepared

Reconciliation of bank accounts

Bank reconciliation statement should be prepared regularly by the officer who receives cash, bank statements, or the pass book.

Management accounts

Management accounting helps the management to control the activities of the institution and to employ its available resources with a view to attaining its objectives and to achieve better results in the given circumstances.

Verification of assets and liabilities

The inspection of evidence or physical examination of the correctness of value and the existence of assets and liabilities is that they are actually in possession and held by the business on the date of balance sheet. This process is termed as verification of assets and liabilities.

Reserves

Reserve is an amount, which is set aside out of profits of a business for any kind of known and unknown contingency, liability, diminishing value of assets it is the amount appropriated out of profits before declaration of dividend but it is not a charge on profit.

General reserve

- Created out of net profit
- Created only there is profit

- To provide a cushion to meet any unknown or unforeseen contingencies in the future
- To increase financial stability
- Not a mandatory one it is a matter of business policy

Auditor's duty in regards to general reserve

- The auditor should ensure that the reserve is created for best interest of business
- He should see that by law of society provides for the creation of general reserve
- See that general reserve is created out of profit
- If any part of general reserve is utilized for the payment of dividend, the auditor should see that the amount is drawn for the purpose is separately drawn.

Capital reserve

Created out of capital profits e.g. Profit from sale of an asset.

Auditor's duty

- Should ensure that capital reserve is created out of capital profit
- Capital reserve is shown separately in the balance sheet
- Articles of association should permit the utilization of capital reserve

Specific reserve

- Charge on profit
- Objective for creating specific reserves are to meet a specific purpose or a specific contingency or an expected loss
- Also referred as provision

Reserve fund

A general reserve created out of divisible profits expected that the surplus of assets represented by the reserve is invested outside the business

Secret reserve

- Secret reserve is not disclosed in balance sheet
- Also called internal reserve or hidden reserve
- Actual financial position is much better than what is disclosed in the balance sheet

Provisions

Every org has some anticipated known loss but the exact amount of such contingencies cannot be ascertained. Therefore a provision is made. It is an amount set aside out of profits. Objective is to meet any known contingency (loss)

Auditor's duty

- Auditor should thoroughly check the sums provided as provisions against a specific loss or liability
- Should go through relevant documents
- Check the adequacy of provisions; he should satisfy the provisions created are sufficient to meet the specific liability.

Audit report

- Auditor finishes the audit for the year he has to draw up the audit memorandum and the certificate in the forms prescribed by the registrar
- Certification of the balance sheet and profit and loss account
- Report of the auditor.

Levy of audit fees (rule65)

Every cooperative society shall pay to government within one month of receipt of the annual audit certificate. an audit fee calculated on the working capital as on the last day of the cooperative year to which the audit relates or on the total sales during the year on the gross income during the year as the case may be.

The following classes of societies are exempted from the payment of audit fees

- All cooperative societies which all or majority of members are belonging to SC/ST, including its apex society
- farming societies which do not accept deposits and grant loans
- social welfare societies
- Any society for the first year of audit, irrespective of the date of commencement of business
- Any credit society the working capital of which does not exceed Rs 2000 and any other society the sales of gross income does not exceed 10,000
- Vanitha cooperative society and dairy cooperative societies need pay only half the rate of audit fees chargeable
- The audit fees for the purpose of sub rule (1) shall be calculated at the rate of 50 paisa for every 100 rupees

- Maximum audit fees payable by the society shall not exceed one lack rupees

Cooperative accounting

The system which involves method of maintaining the books and registers, recording and posting of the transactions and finalizing the accounts altogether, in a cooperative society is called cooperative accounting

Special features of cooperative accounting

- Cooperative accounting system is also called receipt and payment system
- Different types of books and registers, as per both statutory and non-statutory requirements, are to be maintained by different types of cooperatives. The models and format often provided by the registrar of co-operative societies.
- Day book is the only book of original entry.it incorporates all types of transactions.
- General ledger and special ledgers are used in the cooperative account keeping system. All the accounts recorded in the day book are posted in the general ledger
- The receipt and disbursement statement is prepared from the totals of general accounts is a summary of transactions taken place for a period.
- A final account is the classified summary of transactions taken place in a cooperative society.it consists of manufacturing account, trading account and profit and loss account.
- A balance sheet has to be prepared by every cooperative society as a statutory requirement and is to be sent to the department of cooperation and financing bank of the cooperative
- Profit and loss account is also prepared by the cooperative society

Sources of funds

Owned and borrowed funds

- Directly from members and government: owned fund consists of total paid-up share capital and accumulated reserves and other funds created out of profits of a cooperative society. Owned fund indicates the self-reliance of a cooperative society. Paid up capital is the most important component of a cooperative society. Government contributes either directly or indirectly to the share capital of certain type of societies.

- From cooperative business surpluses: funds created through the retention of cooperative business surpluses that are not directly allocated to members are another important source of cooperative fund. This is a long term source of funds since most cooperative rules allow these funds to be distributed only when a cooperative society is liquidated.
- Loans and subsidies by government: loans and subsidies to a cooperative society or class of societies may be granted by government by a general or special order from time to time. The loan application shall be made through the registrar.
- Loans and deposits from members and others: a society may accept loans and deposits from its members and others subject to the restrictions and limits of the bylaws of the society. Commercial providers of funds such as banks generally provide credit or loans that are legally secured by collateral.

State aid to cooperatives

State aid to cooperatives has been an important feature of cooperative movement in India following is the forms of state aid.

Legislative aid

The cooperative societies act provides legal protection to the cooperative societies. It also regulates the registration, management, audit, arbitration, etc, of the cooperative societies.

Administrative aid

Each state government has setup a cooperative department headed by the registrar of cooperative societies. The expenditure for this department is met from the allotments in the state budget. The registrar is considered to be a friend, philosopher, and guide. A department of agriculture and cooperative has been set up at the national level to look after the programmes and policies of cooperation.

Financial assistance

- The government provides loans and subsidies to the various types of cooperative institutions for specific purposes such as construction of buildings
- NABARD provides financial accommodation to the cooperative societies for the seasonal agricultural operations etc.

- In the case of Agricultural development bank, the government guarantees the debentures floated by them for the repayment of principal as well as interest thereon.
- The government usually sanctions managerial assistance to the various types of co-operatives.
- The government of India, NABARD and the state governments have created various funds for the benefit of cooperative movement.
- The cooperative societies have been exempted from the payment of income tax, super tax, registration fees and stamp duties.

Moral support

The central and state governments have recognized the cooperative organization as a suitable agency for the activities like supply, procurements and distribution of essential consumer goods.

State partnership

The government is no longer a passive spectator in the cooperative movement merely giving state aid and guidance. It has become an active partner in the cooperative societies by subscribing the shares and thereby undertaking equal risk and responsibilities.

Statutory requirements regarding account keeping

Cooperatives as a statutory body have to maintain certain basic books and registers to record the accounts compulsory under the respective state cooperative societies act and rules. Such books and registers are very common to all types of cooperatives.

Rule 29 of the Kerala cooperative societies rules lays down that every cooperative society shall keep the following account books.

- **Minutes book**
This book is maintained for recording proceedings of committee and of the general body of members.
- **Share application register**
Register of applications of membership, containing the name and address of the applicant, the date of receipt of application, the number of shares applied for and in case of refusal, the date of communication of the decision refusing admission to the applicant.
- **Admission register**
Admission register showing the name and address of each member, the date of admission, the shares taken by him and the amount paid by him

towards such shares and the amount of share capital if any refunded to him together with the date of each such payment and refund.

- **Nomination register**

Nomination registers containing the name and address of the person nominated by a member to succeed to his share or interest in the capital of the society or other money due and the relationship with him.

- **Day book**

This is an important book. All receipts and expenditure should be entered in the book as they occur every day. They should be totaled on the day on which there are transactions and balance struck.

- **Receipt book and voucher file**

Receipt book, containing forms in duplicate, one set as to be issued for money received by the society and the other to serve as counterfoil.

Voucher files, containing all vouchers for contingent expenditure incurred by the society, should be numbered serially and filed chronologically.

- **General ledger and personal ledger**

The object of general ledger is to keep a proper record of the assets and liabilities of the cooperative so as to enable the directors to keep a watch over all kinds of receipts and expenditure and to ascertain the position

Of the bank from time to time

Day book

Day book is the only book of original entry under cooperative account keeping system. The transactions taken place in a cooperative society are recorded then and there in this book. It is one of the very important account books to be maintained by the entire cooperative as per statutory requirement.

Sub-day book/subsidiary day book

Bigger cooperative societies where transactions are voluminous, use sub day book. The totals are entered in the day book at the close of the day.

Kind of day books

- Simple day book
- Columnar cash book

Treatment of transactions in triple column cash book

1. Cash transactions: all cash transactions involve either receipt or payment of money for the value of goods or services rendered.
2. Credit transactions: credit transactions will be split in two and entered on both sides of cash book in the adjustment column.

3. Bank transactions: it covers the receipt and payment of money by cheque. These transactions do not involve actual cash should be entered in the adjustment column on both sides.
4. Suspense accounts/transactions: any amount received or paid by society in an earlier date and the original receipt or voucher may be made at a later date should be kept under an account called suspense account or adjustment account. Broadly these transactions are bought under two heads that is adjusting heads due to or adjusting heads due by.
5. Appropriation: it deals with different heads of account and the amounts set aside out of net profit as per the cooperative societies act, rules and by-laws.
6. Rectification: while making rectification entries, actual cash is not involved. Hence suspense accounts are opened (amounts should be entered only on the adjustment columns).
7. Balancing/closing the day book
Day book is closed every day after closing of the business. Difference or balance between the total payments and grand total forms closing cash balance or cash in hand for the day. Closing balance will be the opening balance for the next day.

Rough cash chitta

The cooperatives, which are exceptionally bigger in size in terms of volume and value of business in a day, are maintaining rough cash chitta. The accounts are reentered in the day book. The purpose of maintaining this chitta is to facilitate the recording of entries in the day book in a classified and consolidated form.

Ledger

A book of main entry where the transactions of a business or institution are classified summarized and balanced and which contains one type of accounts namely personal, real, and nominal accounts

Types

General ledger: contains all the accounts entered in a day book in a classified consolidated form.

Special ledgers: special ledgers are known as subsidiary ledgers. The accounts which require more details are recorded in special ledgers. Such ledgers are more personal in nature.

Receipt and disbursement statement

According to O.R krishnasamy “it is a summary of totals of general ledger accounts for a period, provides a brief summary of all transactions for a period serves as a means for testing the arithmetical accuracy of accounts and forms as a basis for preparation of balance sheet and final account.it is also prepared quarterly, half yearly and annually. The preparation of annual or consolidated statement of receipts and disbursement for a year is a statutory requirement.

Objectives

- To find out arithmetical accuracy of ledger accounts.
- To facilitate the preparation of final account of a cooperative society.

Special features and use of receipts and disbursements account

- The statement is to be prepared as a statutory requirement in cooperatives.
- It is a list of ledger accounts and the progressive totals are shown in it.
- It is prepared every month, quarterly, half yearly and annually.
- It is the basis for the preparation of final accounts and balance sheet.
- It will not incorporate the previous year accounts in terms of settlement either by receipt or payment.
- It will show the opening and closing cash balance or cash in hand.
- It is prepared for a particular period, normally to accounting period of 12 consecutive months.

Trial balance

After checking the postings, totaling and balancing into the general ledger all the closing balances are entered in a sheet separately depending on the nature of balances whether debit or credit. This statement which contains a classified summary or list of all closing balances of the general ledger is known as trial balance.

Features

- Trial balance is prepared for a particular day. That is on the closing day of the accounting year.
- Trail balance incorporates all the required previous year balances.
- Only show closing balance of cash.

Final accounts

For a production and sales society final accounts consist of a) manufacturing account b) trading profit and loss account and c) balance sheet

- **Manufacturing account:** it is an account of total cost covering raw materials and other input costs of production to find out the value of total production for an accounting period
- **Trading account:** this account is prepared to know the results of trading activities.
- **Profit and loss account:** this account is prepared to find out the ultimate business result of a cooperative society. Adjustments should be made with regard to outstanding and prepaid items and depreciation.
- **Profit and loss appropriation account:** the account shows the manner in which the profits are distributed among various items.
- **Balance sheet:** balance sheet is a summary of total assets and liabilities in a definite order on a date.

Treatment of overdue interest

While calculating the profit of cooperative society overdue amount of interest outstanding should be excluded.

Computerized accounting

Computerized accounting is accounting done with the aid of a computer. it tends to involve dedicated accounting software and digital spreadsheets to keep track of a business or clients financial transactions.

Components of computerized accounting software

- Preparation of accounting documents
- Recording of transactions
- Preparation of R&D statements and final accounts

Basic requirements of the computerized accounting system

Accounting framework: it is the application environment of the computerized accounting system.

Operating procedure: a well-conceived and designed operating procedure blended with suitable operating environment of the enterprise is necessary to work with the computerized accounting system.

Advantages of computerized accounting system

- The financial reporting within a society would be faster.
- The accounting function would become more efficient.
- Auditing would be easier.

- The members would get their information in time and semiannual reporting would also be possible without any additional effort.

