



**NATIONAL OPEN UNIVERSITY OF NIGERIA**

**SCHOOL OF MANAGEMENT SCIENCES**

**COURSE CODE: COP 312**

**COURSE TITLE: COOPERATIVE LEGISLATION**

# **COOPERATIVE LEGISLATION**

## **COURSE GUIDE**

**Course Developer: Dr.K.A.Akanni**  
**Olabisi Onabanjo University Ago Iwoye**  
**Ogun State**

**Course Writer: Dr.K.A.Akanni**  
**Olabisi Onabanjo University, Ago Iwoye**  
**Ogun State**

**Course Coordinator: Mr T.O. Ishola**  
**National Open University of Nigeria**  
**School of Management Sciences**  
**Victoria Island ,Lagos. Nigeria**

**Editor: Dr G.I. Oyahiromen**  
**National Open University of Nigeria**  
**School of Management Sciences**  
**Victoria Island ,Lagos. Nigeria**

**Programme Leader: Dr I. Idrisu**  
**National Open University of Nigeria**  
**School of Management Sciences**  
**Victoria Island ,Lagos. Nigeria**

## **INTRODUCTION**

The formation of co-operative societies is not an end in itself but rather a means to an end. Members of the societies should be able to derive certain benefit that are capable of improving the quality of their lives. Good performance of the societies will make members have continued confidence in the activities and leadership of the societies. Members should also be sure that their money /share contributions are safe and are available for use when needed. In the light of this therefore, it is necessary to, from time to time, assess the performance of the co-operative societies by examining their level of compliance with legal provisions that set them up.

The quality and composition of the Management Committees that are charged with the administration of these co-operative societies are equally important to the stakeholders as their success depends on the ways and manners they are managed. The need for proper monitoring and evaluation of the financial transactions and business activities of the societies must be stressed at all times. Who audit their accounts? How often are the accounts audited? What reasons necessitate the auditing processes? What are the procedures for appointing the auditors? There is the need to clarify on these and many more. This unit provided information on these and other interesting aspects.

## **ASSIGNMENT FILE:**

The assignment file will be made available in this file. You will find details of the work you must do to earn the marks. The marks you obtain from these assignments will count towards the final mark you obtain at the end course. Any further information on assignments will be found in the assignment file. Assignments will normally attract 40% of the final grade, while the formal examination attracts 60%, thus giving a total of 100%.

The assignment policy of the University as stated in the Student Handbook should be observed. Application for extension should be submitted to the tutor. If the assignment is posted to the tutor, it is the responsibility of the students to check with his/her tutor to confirm the receipt of such assignment so posted. As a precaution you are advised to keep a copy of each assignment you submit. At the end of every 4 units i.e. at the end of unit 4, 8 and 12 you should turn in answers to the Tutorial Marked Assignment (TMA) questions. You are advised to be very systematic in following the instruction as regards your course of study.

## **Final Examination and Grading**

The final examination on Co-operative Legislation will be a question paper of 2½ – 3 -hour duration weighing 60% of the total marks as earlier stated. All areas of the course will be examined. As a result, it is very important you read through the whole course material as many times as possible as mere

permutation may disappoint you. You might find it useful to review yourself-tests, TMA assignments and comments on them before the period of examinations.

### **Working through this course**

Before you can have a satisfaction of the mind that indeed you have completed this course, you ought to have read through all study units contained therein. In addition, you need read the set of recommended books and other materials provided by the University:- The National Open University of Nigeria (NOUN). Remember that each unit contains self assessment exercises, and at certain points in the course, you are supposed to submit assignments for assessment purpose, especially the TMA assignments. At the end of the course there will be a final examination to test your mastery of the course.

### **Tutor – Marked Assignment (TMA)**

There is Tutor – Marked Assignments in this course. You are strongly advised to attempt and submit all assignments. Each assignment counts towards your total course mark. When you have completed each assignment, send it, together with a TMA form, to your tutor. Make sure that each assignment you turn in reaches your tutor on or before the deadline given. If, for any genuine reason, you cannot complete your work on time, contact your tutor before the

assignment is due to discuss the possibility of an extension for you. Extension will not be granted after the due date unless in exceptional circumstances, backed up with good reasons.

Below are some salient points that could be of help to you, while working through this course:

1. Read the course guide thoroughly.
2. Organize a study schedule. Note the time you are expected or should spend on each unit and how the assignments relate to the units.
3. Once you have created your own study schedule, do everything you can to stick to it. The major reason that students fail is that they get behind their course work.
4. Review the objectives for each study to confirm that you have achieved them. If you feel unsure about any of the objectives, review the study material or consult your tutor.
5. After completing the last unit, review the course and prepare yourself for the final examination.

### **Final Advice**

Organize how to manage your time. Do everything to stick to it. The major reason many students fail is that they take things for granted and delay in taking decisions, only to be rushing unnecessarily towards exam period. If you

get into difficulties with your schedule, do not waste time to let your tutor know before it is too late to help you. When you are confident and satisfied that you have achieved a unit's objectives, you can then move on to the next unit. Proceed, unit by unit, through the course, pacing your studies and making the whole exercise easy for yourself.

Wishing you a happy and enjoyable reading time.

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## **UNIT 1: Nature of and Provisions in the Regulations/Rules of Co-operative Societies**

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### **1.0: Introduction**

Just like any other associations/bodies, the activities of the co-operative societies need to be properly guided and monitored to ensure that the set objectives are achieved. Usually, the regulations/rules guiding the activities of

these societies are clearly stated in the societies' bye-laws. These bye-laws (often referred to as the societies' constitutions) are normally documented and copies given to members at the point of entry into the society. Issues bordering on registration of members, ownership structure, business activities, general meetings, board membership, sanctions/fines, and resignation of members, dividend payment, and shareholding capacities and so on are stated in the regulations/rules of the societies. It is therefore considered very important that members know the rules/regulations guiding the activities of the co-operative societies so that members are duly informed about the running of these societies. It is in the light of this that the learners need to be put through some lessons on the nature of and the provisions in the regulations/rules governing the conduct of co-operative societies in Nigeria.

## **2.0: Objectives**

At the end of this unit, learners should be able to;

- \* Identify the regulations/rules guiding the activities of the co-operative societies;
- \* Know the privileges of registered co-operative members;
- \* Assess the rights and liabilities of co-operative society members as stipulated in the by-laws;
- \* Examine the duties of co-operative society members.

## **3.0: Main Content**

### **3.1: Registration of Co-operative societies**

According to the Co-operative Societies (Amended) Act (2004) in Kenya, a society has the following as its objects;

- a) The promotion of the welfare and economic interests of its members, and
- b) Has incorporated in its by-laws the following co-operative principles;
  - i) Voluntary and open membership
  - ii) Democratic member control
  - iii) Economic participation by members
  - iv) Autonomy and independence
  - v) Education, training and information
  - vi) Co-operation among co-operatives, and
  - vii) Concern for the community in general

A society, under this act, may be registered by the Commissioner as a co-operative society with or without limited liability.

### **3.2: Privileges of Registered Societies**

Upon registration, every society shall become a body corporate by the name under which it is registered, with perpetual succession and a common seal and with power to hold movable and immovable property of every description to enter into contracts, to sue and be sued and to do all things necessary for the purpose of, or in accordance with, its by –laws.

The by-laws of a co-operative society, shall when registered, bind the society and the members thereof to the same extent as if they were signed by each

member and contained covenants on the part of each member for himself and his personal representatives to observe all the provisions of the by-laws.

### **3.3: Rights and Liabilities of Members**

The rules and regulations guiding the activities of the members of the co-operative societies are clearly stated the Act establishing such societies. For instance, in accordance with provision of the Kenya's Co-operative Societies Act (amended) 2004, some of the rights and limitations of members are stated as follows;

i)A person, other than a co-operative society, shall not be qualified for membership of a co-operative society unless:-

- a) He has attained the age of eighteen years,
- b) His employment, occupation or profession falls within the category or description of those for which the co-operative society is formed; and
- c) He is resident within, or occupies land within, the society's area of operation as described in the relevant by-law

ii)No member, other than a co-operative society, shall hold more than one-fifth of the issued and paid-up share capital of any co-operative society

iii)No company incorporated or registered under the Companies Act, or no unincorporated body of persons shall be entitled to become a member of a co-operative society, except with a written authorization through a resolution by a general meeting of that co-operative society.

iv) No member of a co-operative society shall exercise any of the rights of a member unless he has made such payment to the society in respect of membership, or has acquired such interest in the society as may be prescribed under this Act or under the by-laws of the society

v) No person shall be a member of more than one co-operative society with unlimited liability and ,no person shall be a member of more than one co-operative society having the same or similar object; provided that a person who;

i) is a member of a co-operative society ,and

ii)carries on business on land or at premises outside the area of operation of that co-operative society;

may be a member of a co-operative society in whose area of operation that land or those premises are situated, notwithstanding that its objects are the same as or similar those of the first-mentioned society

vi)Each member of a co-operative society shall have one vote only in the affairs of the society, irrespective of the number of shares he holds;

Provided that a co-operative society which is a member of any registered society shall have as many votes as may be prescribed by the by-laws of the co-operative society of which it is a member, and may, subject to such by-laws, appoint any number of its committee members, not exceeding the number of such votes, to exercise its voting power.

vii)A member of a co-operative society shall have the right to;

- a) Attend and participate in decision making at all general meetings of the society and vote;
  - b) Be elected to organs of the society, subject to its by-laws;
  - c) Enjoy the use of all facilities and services of the society subject to the society's by-laws;
  - d) All legitimate information relating to the society, including: internal regulations, registers, minutes of general meetings, supervisory committee reports, annual accounts, inventories and investigation reports, at the society's head office
- viii) A member of a co-operative society shall have the obligation to:
- a) Observe and comply with all the society by-laws and decisions taken by the relevant organs of the co-operative society in accordance with the by-laws of the society;
  - b) Buy and pay up for shares or make any other payments provided for in the by-laws of the society;
  - c) Meet the debts of the society in case of bankruptcy in accordance with the provisions of this Act and the by-laws of the society

### **3.4: Duties of Co-operative societies**

a) Every co-operative society shall have a registered address to which notices and communications may be sent and shall send to the Commissioner notice of every change of address within one month of the change.

b) Every co-operative society shall keep a copy of this Act and of the rules/regulations made there-under and of its own by-laws and a list of its members (excluding details of nominees and shareholdings) at its registered office and shall keep them open for inspection by any person, free of charge, at all reasonable times during business hours.

c) For each financial year, the committee of a co-operative society shall cause to be prepared estimates of the society's income and expenditure including recurrent and capital estimates for approval by the general meeting at least three months before the end of the preceding financial year.

#### **4.0: Conclusion**

In this unit, the learners have been put the various regulations/rules guiding the conduct of co-operative societies in Nigeria. The relevance of these regulations/rules to the attainment of the co-operative objectives was properly discussed. The level of compliance of these societies with the provisions of the regulations/rules was equally explained. It is hoped that after this lesson learners will be properly informed about the nature of and the provisions of the regulations/rules as applied to co-operative societies in Nigeria

#### **5.0: Summary**

The nature of and provisions in the regulations/rules governing the internal organization of co-operative societies has been explained. Adequate information on the content of this unit is expected to provide sufficient knowledge on the basic guidelines governing the conduct of the co-operative societies in Nigeria.

### **6.0: Tutor-Marked Assignment**

a. Clearly explain the nature of and the provision of the regulations/rules guiding the conduct of the internal organization of the co-operative societies in Nigeria.

### **7.0: References/Further Readings**

Adeyeye, S.O. (1978): *The Co-operative Movement in Nigeria-Yesterday, Today and Tomorrow*. Gottingen-Vandenhoech and Ruprecht.

Ajiboso, E.K. (1977): *Co-operative Thrift and Credit Activities in Ilero, Oyo State*. Unpublished B.Sc. Thesis. Department of Agricultural Economics, University of Ibadan, Nigeria.

Akinwumi, J.A. (1985): *Mobilization of Rural Savings Through Co-operative Type (Self-Help) Institutions for Investment in Local Development (Africa)*. A case study of co-operative thrift and credit societies, the co-operative bank and the investment and trust society: ILO Research Report.



## **UNIT 2: Functions of a Director in a co-operative organization**

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3.2: Functions of a Director

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### **1.0: Introduction**

The constitution of the board of directors is very important in the management of co-operative societies. The guidelines for the selection of the board members are usually stipulated in the bye laws governing the conduct of the societies. The selection process needs to be properly followed so that qualified board

members can emerge for the society. The board of directors again have stipulated functions to be performed so as to meet the set objectives of the society. In this unit therefore, we shall be examining the guidelines for the selection of the board of directors. Emphasis is however placed on the functions of the directors in the management of co-operative societies in Nigeria.

## **2.0: Objectives**

At the close of discussions on this unit, learners should;

\*Understand the guidelines for the selection of board of directors of the co-operative societies

\*Know the various functions of the board of directors of the management of co-operative societies as stipulated by the bye-laws of the societies

## **3.0: Main Content**

### **3.1: Qualifications of a Director**

For effective management, a co-operative society must follow some guidelines in selecting directors. The following are some of the important qualifications to consider;

A Director should:

i. Believe in, invest in, and patronize the co-operative;

- ii. Be willing to take the time necessary to attend and participate in all board meetings;
- iii. Be qualified to make decisions in the overall interest of the organization;
- iv. Work well with others as a team and support majority decisions;
- v. Neither expect nor promote special favours for himself, relatives or friends;
- vi. Not discuss with outsiders confidential matters brought up in board meeting;
- vii. Not be influenced by religious, political or other issues unrelated to the business of the co-operatives;
- viii. Be progressive in developing new ideas that will contribute to the success of the organization;
- xi. Willingly submit such ideas for consideration for the collective progress of his society

### **3.2: Functions of a Director**

The functions of Directors are normally set out in the association's bye-laws. In addition the following functions are particularly important;

- a. Become familiar with the articles of incorporation and bye-laws of the co-operative and conduct the business in accordance with their provisions;
- b. Retain a legal adviser who is familiar with co-operative laws for legal advice as needed;

c. Hire a competent manager, determine his salary and outline his duties and authority. The board should give special consideration to the following items when selecting a manager:

i. Age and physical condition

ii. Business experience, integrity and an understanding of the necessary record keeping in a co-operative

iii. Ability to work with people and to select and train employees

iv. Ability to plan ahead and co-ordinate operations

v. A general understanding of co-operatives and their objectives

vi. Determination to follow co-operative principles

d. Adopt policies for the guidance of the manager and make them a part of the minutes. They should include such items as credit to patrons, source and limits of supply inventories, general personnel regulations, etc.

e. Require written monthly financial reports and operating statements for board meetings in order to be informed of adverse as well as favourable operations.

f. Direct the manager to prepare before the close of each year an operating budget for the next fiscal year for the approval of the board. This budget should estimate the volume of sales and gross income of various items to be handled, the expenses by account clarifications, and the expected net income. This constitutes forward planning on the part of the board and management. The budget should be viewed at intervals throughout the year to determine the

trends of the business. Explanations should be found for serious deviations from the budget.

g. Attend regular and special meetings of the board. At times, it may be desirable for boards to devote a part of their meeting to an executive session where only board members are present to permit a completely free discussion.

h. Understand the terms of all contracts into which the co-operative has entered by authority of the board-leases, loan agreements, supply and other contracts, etc.

i. Be sure that any projected expansion programme is definitely needed and that provision is made for adequate financing before giving final approval.

j. The board should maintain an active interest in the amount and condition of inventories and make such inspections as conditions warrant.

k. Employ a qualified auditor to make an independent audit at regular intervals of at least once each year and report directly to the board.

l. Board members should not act independently on matters which should be decided by the entire board.

#### **4.0: Conclusion**

In this unit, learners were taken through explanations on the functions of the board of directors of co-operative societies. This discussion was anchored on the provision of the bye-laws. Deep understanding of these functions will

enable the learners know the various functions expected of the board of directors of the co-operative societies.

### **5.0: Summary**

In-depth information was provided on the guidelines for selecting directors of management boards of co-operative societies. The various functions of the directors as stated by the association's bye laws were fully discussed. Learners may also know other information such as the process of conducting a board of directors meetings.

### **6.0: Tutor-Marked Assignment**

- i. Explain the guidelines for the selection of directors.
- ii. List and fully discuss at least six (6) functions of the board of directors of co-operative societies.

### **7.0: References/Further Readings**

Adeyeye, S.O.(1978):The Co-operative Movement in Nigeria-Yesterday,Today and Tomorrow.Gottingen-Vandenhoech and Ruprecht.

Akinwumi,J.A. (1989):Co-operatives:The answer to Nigeria's Producer-Consumer Dilemma.Faculty Lecture Series.No 2.

Akinwumi,J.A.(1988):Business Management for Co-operative Students and Practising Managers.Department of Agricultural Economics. University of Ibadan.

Ihimodu, I.I. (1988): Co-operative Economics: Concise Analysis in Theory and Applications. Unilorin Press, University of Ilorin, Nigeria

### **UNIT 3: Nature of general meetings in a co-operative society**

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## 7.0: References/Further Readings

### **1.0: Introduction**

Without any prejudice to the provisions of the Delhi Co-operative Societies Rule,1973, every co-operative society is expected to hold a meeting of its general body which shall be styled 'Annual General Meeting' at the intervals and in accordance with the provisions specified below:-

- a) the first annual general meeting shall be held within eighteen months of its registration.
- b) the next annual general meeting shall be held by the society within six months of 15th April following the expiry of the co-operative year in which the first, annual general meeting was held and thereafter an annuals general meeting shall be held within six months after 15th April following the expiry of each co-operative year. (Amended on 18.5.89)
- c) except in the case where in the exercise of his power under section 29, the Registrar has extended the time for holding the annual general meeting by any co-operative society, not more than fifteen months shall lapse between the date of one annuals general meeting and that of the next.
- (d) where a managing committee of the society fails to hold the general body meeting within the prescribed time limit referred to above, the Registrar, shall



call a general body meeting of the society to transact the business as provided under section 29 and the expenditure incurred thereon shall be a charge on the delinquent members of the committee of the society who have failed to conduct the general body meeting of the society within the prescribed time limit. The said amount shall be recoverable as arrears of land revenue from such delinquent members of the committee of the society by the Registrar.  
(Added on 6.8.97)

A requisition for a special general meeting to be convened under section 30 shall state the object of the meeting time and date of the meeting, and shall be signed by the members or the Registrar, as the case may be, and shall be sent to the registered office of the society.

## **2.0: Objectives**

At the end of this unit, learners are expected to

- \*Be able to understand the how quorum is formed for general meetings
- \*Appreciate the powers of Annual General Meetings
- \*Understand how voting is conducted at General meetings
- \*Understand the length and service of notice for calling General Meetings
- \*Understand the relevance and contents of the minutes of general meetings.

## **3.0: Main Content**

3.1: Quorum of a General Meeting

- a. Notwithstanding anything contained in the bye-laws, the quorum for a general meeting shall be one third of the total number of members subsisting as such on the date of notice of the meeting subject to a minimum of ten members.
- b. No business shall be transacted at any general meeting unless there is a quorum at a time where the business of the meeting is due to commerce.
- c. If within one hour from the time appointed for the meeting a quorum is not present, the meeting shall stand adjourned for half an hour on the same day, which should be specified in the notice calling the meeting, but if the meeting is called upon the requisition of the members of the society (not the Registrar) it shall stand dissolved. (Amended on 6.8.97). Provided that at the adjourned meeting, no quorum shall be necessary.
- d. If at any time during the meeting sufficient number of members is not present to form a quorum, the Chairman/President of the meeting, on his own motion or on his attention being drawn to this fact, shall adjourn the meeting at such convenient time. Date and place as he thinks fit. And the business to be transacted at the adjourned meeting shall be transacted in the usual manner even if no quorum is there present.

### **3.2: Powers of Annual General Meeting.**

1. Without prejudice to the provisions of section 29, the general meeting alone shall have the power to transact the following business:-
  - (a) Fixing the maximum credit limit of a co-operative society subject to the approval of the Registrar.
  - (b) Election, suspension and removal of members of the committee other than the nominated members. Provided that an interim vacancy of the committee may be filled up by Co-option by the remaining member of the committee till the election is held.
  - (c) Expulsion of the members.

### **3.3: Voting In General Meeting.**

1. A resolution which is put to the vote of a general meeting shall be decided by a show of hand unless (whether before or after the declaration of the result of the show of hands) a poll is demanded by at least ten members and agreed by the Chairman and if no poll is demanded, a declaration by the Chairman of such meeting that a resolution has been carried or lost and an entry to that effect in the minutes of the proceedings shall, for the purposes of the Act, be conclusive proof of the fact that such resolution has been duly carried or lost but. It shall not be proof of the number or proportion of the votes recorded in favour of or against such resolution.

2. If a poll is demanded, the votes shall be taken in such manner and at such time as the Chairman of the meeting directs subject to any provision in the bye-laws in this behalf, and the result of such poll shall be deemed to be the decision regarding the resolution over which the poll is demanded.
3. Subject to the Rules and the bye-laws, when a poll is taken the\* voting may be by ballot, if the Chairman of the meeting so decides.
4. When a poll is taken the number of members voting for or against a resolution shall be recorded in the minutes of the proceedings.

#### **3.4: Length and service of notice for calling General Meeting.**

1. Annual general meeting of a co-operative society may be called by giving not less than 14 days notice in writing.
2. Special general meeting of a co-operative society may be called by giving not less than seven days notice in writing.
3. Notwithstanding anything contained in the bye-laws, when a general meeting is called under the proviso to sub section (1) of section 29, or in pursuance of sub-section (2) of section 30, the Registrar may determine the period of notice for such meeting, the time and place of

- the meeting and the subject to be considered thereat. Registrar may preside over such meeting or authorize any person to so preside.
4. Notice of every general meeting of a co-operative society shall be given to every member of the society either personally or by sending it by post to him at his registered address in the Union Territory of Delhi, or if he has no registered address in Delhi to the address if any out of Delhi supplied by him to the society for giving notices to him. Where the notice is sent by post, service thereof shall be deemed to be effected after the expiry of forty-eight hours after the letter containing the notice is posted by properly addressing, prepaying and posting it, provided that where a member has intimated to the society in advance that notice of a general meeting should be sent to him by registered post with or without acknowledgement due and has deposited or has given under taking to deposit with the society a sum sufficient to defray the expenses of doing so, the service of the notice shall not be deemed to be effected unless it is sent by registered post.
  5. The accidental omission in the opinion of the Registrar to give notice or a non-receipt of notice by any member shall not invalidate the proceedings at the general meeting.
  6. The notice of an annual general meeting shall be accompanied by a copy each of audited balance-sheet profit and loss account together

with the audit report thereon relating to the preceding year and the report of the committee (Amended on 24.5.82)

### **3.5: Minutes of General Meeting.**

1. Every co-operative society shall cause minutes of proceedings of general meetings to be entered in a book kept for that purpose.
2. Unless the minutes are drawn up and are dully signed by the Chairman immediately on the termination of the meeting, the minutes free from all alterations or corrections, shall be drawn up and shall be signed by the Chairman of the meeting within four working days from the time when the meeting terminated, the minutes so signed shall be evidence of the proceeding of the meeting. (Amended on 24.5.82)
3. Until the contrary is proved, every general meeting of a society in respect of the proceedings whereof minutes have been so recorded shall be deemed to have been duly called and held.

### **4.0: Conclusion**

Different areas of interest bordering on quorum of a general meeting, powers of annual general meeting, voting in general meeting, length and services of notice for calling general meetings and minutes of general meetings have been carefully discussed. Special reference has been made to the provision of the

Delhi Co-operative Societies Rule, 1973. The provision has a global application and acceptability particularly in the developing economies.

### **5.0: Summary**

This unit has treated very germane topics on General Meetings in co-operative societies. Information so acquired is expected to be of immense benefits to the learners, particularly in the management of the co-operatives.

### **6.0: Tutor-Marked Assignment**

- i. Discuss the powers of annual general meetings
- ii. Explain the voting process at general meetings

### **7.0: References/Further Readings**

**The Delhi Co-operative Societies Rule (1973):** Management of Co-operative Societies.

**Owolabi, N.B. and Badmus, M.A. (2003):** *Nigeria Business and Cooperative Law*. Printants Limited.

**Sofowora, M.O. (1999):** *General Principle of Business and Cooperative Law*. Soff Associates. p115

## **UNIT 4: Nature of a management committee in a co-operative society**

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## **1.0: Introduction**

Good management is essential to a successful co-operative society as it enables the society achieve the set objectives. However, quite often, Management committees are put in place to, on behalf of the society, undergo certain responsibilities. Members of these committees are usually people of proven integrity (people of impeccable characters). They are usually professionals in their chosen careers and therefore believed to be able to handle responsibilities for the societies with assured success. This unit therefore makes special reference to the Delhi Co-operative Societies Rule, 1973 for fuller discussions.

## **2.0: Objectives**

At the end of the unit, the learners are expected to

- i. Understand the relevance of management committee in the running of co-operatives
- ii. Explain what could lead to the suppression of management committee

## **3.0: Main Content**

### **3.1: Meetings of the Management Committee.**

1. A committee of a co-operative society shall exercise all the powers of the society, discharge all the duties as may be specified in its bye-laws by means of resolutions passed at its meetings. No resolution shall be passed by circulation.

2. A committee shall meet as often as required but a meeting shall be held at least once in every month, in case of Primary Societies and one in three months in case of Federal Societies and Financing Bank provided that where the committee fails to hold meeting for 3 consecutive months in case of primary Coop. Societies and 9 months in case of Federal Societies and Financing Bank, the Registrar may appoint the Election Officer for conducting the Election of the managing committee of such Primary Society, Federal society or Financing bank (Amended on 24.5.82).
3. Notice of every meeting shall be given to every member of the committee in writing under the signature of the President or Secretary at least 5 days prior to the scheduled date to meeting which must be served either personally or by post under certificate of posting. Where the notice is sent by post services thereof shall be deemed to be effective after the expiry of 48 hours after the letter containing the notice is posted properly, addressing, prepaying, posting it. Provided that where a member has initiated to the society in advance that notice of a committee meeting should be sent to him by Registered post with or without acknowledgement due and has deposited or had given undertaking to deposit with the society a sum sufficient to defray the expenses of doing so, the service of notice shall not be deemed to be effective unless it is sent by Registered Post. However, in

- case of an emergent meeting, the service of such notice of the emergent meeting must be ensured at least 24 hours before the scheduled date and time of the meeting. (Amended on S.9.88)
- 4 If a member of the committee of a society fails to attend its three mandatory meetings (monthly)/ (quarterly) consecutively, he shall be given notice of it by registered post and shall be deemed to have vacated his office and from that date shall cease to be a member of the committee, the vacancy shall be filled by co-option by other members of the committee. (Amended on 6.8.97)
  
  5. Notwithstanding anything contained in the bye-laws of any co-operative society, the committee of a co-operative society shall cause minutes of all proceedings of its meeting to be entered in the book for the purpose in handwritten at the spot in presence of members present and voting. The minutes of each meeting shall contain the names of the members present, names of the members, if any, dissenting from or not concurring in and of its religion. At the end of the minutes each member present and voting shall sign them. If the minutes are not made and recorded in this manner they shall not be considered valid and under such circumstances, it shall be presumed that no meeting was held.

Provided that in case of urban cooperative banks, urban thrift and credit societies and co-operative federations, the proceeding shall be signed by the Chairman of the meeting and shall be confirmed in the next meeting of the committee. (Amended on 6.8.97)

6. Notwithstanding anything contained in the bye-laws of the co-operative society, the quorum for a committee shall be one third of the total number of the members of committee subject to a minimum of three. (Amended on 6.8.97)

### **3.2: Suppression of Committee.**

1. The notice to show cause why the committee of a co-operative society shall not be removed under section 32 shall contain the grounds on which the proposed action is contemplated and shall be addressed to the Chairman/President of the society and sent to him at his last known address, if any, or at the registered address of the society by registered post. The service of the notice shall be complete as soon as the letter containing this notice is posted.
2. As soon as the Registrar under section 32 makes the order removing the committee. All the members of the committee shall be deemed to have vacated their respective offices from the date of the order and shall hand over charge of the assets and liabilities and record of the

society to a person appointed by the registrar or to the Administrator appointed by him.

#### **4.0: Conclusion**

In this unit, learners were taken through discussions on the meetings of the management committees and the causes of suppression of committee. Information so gained enables the learners know the key roles that management committees play in co-operative affairs.

#### **5.0: Summary**

management committees are very important in the running of co-operatives. Members of the committee undertake series of responsibilities on behalf of the society thereby reducing bureaucracy and time wastage.

#### **6.0: Tutor-Marked Assignment**

i. Explain the importance of the management committee in co-operatives

#### **7.0: References/Further Readings**

**Akinwumi, J.A.(1988):**Business Management for Co-operative Students and Practising Managers. Department of Agricultural Economics, University of Ibadan.

**Ihimodu, I.I.(1988):**Co-operative Economics: Concise Analysis in Theory and Applications. Unilorin Press, University of Ilorin, Nigeria

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## **UNIT 5: Roles of Management Committee**

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3.2: Roles of Management Committee

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6.0: Tutor-Marked Assignment

7.0: References/Further Readings

### **1.0: Introduction**

The management committee constitutes a very vital organ in the policy formulation and direction of registered societies generally. Such is the powers and statute of the committee that the general meeting cannot overturn the acts of the committee provided they are within the powers delegated to them. Further, the committee is restricted also by the rules of the society as spelt out by the bye-laws of the co-operative. This is because any act done or purportedly done by the committee which is outside the powers of the society is said to violate the *ultra vires* doctrine as it applies to registered societies.

## **2.0: Objectives**

At the end of this unit, the learners are expected to;

- i. Explain the term 'Management Committee'.
- ii. Identify and discuss the roles of management committee of co-operative societies.

## **3.0: Main Content**

### **3.1: The Management Committees**

Management committee/board members have ultimate responsibility for directing the activity of the organization, ensuring it is well run and delivering the outcomes for which it has been set up. Every management committee/board should provide leadership to the society by:

- Setting the strategic direction to guide and direct the activities of the organization;
- Ensuring the effective management of the organization and its activities; and
- Monitoring the activities of the organization to ensure they are in keeping with the founding principles, objects and values.

### 3.2: Roles of Management Committee:

Management committee members carry out a vital role on behalf of the co-operative society. Their role is not necessarily about doing, it is about ensuring things are done. Usually, the day-to-day management of the organization will be delegated to paid staff or to volunteers, although the management committees of smaller organizations are often much more actively involved. The management committee is the group of people who are held accountable for the activities of the co-operative. It is the ultimate decision-making forum.

Management Committees are also frequently referred to as Boards of Trustees, Governing Bodies, or Executive Committees.

The Management Committee plays an important role in the organization as both leaders and decision-makers. The overall responsibilities of the committee are summarized below:

#### a) Vision and Leadership

The management committee ensures that everything the society does supports its vision, purpose and aims. They establish the fundamental



values, the ethical principles and strategic direction in which the co-operative operates.

b) Accountability

The Management Committee must account for everything the organization does, including its spending and other activities. The Committee is accountable to the membership of the society and other stakeholders such as funders and donors. The Committee monitor's and evaluates all areas of the society's performance.

c) Keeping it Legal

The Management Committee ensures compliance with all relevant legal and regulatory requirements and seeks guidance around any uncertainties. Everything the Committee and the society do must also be in line with the provisions of the bye-laws.

d) Financial Oversight

The Management Committee ensures that all money, property and resources are properly used, managed and accounted for. In order to be accountable, suitable systems must be in place and kept up to date .

e) Managing Staff and Volunteers

In societies that employ staff, the Management Committee is essentially the employer. They must ensure that appropriate policies and in place for staff and for volunteers, ad that both are properly managed ad

supported. The Management Committee, usually represented by the Chairperson, also directly line manage the most senior staff member.

#### **4.0: Conclusion**

This unit discussed the concept of management committee and roles of management committees in co-operative societies. Effective performance of the committee will help to ensure high level of efficiency and robust management portfolio for the co-operatives.

#### **5.0: Summary**

Management committees play vital roles in the running of co-operative societies as they are usually charged with the responsibilities of carrying out certain obligations on behalf of the society. Good committee performance enables the society to achieve the set objectives as provided in the bye-laws.

#### **6.0: Tutor-Marked Assignment**

- i. What do you understand by 'Management Committee'?
- ii. List and discuss the roles of Management Committee in the running of the affairs of co-operative societies

#### **7.0: References/Further Readings**

**Akinwumi, J.A.(1988):**Business Management for Co-operative Students and Practising Managers. Department of Agricultural Economics, University of Ibadan.

**DIY Committee Guide (2005):** Roles of the Management Committee. London.

**Ihimodu, I.I. (1988):** Co-operative Economics: Concise Analysis in Theory and Applications. Unilorin Press, University of Ilorin, Nigeria

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## **UNIT 6: Composition of a management committee**

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3.1.0: Composition of a Management Committee

3.1.1: The Chairperson

3.1.2: The Secretary

3.1.3: The Treasurer

3.1.4: The Vice Chair

4.0: Conclusion

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6.0: Tutor-Marked Assignment

7.0: References/Further Readings

## **1.0: Introduction**

The Co-operative society needs to carry a lot of responsibilities for and on behalf of the members in order to meet their yearnings and aspirations. However, to ensure effectiveness and reduce bureaucracy in the discharge of the responsibilities by the societies to members, it may be imperative to assign some of the responsibilities to appointed/selected officials who will carry out these duties on behalf of the society. Some of these officials include Chairperson, Vice Chair, Secretary and Treasurer. In this unit therefore, learners are put through tutorials on the composition of the management committee.

## **2.0: Objectives**

At the end of the unit, learners are expected to;

\*Understand the composition of the management committee of the co-operative society

\*Appreciate the distinct roles of the key officers of the management committee

## **3.0: Main Content**

### **3.1.0: Composition of a Management Committee**

Management committees comprise the key officers who take certain responsibilities on behalf of the committee. Prominent among these officers are:

- Chairperson
- Vice chair person
- Secretary
- Treasurer

The management committee may need some of its members to take special roles to help it function effectively. These members are described as office-bearers or honorary officers.

Honorary officers generally include chairperson, secretary, and a treasurer. Some societies have additional honorary officers. These may include Vice-Chair, Vice Secretary, Press Officer and so forth. The society's bye-law should indicate how honorary officers are to be elected or selected. It is important to check the bye-law for details and ensure these terms are adhered to. The role of the officers may include taking the lead in preparing for management committee meetings (e.g. agendas, information papers, hiring venues, etc). Unless the management committee has explicitly delegated decision-making powers to the honorary officers, they should act in an advisory capacity and must take care to report their activities fully to the management committee.

The societies should continually check their bye-laws for details of how honorary officers should be selected and elected. All honorary officers should

be clear regarding their functions. Therefore; it is good practice to have written role descriptions.

### 3.1.1: The chairperson

Chairing is a key role on any management committee. The Chairperson ensures that the management committee functions properly, that there is full participation during meetings that all relevant matters are discussed and that effective decisions are made and carried out. The role of a chairperson can be time consuming, involving work between meetings, external representations of the society, and work with staff. The Chairperson usually takes on direct management responsibility for the most senior staff member. Chairing a large society requires diplomatic and leadership skills of a high level.

### **3.1.2: The Secretary**

The role of the Secretary depends on the type and size of the society. In societies without paid staff, the secretary often takes minutes, deals with correspondence and keeps records. In societies with paid staff, these functions are often performed by staff.

### **3.1.3: The Treasurer**

The overall role of the treasurer is to maintain an overview of the co-operative society's financial status and to ensure proper financial records and procedures are maintained. In small charities without paid staff the Treasurer may take a greater role in the day-to-day finances of the organization. It is

important to note that final responsibility for financial matters always rests with the management committee as a whole.

#### **3.1.4: The Vice Chair**

The Vice-Chair acts for the Chair when she/he is not available and undertakes assignments at the request of the Chair. To ensure continuity every society should ensure that that chair has a deputy who can assume their responsibility and is familiar with their work should a sudden absence occur.

#### **4.0: Conclusion**

Officials of the management committee of co-operative society carry out some responsibilities on behalf of the society. This is usually done to ensure effectiveness in the way and manners business and financial activities are conducted for the society. Management committee should therefore ensure that in the appointment/selection of the officials priority should be given to members who have high level of integrity and have records of good performance (pedigree). Learners are therefore expected to find the information so provided in this unit highly resourceful.

#### **5.0: Summary**

The quality of the officials of the management committee of co-operative society often determines the quantum and quality of service delivery of the society to members. Proper attention should therefore be paid to the type of the members

who are selected/appointed as constituent members of the management committee of the society.

### **6.0: Tutor-Marked Assignment**

i. Clearly explain the composition of a management committee of co-operative society

ii. List and discuss the roles of each of these management committee members

### **7.0: References/Further Readings**

Akinwumi, J.A. (1988): Business Management for Co-operative Students and Practising Managers. Department of Agricultural Economics, University of Ibadan.

DIY Committee Guide (2005): Roles of the Management Committee. London.

Ihimodu, I.I. (1988): Co-operative Economics: Concise Analysis in Theory and Applications. Unilorin Press, University of Ilorin, Nigeria

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## **UNIT 7: Functions of the officials of management committee**

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3.1: Key officials of Management Committee

3.2: Functions of officials of Management Committee

4.0: Conclusion

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6.0: Tutor-Marked Assignment

7.0: References/Further Readings

### **1.0: Introduction**

For convenience of administration of the co-operative societies Management Committees are often put in place. Officials of these Committees are selected/elected based on the provision of the bye-laws. The principal members of these committees include the Chairperson, the secretary and the treasurer. The level of seriousness attached to the discharge of responsibilities by each of these officials determines the efficiency of performance of activities of these societies. In this unit therefore, learners are taken through the various functions of the officials of the Management Committees of the co-operative societies.

### **2.0: Objectives**

At the end of this unit the learners are expected to ;

- i. Know the key officials of Management Committees
- ii. Identify the functions of the officials of the Management Committees of co-operative societies.

### **3.0: Main Content**

3.1: Key officials of management Committee

The key officials of the Management Committee of co-operative society are:

- i. Treasurer
- ii. Secretary, and

### iii. The Chairperson

#### 3.2: Functions of the officials of Management Committee

The functions of the officials of Management Committee are discussed as follows:

##### i. The Treasurer

The Treasurer has a watchdog role over all aspects of financial management, working closely with other members of the Management Committee to safeguard the society's finances. It is important to note that although the Treasurer ensures that these responsibilities are met, much of the work may be delegated to a finance sub-committee and paid staff or volunteers.

In summary, the Treasurer is responsible for:

A. General financial oversight

ii. Funding, fundraising and sales

iii. Financial planning and budgeting

iv. Financial reporting

v. Banking, book-keeping and record keeping

vi. Control of fixed assets and stock

Given these responsibilities, the Treasurer typically acts as an information and reference point for the Chair and other committee members: clarifying financial implications of proposals; confirming legal requirements; outlining the current financial status; and retrieving relevant documentation.

##### ii. The Secretary

The role of the secretary is to support the Chair in ensuring the smooth functioning of the Management Committee. In summary, the Secretary is responsible for:

- i. Ensuring meetings are effectively organized and minuted
- ii. Maintaining effective records and administration
- iii. Upholding the legal requirements of governing documents, charity law, company law etc (where relevant)
- iv. Communication and correspondence

It is important to note that although the secretary ensures that these responsibilities are met, much of the work may be delegated to paid staff or volunteers. Given these responsibilities, the secretary often acts as an information and reference point for the Chair and other committee members; clarifying past practices and decisions; confirming legal requirements; and retrieving relevant documentation.

### **iii. The Chairperson**

Chairing is a key role on any voluntary Management Committee. The Chairperson must ensure that the Management Committee functions properly, that there is full participation during meetings, that all relevant matters are discussed and that effective decisions are made and carried out. The role of a chairperson is time consuming, with work between meetings, external

representation of the society and work with staff. Chairing a large society requires diplomatic and leadership skills of a high level.

#### Main duties of the Chairperson

The responsibilities of a Chairperson can be summarized under four areas:

- i. To ensure the Management Committee functions properly

The Chairperson is responsible for making sure that each meeting is planned effectively, concluded according to the constitutions and that matters are dealt with in an orderly, efficient manner. The Chairperson must make the most of all his/her committee members and lead the team. This also involves regularly reviewing the committee's performance and identifying and managing the process for renewal of the Committee through recruitment of new members.

- ii. To ensure the co-operative society is managed effectively

The Chairperson must co-ordinate the Committee to ensure that appropriate policies and procedures are in place for the effective management of the society.

- iii. To provide support and supervision to the chief officer

The Chairperson will often be the direct line manager for the chief officer (the most senior staff member)

- iv. To represent the society as its figurehead

The Chairperson may, from time to time, be called upon to represent the society and sometimes be its spokesperson at, for example, functions or meetings.

#### **4.0: Conclusion**

In this unit, learners have been put through discussions on the key officials of the Management Committee of the co-operative societies. Various functions performed by the officials of the Management Committees were also explained. It is hoped that the learners would have benefitted from this discussion.

#### 5.0: Summary

Functions performed by the officials of the Management Committees are important for effective performance of the co-operative societies. There is therefore the need for the appointment/selection of officials with credible characters so that Management committees can effectively discharge their duties and responsibilities to the advantage of the society and eventually the members.

#### 6.0: Tutor-Marked Assignment

- i. List and discuss the key officials of Management Committees of Co-operative societies
- ii. Discuss the functions of the officials of Management Committees

#### 7.0: References/Further Readings

Akinwumi, J.A. (1988): Business Management for Co-operative Students and Practising Managers. Department of Agricultural Economics, University of Ibadan.

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## **UNIT 8: Delegation of Management Committee functions**

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3.2: Choosing to delegate

3.3: Key points for effective delegation

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6.0: Tutor-Marked Assignment

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### **1.0: Introduction**

Management committees are often saddled with a lot of tasks in their effort to ensuring the achievement of the set objectives for the members of co-operative societies. Some of these tasks and responsibilities need to be given (delegated) to some members considered qualified to carry these tasks on behalf of the management committee. In this unit therefore learners are taken through the process of delegation of responsibilities by the management committees.

### **2.0: Objectives**

At the end of this unit, the learners are expected to be able to

- i. Appreciate reasons for effective delegation of responsibilities
- ii. Examine processes for choosing to delegate responsibilities
- iii. Spotlight key points for effective delegation

### **3.0: Main Content**

#### 3.1: Effective delegation

Delegation is necessary for all of the work of a society to be completed. Except with very small societies, it is not possible for the members of committee/board to do everything necessary for the smooth running of the society. However, it is important to remember that the committee can delegate authority but not responsibility. The committee is ultimately accountable for everything that goes on in a society.



### 3.2: Choosing to Delegate

Roles and responsibilities are delegated when particular areas of activity need to be discussed or developed beyond the context of the management committee meeting. For example:

- New human resource policies need to be developed
- A project needs to be managed and delivered
- Greater financial management is required

The society needs to be represented and make decisions at meetings with funders, suppliers etc

Depending on the nature and size of the role,delegation can be to:

- i.Honorary officers
- ii.A sub-committee or advisory group
- iii.Paid staff or volunteers

### 3.3:Key Points for effective delegation

The following pointers are useful reminders, regardless of who you are delegating to:

- i. Make it legal

Ensure any delegation is in line with your society's governing document and relevant legislation. Your governing document may specify, for example, the remit of honorary officers or sub-committees and the process for their appointment. Legislation will affect how you involve volunteers or recruit and employ paid staff

iv. Make it systematic

Ensure authority for delegation is clearly documented. Specify any limits to, for example, decision-making authority, financial spend and project development, without prior approval of the management committee.

v. Provide proper oversight

Ensure a reporting mechanism is in place. The committee must be careful to read written reports provided and ask relevant questions when verbal reports are being given to ensure that the delegation they have agreed is working effectively, is within the specified parameters, and they ultimately retain control of all delegations

iv. Make it effective

Ensure the people concerned have the skills needed to carry out the task. This can either form part of the selection criteria or be addressed through appropriate training

#### **4.0: Conclusion**

Delegation of responsibilities by management committees of co-operative societies was discussed in this unit. The process of delegation may become necessary in view of the need to ensure high level of efficiency while handling numerous tasks facing the management committees. In this unit therefore, the learners were taken through the discussion on delegation of duties and responsibilities by the committees.

#### **5.0: Summary**

In this unit, learners were tutored on the need for an effective delegation, process of choosing to delegate responsibilities and the key points for ensuring an effective delegation.

### **6.0: Tutor-Marked Assignment**

- i. Discuss reasons for delegation of responsibilities among management committee
- ii. List and explain the key points for effective delegation

### **7.0: References/Further Readings**

**Akinwumi, J.A. (1988):** Business Management for Co-operative Students and Practising Managers. Department of Agricultural Economics, University of Ibadan.

**DIY Committee Guide (2005):** Roles of the Management Committee. London.

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**Sofowora, M.O. (1999):** *General Principle of Business and Cooperative Law*. Soff Associates. p115

## **UNIT 9: Audit Inspection and enquiry committee**

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3.2: Duties and Powers of Auditors

3.3: Audit Inspection and Inquiry Committee

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6.0: Tutor-Marked Assignment

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### **1.0: Introduction**

Basically, co-operative societies are put in place to provide services and goods to members at minimal costs. For the co-operatives to actualize this objective there is the need to reduce the level of fraud and inefficiency in the financial and business transactions of the co-operatives. Hence the needs to constitute the audit inspection and inquiry committee which will regularly scrutinize all the activities of the society. In this unit therefore, discussions shall be centred on audit inspection and inquiry committee of the co-operative societies.

### **2.0: Objectives**

At the end of this unit, learners are expected to be able to;

- i. Define who an auditor is.
- ii. Enumerate and explain the duties and powers of auditors
- iii. Clearly justify the relevance of audit and inquiry committee in the management of co-operatives

### **3.0: Main Content**

3.1: The Auditor

Every registered society must appoint an auditor, who must be a member of a recognised supervisory body and must neither be a member of nor be connected with the management of the registered society (section 36 (1)).

### 3.2: Duties and Powers of Auditors

The statutory duty of an auditor is to report to the members whether the accounts give a true and fair view and have been properly prepared in accordance with the Cooperative Decree 1993. To fulfil this duty, the auditor must carry out such investigations as are necessary to form an opinion as to whether:

- (a) proper accounting records have been kept and proper returns adequate for the auditor have been received from branches;
- (b) the accounts are in agreement with the records; and
- (c) the information given in the directors' report is consistent with the accounts.

If the auditor is satisfied on these matters they need not be mentioned in the report.

The auditor's report must be read before any general meeting at which the accounts are considered and must be open to inspection by members. The auditor may also attend any meeting after resigning at which his successor is appointed and also the meeting at which his office would have expired.

Auditors have wide statutory powers to enable them to obtain whatever information they may require for the purpose of their audit. In particular, they may inspect books and records and call on officers of the registered society for information or explanations. It is a criminal offence for an officer of the society to make a false statement to an auditor if it is misleading, false or deceptive in a material particular and is made knowingly or recklessly (with indifference as to its truth).

### 3.3: Audit Inspection and Inquiry Committee

The financial transactions and business activities of the co-operative societies need to be continually monitored and properly inspected by the management. This is necessary because there is the need to eliminate possible sources of risk and other dangerous transactions that may make it difficult for the co-operatives to achieve the set objectives. To ensure a reliable financial and business transaction for the co-operatives therefore, audit inspection and inquiry committee is put in place. This committee, according to the provision of the bye-law setting up the co-operative, scrutinizes and inspects the financial records and accounts of the co-operative society. The regularity of the exercise is dictated by the bye-law of the co-operative. The report of the committee is eventually made available to the board of directors at the annual general meetings where appropriate decisions are made on the recommendations of the committee.

#### **4.0: Conclusion**

In this unit, learners were taken through tutorials on the definition of an auditor, duties and powers of auditors and audit inspection and inquiry committee. It is believed that information so shared will further sharpen the knowledge of the learners on the subject matter.

#### **5.0: Summary**

Audit and inspection should be occasionally carried out on the co-operative societies to ensure that all the financial and business activities of the society are properly scrutinized. Timely auditing minimizes the cases of fraud and inefficiency in the management of the co-operative societies.

#### **6.0: Tutor-Marked Assignment**

- i. Clearly define the term 'Auditor'
- ii. Enumerate and discuss the duties and powers of auditors

#### **7.0: References/Further Readings**

**Akinwumi, J.A. (1988):** Business Management for Co-operative Students and Practising Managers. Department of Agricultural Economics, University of Ibadan.

**Owolabi, N.B. and Badmus, M.A. (2003):** *Nigeria Business and Cooperative Law*. Printants Limited.



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## **UNIT 10: Procedures for Auditor's appointment**

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### **1.0: Introduction**

The financial and other transactions of the co-operative societies need to be continually inspected. The regularity of this exercise is as dictated in the co-operative's bye laws. Auditing of the co-operative accounts and business transactions could be conducted by internal or external teams. The members of the auditing team must be seen to be above board i.e. they must be people of impeccable character and are not found wanted in any way. In this unit therefore, we want to examine the procedures for the appointment of the auditors.

### **2.0: Objectives**

At the end of this unit, learners should be able to know;

- i) Who auditors are
- ii) The procedure for the appointment of auditors
- iii) What could lead to the termination of appointment of auditors

### **3.0: Main Content**

#### **3.1: Who an Auditor**

Every registered society must appoint an auditor, who must be a member of a recognised supervisory body and must neither be a member of nor be connected with the management of the registered society.

### **3.2: Appointment of Auditors**

The auditor of a newly registered society is appointed by the *management committee* to hold office until the conclusion of the first general meeting at which the accounts are considered. The registered society in general meeting may also appoint an auditor to fill a casual vacancy.

In the ordinary way the *members* appoint the auditor at each general meeting at which the accounts are considered, to hold office until the next of such a meeting, that is to audit and report on the accounts to be prepared for that subsequent meeting. If members fail to appoint an auditor at the general meeting at which the accounts are considered, the registered society must, within seven days of the meeting, give notice to the Director.

The auditor so appointed under the decree holds office from the end of the 28 days period (or the conclusion of the meeting) until the end of the time for appointing auditors for the next financial year.

The auditor who is in office when the election is made remains so until the end of the time for appointing auditors for the next financial year (unless the general meeting decides otherwise). The auditor in office when the election ceases to have effect remains in office until the conclusion of the next general meeting at which accounts are laid. When the election ceases, the auditor remains in office until the conclusion of the next general meeting at which accounts are laid, or until the end of the, time for appointing auditors for the next financial year.

Whoever appoints the auditor has power to fix his remuneration for the period of his appointment. It is usual when the auditor is appointed by the general meeting. Such remuneration must be disclosed in a note to the accounts.

### **3.3: Termination of Auditor's Appointment**

An auditor may be *removed* from office before the expiry of his appointment by passing an ordinary resolution in general meeting.

An auditor may *resign* his appointment by giving notice in writing to the registered society delivered to the registered office. Alternatively, he may simply decline to offer himself for re-election.

In his notice of resignation or on ceasing to hold office for any reason the auditor must deposit at the society's registered office either:

(a) a statement that there are no circumstances connected with his resignation which he considers should be brought to the notice of members or creditors of the company;

(b) a statement disclosing what those circumstances are.

On receiving the auditor's notice of resignation the registered society must send a copy of it to the Director. If the auditor's notice contains a statement of circumstances the society must also send a copy to every person entitled to receive a copy of the accounts.

#### **4.0: Conclusion**

In this unit, learners were taken through the description of the functions of auditors and the procedures for the appointment of auditors for co-operative societies. Reasons that may necessitate the termination of the appointment of auditors were also discussed. Timely invitation of the auditors to inspect the financial and other business transactions of the co-operative societies may just be necessary to prevent the societies from running into avoidable calamities.

#### **5.0: Summary**

The procedures for the appointment of auditors have been well discussed in this unit. Learners should by now be able to understand the functions of the auditors and the procedures for their appointment.

#### **6.0: Tutor-Marked Assignment**

- i) Who is an auditor?
- ii) What roles do auditors perform?
- iii) Discuss the procedures for the appointment of auditors

iv) Justify the termination, if necessary, of the appointment of auditors

#### **7.0: References/Further Readings**

**Akinwumi, J.A.(1988):**Business Management for Co-operative Students and Practising Managers. Department of Agricultural Economics, University of Ibadan.

**Ihimodu, I.I.(1988):**Co-operative Economics: Concise Analysis in Theory and Applications. Unilorin Press, University of Ilorin, Nigeria

**Owolabi, N.B. and Badmus, M.A. (2003):** *Nigeria Business and Cooperative Law*. Printants Limited.

**Sofowora, M.O. (1999):** *General Principle of Business and Cooperative Law*. Soff Associates. p115

## **UNIT 11: Functions and Powers of Auditors**

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- 1.0: Introduction
- 2.0: Objectives
- 3.0: Main Content
  - 3.1: Functions and Powers of Auditors
  - 3.2: Types of Auditors
- 4.0: Conclusion
- 5.0: Summary
- 6.0: Tutor-Marked Assignment
- 7.0: References/Further Readings

#### **1.0: Introduction**

As part of internal financial control measures, the co-operative societies may invite the services of auditors.

The functions and powers of the auditors are clearly stated in the bye-laws of the society. Details on the limits and mandates of the auditor in the course of exercising his duties are clearly spelt out. The right to society's records, receipts of business transactions and other sensitive documents of the society are clearly stated. The auditor may even invite any member of staff, present or past, who is considered capable of providing useful information in the course of performing his functions. The power to package the reports and make



recommendations to the management of the co-operative society is also included. All these information are well tutored to the learners in this unit for their proper understanding.

## **2.0: Objectives**

At the end of this unit, the learners are expected to;

\*Know the meaning of auditing in co-operative studies;

\* Identify the types of auditors in the internal financial management of the  
Co-operative societies;

\*Know the various functions and powers of the auditors

## **3.0: Main Content**

### **3.1: Functions and powers of auditors**

The statutory function of an auditor is to report to the members whether the accounts give a true and fair view and have been properly prepared in accordance with the Cooperative Decree 1993. To fulfil this duty, the auditor must carry out such investigations as are necessary to form an opinion as to whether:

(a) proper accounting records have been kept and proper returns adequate for the auditor have been received from branches;

(b) the accounts are in agreement with the records; and

(c) the information given in the directors' report is consistent with the accounts.

If the auditor is satisfied on these matters they need not be mentioned in the report. The auditor's report must be read before any general meeting at which the accounts are considered and must be open to inspection by members. The auditor may also attend any meeting after resigning at which his successor is appointed and also the meeting at which his office would have expired.

Auditors have wide statutory powers to enable them to obtain whatever information they may require for the purpose of their audit. In particular, they may inspect books and records and call on officers of the registered society for information or explanations. It is a criminal offence for an officer of the society to make a false statement to an auditor if it is misleading, false or deceptive in a material particular and is made knowingly or recklessly (with indifference as to its truth). It should be noted that a complete and accurate accounting system is vital for effective management of co-operative societies. It must produce several financial statements that are needed in planning and controlling, such as;

- a) Monthly and annual balance sheets and operating statements
- b) Functional or enterprise accounts pertaining to departments or specific lines of business, and
- c) Special accounts such as patronage records accounts receivable, members equity and patron financing.

### **3.2: Types of Auditors**

An independent auditor is periodically invited to verify the accuracy of co-operative's business records. This is especially useful to directors in performing their controlling and performing functions. It helps the board determine the extent to which the manager has followed financial policies and evaluate how the co-operative is accomplishing its basic objectives. The external audit is primarily a board tool. Larger co-operatives also use internal audit reports. The internal auditor's primary duty is to monitor the co-operative's accounting policy. The auditor checks the cost of prescribed procedures, including their effect on patrons and personnel, and suggests ways to prevent errors. Usually, the auditor reports to the chief controlling officer, but sometimes to the general manager or even to the board of directors. Internal audits are primarily manager tools.

### **4.0: Conclusion**

Here, the importance of the auditor in the internal financial management of the co-operative societies has been stressed. Types of auditors have been identified. Various functions and powers of the auditor have been also been discussed. Basically, independent auditors are invited to verify the accuracy of co-operative's business records. These reports are usually found useful by the board of directors.

### **5.0: Summary**

Auditor's reports are of immense importance to the board of directors in arriving at accurate decisions on the financial positions of the co-operative societies. Periodic invitation of the auditors to investigate the financial positions of the co-operative societies is very germane.

### **6.0: Tutor-Marked Assignment**

- i. Identify and discuss the types of auditors.
- ii. Clearly explain the functions and powers of the auditors in the management of co-operative societies.

### **7.0: References/Further Readings**

**Kennedy.(1983):**Economic Theory of co-operative enterprises. The Plunkett Foundation for co-operative studies.Oxford,UK.

**Samuel,A.O. (1987):**A critical Assessment of Co-operatives Thrift and Credit Societies as a source of funds to cocoa farmers in Ekiti-East local government area,Ondo state. Unpublished B.Sc.Thesis.Department of Agricultural Economics, University of Ibadan, Nigeria.

## **UNIT 12: Inquiry and inspection of co-operatives**

### **TABLE OF CONTENTS**

- 1.0: Introduction
- 2.0: Objectives
- 3.0: Main Content
  - 3.1: Inquiry by Commissioner
  - 3.2: Inspection of Books of indebted Society
  - 3.3: Expenses of Inquiry
  - 3.4: Procedure for Dissolution
- 4.0: Conclusion
- 5.0: Summary
- 6.0: Tutor-Marked Assignment
- 7.0: References/Further Readings

#### **1.0: Introduction**

In order for the co-operative society to meet its obligations to members there is the need to continually show interest in the financial transactions and business activities of the co-operative. Hence, inquiry and inspection of the co-operative is necessary. It affords the co-operative the opportunity to detect all areas of risks that are capable of causing failure for the co-operative in meeting

the set objectives. In this unit therefore, learners are taken through inquiry and inspection of co-operative.

## **2.0: Objectives**

At the end of the unit the learners should be able to;

- \*Describe how inquiry and inspection commences
- \*Explain the expenses of inquiry
- \*Discuss the procedure for dissolution of co-operative

## **3.0: Main Content**

### **3.1: Inquiry by Commissioner**

a. The Commissioner may, of his own accord, and shall on the direction of the Minister, or on the application of not less than one-third of the members present and voting at a meeting of the society which has been duly advertised, hold an inquiry or direct some person authorized by him writing to hold an inquiry, into the by-laws, working and financial conditions of any co-operative society.

b. All officers and members of the co-operative society shall produce such cash, accounts, books, documents and securities of the society, and furnish such information in regard to the affairs of the society, as the person holding the inquiry may require.

c. The commissioner shall report the findings of his inquiry at a general meeting of the society and shall give directions for the implementation of the recommendation of the inquiry report.

d. Where the commissioner is satisfied, after due inquiry, that the committee of a co-operative society is not performing its duties properly, he may:-

i. dissolve the committee, and

ii. Cause to be appointed an interim committee consisting not more than five members from among the members of the society for a period not exceeding ninety days.

### **3.2: Inspection of Books of indebted Society**

The commissioner may, if he thinks fit, on the application of a creditor of a co-operative society, inspect, or direct any person authorized by him in writing to inspect, the books of the society, if:-

i. the creditor satisfies the commissioner that the debt is a sum then due, and that he has demanded payment thereof and has not received satisfaction within a reasonable time; and

ii. the applicant deposits with the commissioner such sum as security for the expenses of the inspection as the commissioner may require.

### **3.3: Expenses of Inquiry**

It is noted that where an inquiry is or an inspection is made under section 59 of the co-operative society act, the commissioner may, by a certificate under his

hand, make an order apportioning the expenses, or such part of the expenses as he considers proper, between the society, the members or creditor demanding the inquiry or inspection, and the officers or former officers of the society; and the decision of the commissioner thereon shall be final.

It is added that any sum awarded by way of expenses under sub-section (1) of the co-operative society act shall be a civil debt recoverable summarily on production of the certificate referred to in that sub-section.

Notwithstanding the provisions of sections 58 and 59 of the co-operative society act of Kenya, the commissioner may from time to time carry out impromptu inspection into the affairs of a co-operative society

### **3.4: Procedure for Dissolution**

i. If the commissioner, after holding an inquiry under section 58 of the Co-operative society act, or making an inspection under section 59 of this act, or receiving an application made by at least three fourths (75%) of the members of a co-operative society, is of the opinion that the society ought to be dissolved, he may, in writing, order the dissolution of the society and subsequently cancellation of registration.

ii. Any member of a co-operative society who feels aggrieved by an order under sub-section (1) of the co-operative society act may, within two months after the making of such order, appeal against the order to the Minister with a final appeal to the High Court.



iii. Where no appeal is filed within the prescribed time, the order shall take effect on the expiry of that period, but where an appeal is filed within the prescribed time the order shall not take effect unless it is confirmed by the Minister or by the High Court as the case may be.

iv. Where the commissioner makes an order under subsection(1) of the co-operative society act, he shall make such further order as he thinks fit for the custody of the books and documents and the protection of the assets of the society.

v. No co-operative society shall be dissolved or wound up save by an order of the commissioner

#### **4.0: Conclusion**

This unit had extensively discussed inquiry and inspection of co-operative societies. The provisions of the co-operative societies act (as amended) of Kenya (2004) were used as a reference point. Learners should have been properly informed about the necessary condition for the inquiry and inspection, expenses of the inquiry process and the procedure for dissolution of co-operative societies, among others.

#### **5.0: Summary**

Issues that give birth to inquiry and inspection of co-operatives have been discussed. The inspection of books of indebted society, expenses of inquiry

process and the procedure for dissolution of co-operative society were discussed. Information shared is expected to increase the understanding of the learners about co-operative management in developing economies.

### **6.0: Tutor-Marked Assignment**

- i. Discuss the circumstances that necessitate the setting up of inquiry and inspection of a co-operative society
- ii. Explain the procedure for the dissolution of co-operative societies.

### **7.0: References/Further Readings**

**The Co-operative Societies Act of Kenya (2004)** Amended.No 12 of 1997 as Amended in 2004.

**Adeyeye,S.O.(1978):**The Co-operative Movement in Nigeria-Yesterday,Today and Tomorrow.Gottingen-Vandenhoech and Ruprecht.

## **UNIT 13: Distribution and uses of net surplus in a co-operative society**

### **TABLE OF CONTENTS**

1.0: Introduction

2.0: Objectives

3.0: Main Content

3.1: Declaration and Payment of Bonus

3.2: Distribution of Net Surplus in a co-operative society

3.3: Maintenance of Reserve Funds

4.0: Conclusion

5.0: Summary

6.0: Tutor-Marked Assignment

7.0: References/Further Readings

### **1.0: Introduction**

Most co-operative societies, in an effort to meet their obligations to members, venture into series of business activities .These activities may include but not limited to, crop production, marketing, animal husbandry, construction, service delivery and etc. There could be net surpluses after sharing the dividend of profits to members at the end of business year. This net surplus should be distributed according to the provision of the by-laws of the societies and not indiscriminately shared out. Proper distribution of the net surplus (in the context of the provision of the society's by-law) will help the society meet its

obligations to members. In this unit therefore, learners are taken through the ways co-operative societies distribute their net surpluses in accordance with the provision of the by-laws.

## **2.0: Objectives**

At the end of this unit, learners should;

\*Understand the concept of declaration and payment of bonuses of co-operative societies

\*Be able to explain the ways net surpluses are distributed in co-operative societies

## **3.0: Main Content**

### **3.1: Declaration and Payment of Bonus**

i) The provisions of the by-laws usually indicate that every co-operative society shall declare each year all the bonuses due to members. But where the bonuses are required for re-investment by the society for capital development, or for the redemption of bonus certificates, the society shall issue bonus certificates to its members in lieu of cash payments, redeemable from a revolving fund established by the society for that purpose

ii) No co-operative society shall pay a dividend, bonus, or distribute any part of its accumulated fund without a balance sheet and audited account and report disclosing the surplus funds out of which the dividend, bonus or distribution is to be made.

### **3.2: Distribution of net surplus in a co-operative society**

Generally, the distribution of a co-operative's surplus is determined by laws. Surplus is determined at the close of a co-operative's fiscal year or as prescribed by its bye-laws. A co-operative's surplus is not profit in the usual sense of the word. This excess payment or surplus is considered as having been returned to the members if the surplus is distributed in the following manner:

- a) Priority goes generally to the reserve fund at least 10 % of the net surplus. The reserve fund is meant to stabilize co-operative operations and may be used only for investments allowed by the code.
- b) Priority goes to education and training, which is generally not more than 10% of the net surplus.
- c) Priority is an optional fund, a land and building fund, community development fund and any other necessary funds. After all, these have been allocated, the remainder is available to the general membership in the form of interest on his investment and patronage refund. Nevertheless, interest in share capital should exceed normal rate of return on interest.

### **3.3: Maintenance of Reserve Fund**

According to the provision of the Co-operative Societies Act of Kenya (amended) 2004, every co-operative society which does or can derive surplus from its transactions shall maintain a reserve fund.

A co-operative society may carry to the reserve fund such portion of the net surplus in each year as may be prescribed by rules under this Act or by the by-laws of the society.

The reserve fund shall be invested in the manner provided for in the by-laws.

Again, the reserve fund set up under the provision of the by-laws shall be indivisible and no member shall be entitled to claim a specific share of it.

Finally, upon dissolution of a co-operative society, the assets represented by the reserve fund shall be applied in the discharge of the liabilities of the society.

#### **4.0: Conclusion**

In this unit, learners have been taken through instructions on the declaration and payment of bonuses and distribution of net surplus in a co-operative society. The approach of the societies to maintaining the reserve funds was also discussed. It is hoped that information so shared in this unit will be of benefits to the learners

#### **5.0: Summary**

The net surplus of co-operative societies need to be properly distributed so that the return on investment and capital turn- over could further bring increased yield to the societies' investment portfolio year after year.

#### **6.0 :Tutor-Marked Assignment**

i. Discuss how the net surplus of co-operative societies is usually distributed

ii. How is the reserve fund of co-operative societies maintained?

### **7.0: References/Further Readings**

**The Co-operative Societies Act of Kenya (2004)** Amended. No 12 of 1997 as Amended in 2004.

**Adeyeye, S.O. (1978):** The Co-operative Movement in Nigeria-Yesterday, Today and Tomorrow. Gottingen-Vandenhoech and Ruprecht.

## **UNIT 14: Dividend Payment and Interest on shares of co-operative societies**

### **Table of Contents**

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- 3.0 Main Content
  - 3.1 Payment of Dividends and interest on shares
  - 3.2 Distributable Profits
  - 3.3 Dividends of Registered Societies
  - 3.4 Relevant Accounts
  - 3.5 Infringement of Dividend Rules
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor Marked Assignment
- 7.0 References and Further Readings

### **1.0 INTRODUCTION**

This unit discusses Payment of Dividends and interest on shares; Distributable Profits; Dividends of Registered Societies; Relevant Accounts and Infringement of Dividend Rules.

### **2.0 OBJECTIVES**

At the end of this unit, learners should be able to:



\*Understand how payment of dividend is done and interest on shares are distributed

\*Value the assets of co-operative societies

### **3.0 MAIN CONTENT**

#### **3.1 Payment of Dividends and interest on shares**

Dividends may only be paid by a registered society out of profits available for the purpose: there is now a detailed code of rules which determines what are distributable profits. This law previously applied to the rules of registered societies. There are special rules for investment of registered society fund.

The power to declare a dividend is given by the bye-laws which usually follow the provisions of the Cooperative Act of 1993:

(a) The registered society in general meeting may declare dividends but no dividend may exceed the amount recommended by the directors who have an implied power in their discretion to set aside profits as reserves to be used in the business of the registered society or outside it in making investments.

(b) The directors may declare such interim dividends as they consider justified.

(c) Dividends are normally declared payable on the paid up amount of share capital. For example, a share which is fully paid will carry entitlement to twice as much dividend as a share 50 kobo paid:

(d) A dividend may be paid otherwise than in cash.

(e) Dividends may be paid by cheque or warrant sent through the post to the shareholders at his registered address. If shares are held jointly payment of dividend is made to the first-named joint holder on the register.

A shareholder is not entitled to a dividend unless it is declared in accordance with the procedure prescribed by the bye-laws and the declared date for payment has arrived. *A dividend is a debt only when it is declared and due for payment.* The directors (as they have power at their discretion to make transfers to reserves) may decide to withhold profits and cannot be compelled to recommend a dividend (not to declare an interim dividend).

### **3.2 Distributable Profits**

The profits which may be distributed as dividend are:

'accumulated realised profits, so far as not previously utilised by distribution or capitalization less accumulated realised losses, so far as not previously written off in a reduction or reorganization of capital duly made'.

The word 'accumulated' requires that any losses of previous years must be included in reckoning the current distributable surplus. A profit or loss is deemed to be *realised* if the profit or loss falls to be treated as realised in accordance with generally accepted accounting principles at the time the accounts are prepared. Hence, accounting standards in issue, plus generally

accepted accounting principles (GAAP), should both be taken into account when determining realised profits and losses.

(a) only profits realised at the balance sheet date shall be included in the profit and loss account, and

(b) losses which have arisen, or are likely to arise, in respect of the current accounting period and any previous accounting period should be taken into account. In addition, losses which arise between the balance sheet date and the date that accounts are signed should also be taken into account.

### **3.3: Valuation of Assets**

In so far as depreciation relates to the historical cost of the asset, it must be treated as a realised loss, and debited against profit, in determining the amount of distributable profit remaining. But if the asset has been revalued any increased depreciation provision related to the increase in value of the asset may be treated as a profit.

An example may help. Suppose that an asset purchased for N20,000 has a 10 year life. Provision is made for depreciation on a straight line basis so the annual depreciation charge of N2,000 must be deducted in reckoning the company's realised profit less realised loss. Suppose now that after five years the asset is re-valued to N50,000 and in consequence the annual depreciation charge is raised to N10,000 (over each of the five remaining years of the asset's life). The effect of s. 275 is that N8,000 of this amount may be reclassified as a realised profit. The net effect is that realised profits are reduced by only N2,000 in respect of depreciation, as before.

If, on a general revaluation of all fixed assets (or all except goodwill), it appears that there is a diminution in value of any one or more assets, than any related provision(s) need not be treated as a realised loss. Such a revaluation need not be recorded in the financial statements but need only be considered. However, a note must be inserted in the accounts to the effect that the directors have considered the value of the fixed assets of the company without actually revaluing all those assets and that they are satisfied that the aggregate value of those assets at the time was no less than their aggregate book value.

If there is no record of the original cost of an asset the directors may use whatever is the earliest available record of its value. If it is uncertain whether a profit or loss of any previous year was realised or unrealised they may treat any such profit as realised and any such loss as unrealised.

If a company shows development expenditure as an asset in its accounts it must usually be treated as a realised loss.

### **3.4: Relevant Accounts**

The question whether a company has profits from which to pay a dividend is determined by reference to its „relevant accounts“ which are generally the latest audited annual accounts. Relevant accounts must be properly prepared in accordance with the requirements of the General Accounting Practice. If the auditor has qualified his report on the accounts he must also state in writing whether, in his opinion, the subject matter of his qualification (if it relates to statutory accounting requirements) is material in determining whether the dividend may be paid.

A registered society may produce *interim accounts* if the latest annual accounts do not disclose a sufficient distributable profit to cover the proposed dividend. It may also produce *initial accounts* if it proposes to pay a dividend during its first accounting reference period or before its first accounts are laid before the company in general meeting. These accounts may be unaudited.

### **3.5: Infringement of Dividend Rules**

If a dividend is paid otherwise than out of distributable profits the society, the directors and the shareholders may be involved in making good the unlawful distribution.

Any member of the registered society may apply to the court for an injunction to restrain the company from paying an unlawful dividend. A resolution passed in general meeting to approve it is invalid and it does not relieve the directors of their liability.

The Registered Society Management Committee is entitled to recover an unlawful distribution from its members if at the time of receipt they knew or had reasonable grounds for knowing that it was unlawful. If only part of the dividend is unlawful, if it exceeds the distributable profits by a margin, it is only the excess which is recoverable. If a member knowingly receives an improperly paid dividend a derivative action cannot be brought by him against the directors.

The initiative in payment of dividends rests with the management team since it is they who either recommend to members in general meeting that a dividend should be declared or they declare interim dividends (if authorised to do so). Moreover the accounts sent to shareholders are prepared by or under the supervision of management team and are approved and signed by them. Accordingly the management team are liable to make good to the society the amount unlawfully distributed as dividend if they caused an unlawful dividend to be paid in any of the following ways:

#### **4.0 CONCLUSION**

The reward expected by shareholders for investing in share capital is a dividend. This unit has demonstrated the various rules which have been evolved to ensure that dividends are only paid out of profits available for the purpose. Together they comprise additional safeguards for the maintenance of capital.

## **5.0 SUMMARY**

In this unit, we have discussed:

\*Payment of dividends and interest on shares

\*Distributable profits;

\*Dividends of registered societies;

\*Relevant accounts and

\*Infringement of dividend

## **6.0 TUTOR- MARKED ASSIGNMENT**

1. What are the rules governing distribution of profits and payment of dividends in a registered society?

2. Describe the relevant accounts of a registered society and list the penalties for infringement of dividend rules.

## **7.0 REFERENCES AND FURTHER READINGS**

Akintunde, E.(2005). Corporation Law. Emiola Publishers.

Cap 90 of the 1990 Laws of the Federation



Owolabi, N.B. and Badmus, M.A. (2003). *Nigeria Business and Cooperative Law*. Printants Limited.

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## **UNIT 15: National Policy on Agricultural Co-operatives**

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3.0: Main Content

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3.2: Types of Agricultural Co-operatives

3.3: Contributions of Agricultural Co-operatives to Nigerian Economic Development

3.4: Roles of Government in Co-operative Development

3.5: National Policy on Agricultural Co-operatives

4.0: Conclusion

5.0: Summary

6.0: Tutor-Marked Assignment

7.0: References/Further Readings

### **1.0: Introduction**

Agricultural co-operatives are special co-operative societies found in the agricultural sector. By nature, they are rural rather than urban-based. They deal in all types of agricultural and related activities like the production of crops, marketing of agricultural produce, processing, lumbering and so on. The first initiatives into co-operative idea in Nigeria had their origin in the

agricultural sector like the Agege Planters Unions, Egba Farmers Association and the Ibadan Agricultural Society which were formed in the cocoa growing areas. There have been different policies by Nigerian government on these co-operative societies over time. The policy statements by government had produced many effects on the success levels of the societies. This unit is therefore set to examine some of the policy positions of the Nigerian government on the agricultural co-operatives over the years.

## **2.0: Objectives**

At the end learners are expected to;

- i. Understand the need for Agricultural Co-operatives
- ii. Identify the various forms of Agricultural Co-operatives
- iii. Assess the contributions of Agricultural Co-operatives to Nigerian economic development
- iv. Examine the national policy on agricultural co-operatives

## **3.0: Main Content**

### 3.1: The need for agricultural co-operatives

Agricultural co-operatives are organized by farmers to help them solve their problems collectively instead of attempting to do so individually or looking up to the government or other agencies for such solutions. Some of the specific solutions provided by agricultural co-operatives for the farmers include the following:

a) Protecting members from the exploitation of middle-men. This is achieved by such societies as co-operative credit and marketing societies, group farming societies, etc. Engaging directly in the marketing of the agricultural products themselves. The surplus that is made from such ventures is ploughed back into the society.

b) To take advantage of economies of scale in production, processing and marketing of agricultural products. The fact that a group farm is necessarily larger than what individual members may own due to the use of machines and other modern techniques means that scale economies can be explored. The bulk purchase of inputs and the ability to raise capital from financial institutions are some of the elements of economics of scale. There is also large scale marketing of member's products while storage facilities, transportation and marketing costs can be significantly reduced when crops are marketed in bulk.

c) Assist in the acquisition of agricultural inputs including machinery, seeds, chemicals, etc, for members. One of the major problems of small farmers is the inability to obtain agricultural inputs for their operations. These include machinery (purchase or hired), chemicals, seeds etc. However, by a group of farmers forming a co-operative, the inputs can be purchased jointly through the society's resources. In addition, the inputs can be supplied to the society by governments or big suppliers, and sometimes on credit basis.

d) Help mobilizing resources within the society for agricultural operation or obtain credit for both production and consumption from the financial institutions for members. Co-operatives have played some important roles in obtaining loans for their members from the banks and government agencies. The societies are able to provide collateral securities (or certificates) which individuals are unable to provide for such loans.

e) Help in the training and education of members in modern agricultural practices and use of inputs. Agricultural co-operatives are useful in the dissemination of information about modern practices in agriculture. This is done during the regular meetings as well as being demonstrated on the group farms.

f) To provide essential manufactured goods for farmers in the rural areas. These can be obtained through the village co-operative shops or multi-purpose co-operatives in the rural areas. These commodities include food items, detergents, sugar, cooking utensils and so on.

### **3.2: Types of agricultural co-operatives**

The cooperative law divides cooperative societies into the following:

- (i) Primary Cooperative Society;
- (ii) Secondary Cooperative Organisation;
- (iii) Central Financing Society;
- (iv) Central Society; and
- (v) Apex Cooperative Society

### **i. Primary Cooperative Society:**

This is a cooperative organisation whose membership is made up of at least ten persons. It is the commonest type of cooperative society as it can be found all over the state including the urban and rural areas.

It is formed by people with common interest either as residents of a particular area, or trader in a particular commodity etc. It must have at least ten (10) persons and such persons must have individually satisfied the provision of Section 24, which state expressly that

*"no person must be a member of more than one registered society whose primary objective is to grant loans to its members, except such a person has been given prior consent to do so by the registered society concerned".*

### **ii. Secondary Cooperative Organisation:**

This refers to a cooperative organisation whose membership is made up of primary cooperative societies. Each of the above type of cooperative societies can either have its liability limited or unlimited, but in practice, one will find out that most cooperative societies are limited liability.

### **iii. Central Financing Society:**

This is a registered society of which the principal object is to make loans available to other registered societies.

#### **iv. Central Society:**

This is a registered society established to facilitate the operations of registered societies in accordance with cooperative principles and includes a central financing society. However, this type of society can only be registered under the Cooperative Law if it has at least two registered societies as its members.

#### **v. Apex Cooperative Society:**

This is a cooperative organisation whose membership is made up of secondary cooperative societies.

### **3.3: Contributions of agricultural co-operatives to Nigerian economic development.**

Agricultural co-operatives have made substantial contributions to the development of the Nigerian economy. The areas where the contributions have been manifested include food and raw material production, marketing of agricultural products, processing of crops, storage facilities etc. The following are some of the contributions of agricultural co-operatives to the Nigerian economy:

#### **a) Agricultural Production**

Several co-operative societies engage in the production of both food and cash crops. The group farming societies (GFS) and other single crop societies

specialise in the production of crops. While the GFS engage in producing many crops the latter grow only the crops after which they were named.

#### b) Agricultural Marketing

In many parts of Nigeria, agricultural marketing co-operatives had dominated not only the agricultural co-operative sector but the co-operatives as a whole. Such areas are those where cash crops like cocoa, palm produce, groundnuts, etc, are grown. The co-operatives acted as the main outlet for farmers' produce. Some of the societies incorporated granting of credit to members/farmers in order to ensure delivery to the co-operative depots.

#### c) Agricultural Processing

Processing of crops is an advanced stage of agricultural production. Due to the relatively more capital intensive nature of this activity, not every producer can engage in it. Therefore, large farmers, companies and even governments are prominent in the business. Today, some agricultural co-operatives have ventured into crop processing in different parts of the country and they have added to the success stories of co-operatives in the economic development of the nation.

#### d) Crop Storage

Post harvest losses due to lack of, or inadequate storage facilities are said to be substantial in the Nigerian economy. Estimates of such losses had been put at as high as 20 % to 30 % of the harvest. Efforts at building storage facilities can be made at the individual farmer's level, government and other agencies.



Agricultural co-operatives also played very considerable role in the building of various types of storage facilities. The Co-operative Credit and Marketing Society/Co-operative Credit and Marketing Societies usually build stores where their crops are kept while the unions have much larger warehouses for storing produce. Many group farmers' societies provide storage facilities for their harvested crops.

### **3.4: Roles of government in co-operative development**

Various Nigerian governments, since the introduction of modern co-operative organization in 1935, have been encouraging the growth and development of the organization. The roles of government in co-operative development in Nigeria are manifested in the following ways;

#### a) Legislation

Governments have provided the guidelines through enactment of laws for the co-operative organizations. State government also provide the guidelines and facilities for registration and monitoring of co-operative societies within the state.

#### b) Administration and Supervision

Government provides the administrative set up for the co-operative organization through the appointment of co-operative registrars and their subordinates who administer the societies. After the successful establishment of co-operative societies, government officials, namely co-operative officers,

inspectors and auditors carry out inspection and auditing of the societies from time to time.

c) Technical Assistance

This takes the form of providing experts in financial matters (accounting, auditing, etc). Governments may also help in providing the services of technicians or engineers when considered necessary.

c) Financial Assistance

Government provides financial assistance either in form of grants and/or loans to acquire initial capital equipment like building, machineries etc. Grants may be used for training co-operative staff and payment of staff salaries especially at initial stage of the organization. Loans are used to procure infrastructures, payment of salaries, purchase of equipment and raw materials.

e) Governments assist in educating members of co-operatives through the establishment of institutions for the training of co-operative officials. Examples include the establishment of three (3) Federal Co-operative Colleges. Some Polytechnics and Colleges of Agriculture and Universities offer courses in co-operative education. Governments also provide funds for training of co-operative staff in institutions outside the country

### 3.5: National Policy on Agricultural Co-operatives

The first documentation of a co-operative policy by a indigenous government was issued in Ibadan in 1952 by the Minister of Local Development of the

former western region of Nigeria. The document covered such areas as government role in co-operative development, types of co-operatives, co-operative banking and insurance and the functions of the co-operative department in the region. In 1956, the Federal government emerged with the promulgation of the Co-operative Societies (Miscellaneous provisions) ordinance and established the co-operative societies division in the Federal Ministry of Labour. Again, in 1977, the Caxton-Idowu Panel on Review of co-operative principles, laws and regulations in Nigeria was instituted. In the white paper issued on the panel's report, the Federal government spelt out its policy objectives in the development of co-operatives in the following vein;

- i. Improvement of the bargaining position of agricultural producers and other areas of the economy;
- ii. widening the democratic base in local communities through co-operative efforts;
- iii. bringing about increased participation and involvement of the majority in decision making which affect the lives of 75% of the population i.e. small farmers and low income workers in urban and rural areas;
- iv. Using the co-operative movement for the achievement of some micro-economic objectives, low rate of inflation, self-sufficiency in food production and equitable distribution of scarce commodities;
- v. Using the co-operative system as the chief means of increasing the general level of skill in the country; and

vi. Sharing the risk and personal involvement and the achievement of political unity and certainty of all the people.

In the early 1980s, President Shagari's administration issued a sectoral policy on agricultural co-operatives under the Green Revolution programme during the 4<sup>th</sup> National Development Plan (1981-1985) which included;

- a) The fostering of the development of a virile agricultural co-operative system in Nigeria for use as an effective vehicle of social and economic development
- b) Intensification of co-operative education, training, public enlightenment at all levels where possible in order to increase participation and involvement of farmers as well as other rural dwellers in the co-operative movement.

#### **4.0: Conclusion**

In this unit, learners have been taken through;

\*Needs for Agricultural co-operation

\*Types of Agricultural Co-operatives

\*Roles of Government in co-operative Development in Nigeria, and

\*National Policy on Agricultural Co-operatives

Information so provided should have adequately enriched the understanding of the learners on Agricultural co-operatives in Nigeria, particularly, as it affects policy issues.

#### **5.0: Summary**

Agricultural co-operatives play important roles in the economic development of Nigeria. However, government, from time to time, put in place certain policy

measures to either modify or control the activities of these societies. This became necessary so that these societies could achieve their set objectives to the advantage of the members and the nation's economy as whole.

## **6.0: Tutor-Marked Assignment**

- i) Justify the needs for Agricultural Co-operatives in Nigeria
- ii) List and explain the various roles of government in co-operative development in Nigeria
- iii) Fully discuss the co-operative policy in this country

## **7.0: References/Further Readings**

**Adeyeye, S.O. (1978):** The Co-operative Movement in Nigeria-Yesterday, Today and Tomorrow. Gottingen-Vandenhoech and Ruprecht.

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