

## **BIBLIOGRAPHY**

ORAS, FREDA P. APRIL 2010. Financial Management Practices of Tocmo Sabkil Labilab Multi-Purpose Coopertaive in Tocmo, Loacan, Itogon, Benguet. Benguet State University

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## **ABSTRACT**

This study was conducted December 2009 to January 2010 in Tocmo, Loacan, Itogon, Benguet to determine the fund sources, management practices on budgeting, internal control, fund allocation and usage, the problems encountered by the cooperative and suggested solutions and recommendations. The data were gathered through survey questionnaire, interview, review documents and records. The data were analyzed using simple statistical tools frequency counts, percentage and descriptive analysis.

The findings show that the cooperative provided the important needed service of the members. Managing movement of funds in relation to the budget is essential for business. The main core that makes cooperative attractive is properly managing resources and finances.

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## INTRODUCTION

### Rationale of the Study

After the killer quake that hit Baguio City in July 1990, a great change occurred in the history of Sitio Tocmo Loacan, Itogon, Benguet that brought forth the birth of Tocmo Sabkil Labilab Organization. It is a known fact that everyone affected by that earthquake experienced hardships and struggles. Almost everyone survived through relief goods from the government and numerous concerned citizens. It is a joy to one's soul that there are persons who cared enough to organize a group whose main focus is to promote synergism in order to reach a common goal – the achievement of a brighter tomorrow. Among these congregations who were more than willing to help and work together were: Mary Immaculate Conception (MIC) Sister's headed by Sr. Fely Tobias and Sr. Azon Camajalan and the Alay sa Kapwa Foundation (AKAP) headed by Sr. Diane Nieva, Mrs. Marieta Paragas, Mr. Pablo Abluyen, Miss Nena Olas and Mrs. Ursula Bumacas. With great determination the group pooled together all their knowledge, efforts and resources to implement their plan. The group was called then "The Buying Club". (Profile of the Cooperative, 1995)

The business operation of the club underwent its trial period on November 1990. They started with 10 sacks of NFA rice as their starting capital valued at P 5,000. After three months of operation it was unanimously decided that the group be registered with the Securities and Exchange Commission (SEC). So the organization acquired legal personality on February 15, 1991 as Tocmo Sabkil Labilab Organization (TSLO).

The initial capital of P 5,000 became P 11,000 and the 20 members increased to 93. The 10 sacks of rice that they are selling before increased to 20 sacks and other basic



necessities like sugar, salt, lard and laundry soap were added. Tocmo Sabkil Labilab organization officers and members underwent various trainings. This assistance were through the courtesy of MIC and AKAP who continuously facilitate training and seminars for TSLO in coordination with the other benevolent organization. The association then became a cooperative in May 25, 1993. The services of the cooperative to the members had expanded. The P11, 000 capital increased to P 535, 854.09. The cooperative was able to construct its building, housing its office and store. This building serves as the monument of the group's struggle in reaching its goal. The NFA rice that they sold before was added with commercial rice. The members as of 2009 are 131 after the officers undertook into screening of active and good members.

Tocmo Sabkil Labilab Multi-Purpose Cooperative (TSLMPC) has also done a great service to the community. It helped organize the Day Care and Seniors Citizens group and served as a channel for the dissemination of local government information. It has also undertaken infrastructure projects coming from both the municipality and barangay for the benefit of the members and the whole community. TSLMPC is now a member of the Federation of Itogon Multi- Purpose Cooperatives (FIMCO). FIMCO extends services such as trainings and seminars that are beneficial to TSLMPC.

Thus, it is once again proven that if there is teamwork among people, with God's divine presence, the goal set will gradually and eventually be met. As one of the speakers of the cooperative seminar Miss Raneil Custodio once said, "the cooperative shall surely perish if Christ is not in its midst".

It is common notion that people in rural areas lacks sophisticated knowledge in business management and organization, more so on complex matters like financial



management. And there are lot of peoples' organizations and cooperative that went into bankruptcy because of their limitations on specialized knowledge and skill on financial management. It is therefore, so rare to witness a rural organization like TSLPMC that thrived and became successful given the many challenges that beset the organization, members and organizers. This study would like to assess how the organization manages its scanty resource. The study will look into the financial management practices of the cooperative.

### Statement of the Problem

The study documented and addressed the following questions:

1. What are the sources of funds of the cooperative?
2. What are the cooperative management practices in terms of:
  - a. Budgeting
  - b. Internal control system
  - c. Fund usage and allocation
3. What are the financial management problems encountered by the cooperative?
4. What are the possible solutions and recommendations?

### Objectives of the Study

Generally the study document the financial management practices of TSLMPC, specifically it aimed to:

1. To determine the sources of funds of the cooperative
2. To described the financial management practices of TSLMPC in terms of:
  - a. Budgeting



- b. Internal control system
  - c. Fund usage and allocation
3. To identify and analyze the financial management problems of the cooperative
  4. To come up with possible solutions and recommendations of the problems

### Importance of the Study

This study was conducted to evaluate the financial management practices of TSLMPC. Through this study the researcher gained more knowledge and skill on the realities of managing a cooperative. The results of the study like success factors; contributions and effects of cooperative will serve as a reference to future researchers. On the part of the cooperative, it will serve as a reference to further improve their financial management system.

### Scope and Delimitation of the Study

This study looked into the financial management practices of TSLPMC their policies on source of funds, allocation and usage. The study looked also on the internal control system and practices that provide safeguard and protection of their properties. Various monitoring and reporting systems were also documented as part of their management systems.



## **REVIEW OF LITERATURE**

According to the Coop Herald (2009), financially speaking our members already knew thrift, savings, credit and pay back as requirements to the cooperative investment and mobilization. One reason why more and more Filipinos have begun to turn to cooperatives goes beyond its image as an alternative source of income and benefits, truth is, the main core that makes cooperative attractive is on the way their finances and resources are properly managed.

### Financial Management Level (Stanley, 2000)

Broadly speaking, the process of financial management takes place at two levels. At the individual level, financial management involves tailoring expenses according to financial resources of an individual. Individuals with surplus cash or access to funding invest their money to make up for the impact of taxation and inflation. Else, they spend it on discretionary items. They need to be able to make the financial decisions that are intended to benefit them in the long run and help them to achieve their financial goals. From the organizational point of view, the process of financial management is associated with financial planning and financial control. Financial planning seeks to quantify various financial resources available and plan the size and timing of expenditures. Financial controls refer to monitoring cash flow. Inflow is the amount of money coming into a particular company, while outflow is a record of the expenditure being made by the company. Managing this movement of funds in relation to the budget is essential for the business.





At the cooperative level, the main aim of the process of managing finances is to achieve the various goals a company sets at a given point of time. Businesses also seek to generate substantial amounts of profits, following a particular set of financial processes. Besides, they control the functioning on money put in by external investors. Providing investors with sufficient amount of returns on their investments is one of the goals that every company tries to achieve. Efficient financial management ensures that this becomes possible. Strong financial management the business area requires managers to be able to:

1. Interpret financial reports including income statements, profit and loss, cash flow statements and balance sheet statements.
2. Improve the allocation of working capital within the business operations
3. Review and fine-tune financial budgeting, and revenue cost forecasting.
4. Look at the funding options for business expansion, including both long and short term financing.
5. Review the financial health of the company or business unit using ratio analyses, such as the ratio, profit per employee and weighted cost o capital.
6. Understand various techniques using in project and asset valuations.
7. Apply critical financial decision making techniques to assess whether to proceed with an investment.
8. Understand the various frameworks for business, portfolios and intangible assets.



Cooperative Extension Financial Resource  
Management Training For Support Groups  
(Anonymous, 2005)

Some of the practices of Support Groups in keeping records:

Record - Keeping

1. Detailed records should be kept on all funds collected and/or spent.
  2. The use of a computer software package with adequate built-in controls is recommended any time a bank account is involved.
  3. Record multiple copied pre-numbered cash receipts immediately upon receipt.
- Depositing funds on a daily basis is desirable, however, it is suggested all funds be deposited within three working days or when the funds exceed \$200.
4. Prepare a list of all remittances received and make comparisons of this list with subsequent bank deposits.
  5. Where county support staff collects and receipts funds, there should always be a signed transmittal in duplicate for the collected funds from the support group representative upon transfer of funds.
  6. Adequate physical facilities should be provided for safeguarding funds in the possession of individuals authorized to handle funds (Safe, locked cabinet, etc.).

7 Main Factors Contributing to the Survival Rate  
of Cooperative(Anonymous, 2001)

Four factors indicate that higher survival rate is specifically due to inherent structure of the coo-op model:

1. The focus on the member service as opposed to profit, which has an impact on business decision.



2. The central role of the member who is both investor and consumer in the cooperative.

3. The democratic nature, the return of the profits to the members and the open governance structure of co-ops.

4. The presence of a group of promoters rooted within the communities.

Three factors also indicate a historical advantage, as well as the business environment of co-ops:

1. Strong representation in economic sectors that fulfill basic human needs, including agriculture, forestry, residential services and education.

2. The majority of the coops operating both regional and sectorial networks.

3. Support of primary and secondary organizations.

According to Certo (2000) essentially the role of managers is to guide organizations toward goal accomplishment. All organizations exist for certain purposes or goals, and managers are responsible for combining and using organizational resources to ensure that their organizations achieve their purposes. Management moves an organization towards its purposes or goals by assigning activities that organization member perform. “There is no idea more important to managing than goals. Management has no meaning apart from its goals.”

According to Erickson (1987) the ultimate goal of budgeting is to predict and control inputs to increase the returns from resources available to the agribusiness. Preparing a budget for even a small firm is not a one-person job. Key people, advisors,



and information sources should all be involved; bankers, accountants or auditors, suppliers, and even customers, members may be involved.

Abiasen (2004) enumerated various practices of cooperatives in raising cash for working capital. Some of these practices are loan availment from other institutions, ask for donations or grants, conduct of fund raising activities, giving incentives to regular members who add to their share capital, network recruit of new members, offer savings service with higher interest rate and promotional selling of products.

Some cooperatives also have capital build-up programs such as raffle promo, loan retention, kiddy savings plan and one peso per day savings. The program help the cooperative raised more funds for their operation.

### Definition of Terms

Financial management. It deals with the financial decisions and problem solving and also handling financial situation in a responsible manner to achieve financial independence.

Internal control system. It comprises the plan of organization and all of the coordinate methods and measures adopted within a business to safeguard its assets, check the accuracy and reliability of its accounting data.

Budget. It is generally a list of all planned expenses and revenues. It is a plan express in quantitative terms on how to acquire to use resources of an entity during a certain future period of time.



## **METHODOLOGY**

### Locale and Time of the Study

The study was conducted at Tocmo Sabkil Labilab Multi-Purpose Cooperative in Tocmo, Loacan, Itogon, Benguet from November to December, 2009. Tocmo is a mountainous place and it is far from the city.

### Respondents of the Study

The respondents of this study were the officers and staff of the cooperative directly involved in the financial management of the organization. Some members were interviewed to validate data from the cooperative records and officers. There were 17 officers and 10 members as the respondents.

### Data Gathering Method

The study made use of secondary data like history of the coop, financial documents reports and records as well as primary data. Primary data were gathered through personal interview and with survey questionnaire.

### Data Analysis

The data gathered were tabulated, analyzed, and interpreted using simple statistical tools such as frequency counts, percentages, descriptive analysis and financial ratios.



## RESULTS AND DISCUSSION

### General Information about the Respondents

Table 1 presents the age, sex, occupation, years in the position and civil status of the respondents.

Age. As shown, 35.29 % of the respondents belonged to the age bracket of 40-49 years old. Some 23.53% belonged to the age bracket of 30-39 years old, 17.66% belonged to the age bracket of 60-69 years old and 11.76% belonged to the age bracket 50-59 and 11.76% belonged to age bracket 70-79 years old.

Sex. Among the 17 officers as respondents, 64.71% were female and 35.29% were male. According to many of the respondents, females are greater in number than the males in the cooperative activities the male on the other hand, were always busy on their business transactions on the field especially for the farmers and also for the miners.

Civil Status. Table 1 shows that 94.11% of the respondents were married, 5.89% was single.

Occupation. Most of the respondents, 35.29% were farmers, 23.53% were miners and 23.53% housekeepers and 17.65% are teachers.

Years in the Position. Most of the officers as the respondents 41.17% belonged to the bracket of 6-10 years in the position, 29.41% belonged to the bracket of 1-5 years in the position, 17.66% belonged to the bracket of 11-15 years in the position and 16.20% belonged to the bracket of 16-20 years in the position.



Table 1. General information about the respondent

PARTICULARS	FREQUENCY	PERCENTAGE
<b>AGE</b>		
30-39	4	23.53
40-49	6	35.29
50-59	2	11.76
60-69	3	17.65
70-79	2	11.76
<b>TOTAL</b>	<b>17</b>	<b>100.00</b>
<b>SEX</b>		
Female	11	64.71
Male	6	35.29
<b>TOTAL</b>	<b>17</b>	<b>100.00</b>
<b>CIVIL STATUS</b>		
Single	1	5.89
Married	16	94.11
<b>TOTAL</b>	<b>17</b>	<b>100.00</b>
<b>OCCUPATION</b>		
Farmer	6	35.29
Miners	4	23.53
Housekeeper	4	23.53
Teacher	3	17.65
<b>TOTAL</b>	<b>17</b>	<b>100.00</b>
<b>YEARS IN THE POSITION</b>		
1-5	5	29.41
6-10	7	41.17
15-20	3	17.66
16-20	2	11.76
<b>TOTAL</b>	<b>17</b>	<b>100.00</b>

#### Services of the cooperative.

The services of the cooperative are consumers' store and credit services. The consumers' store services policies are: no charge sales to non-members; charge account for the members only. Merchandise is sold to non-members on account with a term of



one-month credit period. “*Bayad-utang*” system is adopted and the credit limit is 75% of member’s share capital.

On the credit policy on loans transaction, a member can avail loan from the cooperative if they meet the following requirement: A member-farmer in good standing must have a share capital of P3,500; no delinquent loans and a member for at least one year; for non-farmer member the same policy applies but the member must have engaged in any business. The service fee is 0.01% every six months for the farmers and every quarter for the non-farmers. Interest rate is 1.55 per month or 18% per year pre- deducted. Penalties or surcharge for delinquent loans is 5% per month and the collateral requirements are co-maker, spouse signature if married, parent’s signature if single and the appliances. The purposes of loan are classified agricultural and business. The loan term or duration is up to six months for farmers and three months for the non-farmers.

Although credit service was operated with written policy, according to the officers and some members interviewed, the policy had been the subject of argumentation among members and officers. There are member- borrowers who are not aware of their accounts. It is acknowledged by the officers also that they are not knowledgeable to operate credit services. These instances eventually led to the closure of their business service after 13 years in operation.

The consumer service operation was sustained as the members and officers mentioned that this service is very important for their daily needs. This service provides the satisfaction to the members, and generates profit as for the cooperative to continue its operation.





Sources of Fund of the Cooperative. There are three sources of funds of the cooperative: share capital from the members, donations/ grants, and the net surplus. The cooperative through its officers and members, formulate and adopt policies for proper management operation of the cooperative.

Paid-up share capital. The table 2 shows that the paid- up share capital in 2005 was P 275,709.59. The total share capital as of December 31, 2008 was P276,732.76. The average share capital per member was P2, 112.5 as of December 31, 2008.

The minimum amount of share capital is P1,000 per member, dividends or interest on share capital are not given to member who fails to meet the minimum share capital required. The increasing paid- up share capital in 2008 was due to the increase number of members. The caused for the decreasing of paid-up share capital in 2006 to 2007 was due to the some members withdrawn their share capital.

Total Asset. The table 3 shows that the asset had been decreasing from 2005 to 2008. The total asset in 2005 was P 543,550.59, this increased by about 6% in 2006. The following years were then decreasing a little bit lower like the paid- up share capital, due to the some members withdrawn their share capital.

Table 2. Total paid-up share capital

YEAR	PAID-UP SHARE CAPITAL	RATE OF INCREASE
2005	275, 550.59	
2006	261, 557.91	-5.1
2007	270, 865.35	3.6
2008	276, 732.76	2.2
Average rate of increase		0.2



Table 3. Total asset

YEAR	TOTAL ASSET	RATE OF INCREASE
2005	543, 550.59	
2006	578, 038.37	6.3
2007	562, 516.49	-2.7
2008	550, 556.19	-2.1
Average rate of increase		0.5

Ratio of share capital to total asset. The share capital of members is one source of the total asset of the cooperative. The table 4 presents that the share capital contributed was 50.73% of the total asset in 2005 and 2008. The ratio decreases about 45% in 2006 and 40% in 2007.

Net Surplus. The table 5 shows the net surplus for 2005 was P 18, 516.54. Net surplus increased in 2006 and 2007 but decreases in 2008. The return to asset ratio shows that net surplus from 2005 to 2007 increased but in 2008 it decreased. The return to asset had been decreased for the same period, also for the share capital. This shows that the earning ability of their asset had been decreasing.

Table 4. Ratio of share capital to total asset

YEAR	RATIO OF SHARE CAPITAL TO TOTAL ASSET (%)
2005	50.73
2006	45.25
2007	48.15
2008	50.26



Table 5. Net surplus

YEAR	AMOUNT OF NET SURPLUS	RATIO OF NET SURPLUS TO	
		TOTAL ASSET	SHARE CAPITAL
2005	18, 516.54	0.03	0.67
2006	53,965.84	0.09	0.21
2007	54, 764.62	0.09	0.20
2008	38, 160.63	0.07	0.14

Allocation of net surplus. The net surplus of the cooperative as of December 31, 2008 before the allocation was P54, 515.19. The mandatory 30% reserve from the net surplus of P23, 470.17, subdivided into 10% general reserve fund P5, 451.52, 10% to the optional fund (building, donations), 10% or P5, 452.52 also for the continues educational training fund (CETF), 5% or P2, 725.76 for coop educational and training fund- local and 5% also for due apex organization. After deducting the mandatory reserves, the remaining net surplus of P38, 160.63 was distributed 60% for the patronage refund and 40% for the share dividends of the members.

Liabilities. The table 6 shows that the ratio of liabilities from 2005 to 2008 was decreasing, but the liabilities were still higher obligation of the cooperative.

Table 6. Total liabilities

YEAR	TOTAL LIABILITIES	RATE OF INCREASE
2005	127, 371.13	
2006	115, 852.22	-0.09
2007	72, 615.32	-1.4
2008	68, 353.58	-0.05



Debt ratio. As shown in the table 7 the liabilities in 2005 was 23.43% of the total asset and 20.04% in the year 2006 as the total asset from the liabilities. The liabilities decreased 12.91% in 2007 and 12.42% in 2008.

Table 7. Debt Ratio (Ratio of total liabilities to total asset)

YEAR	RATIO OF TOTAL LIABILITIES TO TOTAL ASSET (%)
2005	23.43
2006	20.04
2007	12.91
2008	12.42

Donations. The donations/ grants as of December 31, 2008 was P67, 500, the 66% or P44, 550 of the donations have been used as working capital in the livelihood project of the cooperative like swine raising. The 34% or P22, 950 was added to the working capital of the cooperative.

Privileges of members. A member in good standing is entitled to share dividend and patronage refund; death aid amounting P2, 000. Members with incomplete share capital of P1, 000 but patronizing the coop are entitled to patronage refund to be added to his/her share capital.

Budgeting practices. It is the policy of the cooperative as embodied in there by laws that budget is to be prepared by the BOD annually. The budget is prepared by the cooperative to project the source and usage of resources during certain period of time or to plan their expenses and revenues.



The cooperative do not prepare budget, the reason as pointed out by that some officers and members was they have no time to prepare the budget and that those who are supposed to prepare were not knowledgeable. The advantage of having a financial budget as members and some officers mentioned were it is for the cooperative to plan the profit, the members to be aware of the business cost. Most officers and some members pointed that the disadvantage of having a financial budget is to limit the decision making of the cooperative and it is time consuming.

Internal control practices. Under the Cooperative laws, cooperative management are required to maintain internal control like administrative and accounting control which concerned mainly in the safeguarding the assets and reliability of financial records. Some of the internal controls are: internal auditing; separation of duties concerned with records and assets custody. Administrative control concerned with the operational efficiency and usually related only indirectly to financial records like performance reports.

The TSLMPC has a bookkeeper to prepare the financial statements. The official receipt and disbursement voucher are used by the TSLMPC to document their transactions, and the sales journal, purchase journal, cash disbursement journal, cash book are books of accounts used to record their transactions. The cooperative conducts its audit quarterly and avail external audit service annually from external auditors. The financial statement and other required report from cooperative are submitted to the CDA annually. The TSLMPC is far from the city so the cash collections were not deposited to the bank. It is kept by the treasurer and recorded in the cashbook.



Livelihood project of the cooperative. The grant fund of P50, 000 given by Congressman Samuel Dangwa to the cooperative was used for the livelihood project swine raising. The purpose of having this project is to increase the capital of the cooperative and for the beneficiaries.

The policies of the project are: project applicants are required to accomplish application form with a co-maker from the member of the family. First come, first serve basis. The beneficiary must be a member of the cooperative with a complete share capital and must have a pigpen. The first eight (8) beneficiaries must provide P5, 000 cash as payment of two (2) piglets worth (P4, 000) and P1, 000 for feeds as the beginning. The lump sum of P5, 000 will be payable within one year and an interest of 500. The collections of principal and interest will be revolved to the next batch of beneficiaries. The project was successful as it benefited four batches of beneficiaries.

#### Problems encountered by the cooperative

Table 8 shows the two major problem of the cooperative are lack of capital and the lack of knowledge on financial management. The 9 respondents stated lack of capital is the problem in the cooperative while 8 respondents says it is lack of knowledge on financial management.

Table 8. Problems Encountered by the Cooperative

PROBLEMS	FREQUENCY	PERCENTAGE
Lack of Capital	9	52.94
Lack of Knowledgeable	8	47.06
<b>TOTAL</b>	<b>17</b>	<b>100.00</b>



### Causes of the Problem

Most of the officers and members mentioned that the causes of the problem of the cooperative were bad debts from the 50 members, no enough capital build-up. Some members mentioned that due to seasonal income. The manager also mentioned that it is because of the unstable cost of goods in the markets. The officers also mentioned that the cause of lack of knowledge was due to some officers had informal education.

### Suggested Solution to the Problem

The manager mentioned that to avoid the shortage of goods they would purchase goods in consignment as good to pay for 1-2 weeks. The cooperative should increase the capital build-up from five pesos per month to ten pesos per week. The officers mentioned that the bad debts from the members must be collected by advance payment of P 250 per week for the cooperative to be able to operate. The cooperative must undergo training and seminar of the officers also for the members.



## **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

### Summary

This research was conducted to determine the financial management practices of Tocmo Sabkil Labilab Multi-Purpose Cooperative. It focuses on the financial management practices of TSLMPC particularly their internal control, fund allocation and usage, monitoring and reporting and the problems encountered by the cooperative and the suggested solutions and recommendations.

The respondents were the officers, staffs of the cooperative and some members were interviewed. The data were collected through survey questionnaire. The data was analyzed using descriptive analysis, frequency counts and percentages.

The financial management practice on budgeting was then the cooperative were not preparing budget and the reason mentioned were no one is knowledgeable to prepare the budget and no time in preparing the budget.

The cooperative major sources of funds were the share capital of the members, donations/grants and income from the operation. The grant fund of P50, 000 given by Congressman Samuel Dangwa to the cooperative was used for the livelihood project as swine raising. The purpose of having this project is to increase their capital of the cooperative.

The official receipt and disbursement voucher were use by the TSLMPC to document their transactions, and the books of accounts like sales journal, purchase journal, cash disbursement journal and cashbook were used by TSLMPC to record their transactions. The TSLMPC is far from the city so the cash collections were not deposited to the bank. It is kept by the treasurer and recorded in the cashbook.





The financial statements and other records of the cooperative are available for the members who want to examine for them to be aware of the operation of their cooperative. The cooperative conducts its audit quarterly and avail external audit service annually from external auditors.

Most of the respondents 52.94% pointed out that the problem of the cooperative was lack of capital and 47.06% of the problem of the cooperative was the lack of knowledge on financial management practices like the financial plan on budgeting as mentioned of some officers and members.

Most of the officers and some members mentioned that the causes of the problem of the cooperative were; bad debts of the members, some mentioned it was because of seasonal income due natural calamities no enough capital build-up and unstable cost of goods from the market.

The TSLMPC to be able to operate the officers the manager mentioned that to avoid the shortage of goods they will purchase goods in consignment as good to pay for 1-2 weeks. The officers mentioned that the bad debts should be collected from the members who failed to pay. Collect the bad debts from the members by advanced payment of P 250 per week, and increase their capital build-up. The cooperative should avail trainings and seminar especially for the officers for them to be more knowledgeable.

### Conclusions

Based on the findings of the study, the cooperative should enhance a member's way of living by providing the important needed service as the financial management level stated. The finding shows that there are other important sources of the total asset aside from the share capital of the members. The financial management



practice of TSLMPC on the aspect of budgeting was then the officer's lacks knowledge in doing the budget, thus the cooperative should review the financial budgeting, revenue and expenses.

This finding implies that the bad debts should be avoided by the cooperative, thus the members should be aware of their obligations towards the cooperative as to give also time for the improvement of their cooperative. It was stated by Coop herald that the cooperative image was the alternative source of income and benefits, the truth was the cooperative makes more attractive on the way their finances and resources are properly managed. The TSLMPC should conduct fund raising activities and promotional selling products except asking for donations or grants and capital build-up. The program help the cooperative raised more funds for their operation.

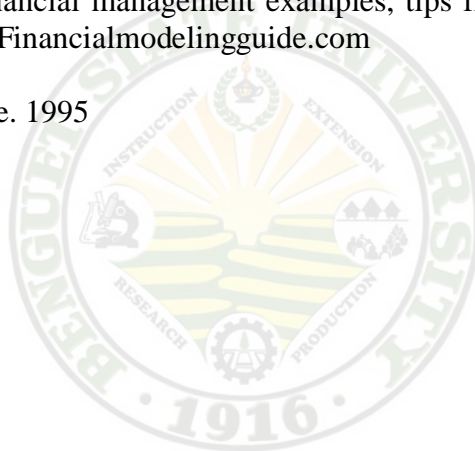
### Recommendations

In order to improve the financial management practices of the cooperative the recommendations were made on the basis of the findings, though the share capital is the common source of funds the cooperative should motivate the members to add their share capital regularly so as to have more funds to use in the business operations. The cooperative should increase their capital build-up as the members should deposit 5 pesos per day and adopt some livelihood projects like making baskets out of pine needle, bamboo, selling products or vegetables to increase their capital. The cooperative should avail trainings and seminars especially for the officers to be more knowledgeable on financial management practices. The cooperative should conduct pre- membership education seminar in order that the members will be aware of their important role of the cooperative in improving the cooperative situation.



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## APPENDIX A

Department of Agricultural Economics and  
Agribusiness Management (DEAEM)  
Benguet State University  
La Trinidad Benguet

DECEMBER 2009

Julia Simon  
Manager  
Tocmo Sabkil Labilab Multi-Purpose  
Cooperative  
Tocmo, Loacan, Itogon, Benguet

Ma'am:

Warm greetings!

I am a student of Benguet State University taking up Bachelor of Science in Agribusiness major in Cooperative Management. I am presently conducting a research titled "Financial Management Practices Case Study of Tocmo Sabkil Labilab Multi-Purpose Cooperative" as a requirement for the degree.

In connection, may I request permission to conduct my study and float questionnaire to the staff and officers. Rest assured that the data to be obtained from you will keep confidential.

Thank you for your kind consideration.

Respectfully yours,

FREDA P. ORAS  
Researcher

Noted:

David Joseph Bognadon



Adviser

## APPENDIX B

Tocmo Sabkil Labilab Multi-Purpose Cooperative  
Survey Questionnaire

Name: \_\_\_\_\_ Age: \_\_\_\_\_ Sex: \_\_\_\_\_  
 Civil Status: \_\_\_\_\_ Position/occupation: \_\_\_\_\_  
 Position in the Coop: \_\_\_\_\_  
 Number of Years in the position; \_\_\_\_\_

## A) FINANCIAL PLAN

1. What are the services of the cooperative?

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2. What are the cooperative policies in budgeting?

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3. Are the policies implemented? \_\_\_\_\_ yes \_\_\_\_\_ no  
If no, why? \_\_\_\_\_

4. What do you think the advantage of having a financial budget?

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5. What do you think the disadvantages of having no financial budget?

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6. What are the financial goals of the cooperative?

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### C. INTERNAL CONTROL

1. What financial document are utilized by the cooperative?

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2. What are the financial records used by the cooperative?

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3. What measures are adopted by management to safe guard its cash collection?

deposit to bank                       cash vault  
 deposit to other coop.               deposit box  
 others, please specify \_\_\_\_\_

4. Do the cooperative have a bookkeeper?

yes     no  
 If no, why? \_\_\_\_\_

5. Do the cooperative have a treasurer or cashier?

yes     no  
 If no, why? \_\_\_\_\_

6. Are the supervisory committee of the cooperative functional?

yes     no  
 If no, why? \_\_\_\_\_

7. How often does the supervisory committee conduct their audit?

monthly                                       weekly  
 quarterly                                       semi-annually  
 annually                                       none

8. Are these reports submitted by the supervisory committee?

yes     no  
 If no, why? \_\_\_\_\_

9. Do the cooperative avail external audit services?

yes     no  
 If no, why? \_\_\_\_\_



10. If yes, how often is the external audit?

\_\_\_\_\_ quarterly                      \_\_\_\_\_ semi-annually  
 \_\_\_\_\_ annually                      \_\_\_\_\_ none

#### D. FUND UTILIZATION

1. What are the projects of the cooperative for the last five years?

\_\_\_\_\_

2. Are there written policies of the cooperative in the implementation of projects?

\_\_\_\_\_yes                                      \_\_\_\_\_no

3. What are the policies?

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

4. Who prepares policies of projects?

\_\_\_\_\_

5. Are your funds enough to finance your present operation?

\_\_\_\_\_yes                                      \_\_\_\_\_no

If no, what particular services you need finances? \_\_\_\_\_

6. What are the causes for the shortage of funds?

\_\_\_\_\_

7. Is the net surplus of the cooperative distributed to the members?

\_\_\_\_\_yes                                      \_\_\_\_\_no

If yes, how is the distribution of net surplus done?

\_\_\_\_\_

8. What is there rate in patronage refund and dividends of members for the past five years?

\_\_\_\_\_

#### E. MONITORING AND REPORTING

1. Are members allowed to examine financial records of the cooperative?

\_\_\_yes                                      \_\_\_\_\_no

If yes, how? \_\_\_\_\_

2. What financial reports are prepared by the cooperative?

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_





3. What is the frequency of report submission?

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4. Are the financial reports presented to the BOD and assembly?

\_\_\_\_\_yes \_\_\_\_\_no

How? \_\_\_\_\_  
\_\_\_\_\_

5. What are the financial performances of the cooperative for the period of 5 years? \_\_\_\_\_

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6. What are the problems encountered on financial management?

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7. What are the causes of these problems?

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8. What are the possible solutions and recommendations to the problems?

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## APPENDIX C

TOCMO SABKIL LABILAB MULTI-PURPOSE COOPERATIVE  
Tocmo Loacan, Itogon, Benguet

STATEMENTS OF FINANCIAL OPERATIONS  
For the Year Ended December 31

	<b>2006</b>	<b>2005</b>
<b>Sales</b>	1,506,308.75	1,402,789.65
Less: Cost of Sales:		
Inventory Beginning	33,497.86	31,121.60
Add: Purchase	1,331,802.14	1,265,009.10
Freight In	6,388.00	4,698.10
Total Goods Available for Sale	<u>1,371,688.00</u>	<u>1,300,828.80</u>
Less: Inventory End	41,112.29	33,497.60
<b>Gross Income from Sales</b>	<b><u>175,733.04</u></b>	<b><u>135,458.71</u></b>
<b>Less: Operating Expenses</b>		
Salaries and Wages		40,837.61
Honorarium	58,375.91	7,450.00
Store Supplies	2,458.70	2,836.50
Office Supplies	778.00	896.25
Travel and Transportation	3,355.00	3,701.50
Professional Fee	1,500.00	2,500.00
Power, Light and Water	15,839.18	9,797.85
Interest Expense on Borrowing	4,559.50	17,898.00
Taxes and Licenses	1,377.00	2,547.00
General Assembly Expenses	2,070.00	2,581.50
Bank Charges	514.89	3,697.20
Depreciation Expense	9,269.60	9,269.60
Miscellaneous	721.21	3,369.50
SSS Contributions	-	1,696.00
<b>Total operating Expenses</b>	<b><u>100,053.99</u></b>	<b><u>109,078.51</u></b>
Net Surplus Before Other Income	75,679.05	26,380.20
Add: Other Income	600.00	72.00
<b>Net Surplus Before Allocations</b>	<b><u>77,094.05</u></b>	<b><u>26,452.20</u></b>
<b>Less: Statutory Allocations</b>		
General Reserve Fund	7,709.41	2,645.22
Coop Educational and Training Fund- Local	3,854.70	1,322.61
Coop Educational and Training Fund- National	3,854.70	1,322.61
Optional Fund	7,709.41	2,645.22
Total Allocations	23,128.22	7,935.66
<b>Net Surplus Available for Distribution</b>	<b><u><u>53,965.84</u></u></b>	<b><u><u>18,516.54</u></u></b>



TOCMO SABKIL LABILAB MULTI-PURPOSE COOPERATIVE  
Tocmo Loacan, Itogon, Benguet

STATEMENTS OF FINANCIAL OPERATIONS  
For the Year Ended December 31

	<b>2008</b>	<b>2007</b>
<b>Sales</b>	2,041,509.00	2,027,265.00
Less: Cost of Sales:		
Inventory Beginning	65,665.18	41,112.29
Add: Purchase	1,884,452.68	1,855,794.86
Freight In	<u>6,983.00</u>	7,798.00
Total Goods Available for Sale	1,957,100.86	1,904,705.15
Less: Inventory End	<u>53,748.00</u>	<u>65,665.18</u>
<b>Gross Income from Sales</b>	<b><u>138,156.14</u></b>	<b><u>188,255.03</u></b>
<b>Less: Operating Expenses</b>		
Honorarium	49,246.84	67,440.34
Store Supplies	2,997.50	3,233.00
Office Supplies	941.50	778.50
Travel and Transportation	4,123.00	3,355.00
Professional Fee	1,500.00	1,500.00
Power, Light and Water	12,940.51	19,167.92
Interest Expense on Borrowing	200.00	599.00
Taxes and Licenses	1,605.00	
General Assembly Expenses	-	3,000.00
Depreciation Expense	9,269.60	9,269.60
Miscellaneous	<u>1,437.00</u>	<u>2,246.50</u>
<b>Total operating Expenses</b>	<b><u>84,260.95</u></b>	<b><u>110,598.86</u></b>
Net Surplus Before Other Income	53,895.19	
77,635.17		
Add: Other Income	<u>620.00</u>	<u>600.00</u>
<b>Net Surplus Before Allocations</b>	<b><u>54,515.19</u></b>	<b><u>78,235.17</u></b>
<b>Less: Statutory Allocations</b>		
General Reserve Fund	5,451.52	7,823.52
Coop Educational and Training Fund- Local	2,752.76	3,911.76
Coop Educational and Training Fund- National	2,725.76	3,911.76
Optional Fund	<u>5,451.52</u>	<u>7,823.52</u>
Total Allocations	<u>16,354.56</u>	<u>23,470.55</u>
<b>Net Surplus Available for Distribution</b>	<b><u>38,160.63</u></b>	<b><u>54,764.62</u></b>



**TOCMO SABKIL LABILAB MULTI-PURPOSE COOPERATIVE**  
**Tocmo Loacan, Itogon, Benguet**

**STATEMENT OF FINANCIAL CONDITION**  
**As of December 31**

<u>ASSETS</u>	<b>2006</b>	<b>2005</b>
<b>Current Assets:</b>		
Cash on Hand	54,832.00	41,591.91
Accounts Receivable	281,698.34	264,671.50
Loans Receivable	40,187.35	40,187.35
Merchandise Inventory	41,112.29	33,497.86
Total Current Assets	417,829.98	379,948.62
<b>Investment</b>	12,673.51	6,797.49
<b>Property and Equipment</b>		
Building	140,000.00	140,000.00
Store Equipment	38,038.00	38,038.00
Office Equipment	6,384.00	6,384.00
Utensils	925.00	925.00
Total	185,392.00	185,392.00
Less: Accumulated Depreciation	(37,857.12)	(28,587.52)
Total Property and Equipment	147,534.88	156,804.48
<b>TOTAL ASSETS</b>	<b>578,038.37</b>	<b>543,550.59</b>
 <b><u>LIABILITIES, FUNDS AND MEMBERS' EQUITY</u></b>		
<b>Liabilities:</b>		
Accounts Payable	22,484.00	22,315.00
Loans Payable	68,881.25	63,095.91
CETF-National	5,177.31	1,322.61
Accrued Expenses	19,309.66	40,637.61
Total Liabilities	115,852.22	127,371.13
<b>Members' Equity</b>		
Paid-up Share Capital	261,557.91	275,709.59
Undivided Surplus	53,965.84	18,516.54
Donations	67,500.00	67,500.00
Total Members' Equity	383,023.75	354,226.13
<b>Funds:</b>		
General Reserve Fund	57,512.00	275,709.59
Coop Educational and Training Fund- Local	6,049.10	18,516.54
Optional Fund	15,601.11	8,291.70
Total Statutory Funds	79,162.40	61,953.33
<b>TOTAL LIABILITIES, MEMBERS' EQUITY AND RESERVES</b>	<b>578,038.37</b>	<b>543,550.59</b>



**TOCMO SABKIL LABILAB MULTI-PURPOSE COOPERATIVE**  
**Tocmo Loacan, Itogon, Benguet**

**STATEMENT OF FINANCIAL CONDITION**  
**As of December 31**

<u>ASSETS</u>	<b>2008</b>	<b>2007</b>
<b>Current Assets:</b>		
Cash on Hand	54,991.32	73,822.08
Accounts Receivable	259,069.42	232,303.09
Loans Receivable	41,087.27	39,787.35
Merchandise Inventory	53,748.00	65,665.18
Total Current Assets	408,887.00	411,577.18
<b>Investment</b>	12,673.51	12,673.51
<b>Property and Equipment</b>		
Building	140,000.00	140,000.00
Store Equipment	38,038.00	38,038.00
Office Equipment	6,384.00	6,384.00
Utensils	925.00	925.00
Total	185,392.00	185,392.00
Less: Accumulated Depreciation	(56,396.32)	(47,126.52)
Total Property and Equipment	128,995.6	138,265.28
<b>TOTAL ASSETS</b>	<b>550,556.9</b>	<b>562,516.49</b>
 <b><u>LIABILITIES, FUNDS AND MEMBERS' EQUITY</u></b>		
<b>Liabilities:</b>		
Accounts Payable	38,530.00	22,305.00
Loans Payable	18,008.75	25,721.25
CETF-National	11,814.83	9,089.07
Accrued Expenses	-	15,500.00
Total Liabilities	68,353.58	72,615.32
<b>Members' Equity</b>		
Paid-up Share Capital	276,732.76	205,865.35
Undivided Surplus	38,160.63	54,764.62
Donations	67,500.00	67,500.00
Total Members' Equity	382,393.75	393,129.97
<b>Funds:</b>		
General Reserve Fund	70,787.23	65,335.71
Coop Educational and Training Fund- Local	6,610.86	8,010.86
Optional Fund	22,411.12	23,424.62
Total Statutory Funds	99,809.21	96,771.20
<b>TOTAL LIABILITIES, MEMBERS' EQUITY AND RESERVES</b>	<b>550,556.29</b>	<b>562,516.49</b>

