

CHAPTER V

FINANCIAL ASPECTS OF THE COOPERATIVE SOCIETY

Share Capital and Deposits in the Cooperative Society.

The share capital comprises the unlimited amount of subscribed shares at ten dollars per share. The entrance fee is one dollar. The total amount of shares an individual member can hold in this cooperative society is one-fifth of the total paid up shares subscribed.³⁴

The share capital for the years under study (1960-1964) are as shown in Table 10 on Page (27).

The share capital fluctuates from year to year depending on the amount of withdrawals by the members and the addition of new subscribed shares. The year 1963 sees the greatest drop in the quantity of subscribed capital due to the withdrawal of large amounts of subscribed shares by some members.

Although the total membership has increased over the years by twenty, the holding of shares per person has diminished yearly from 13.0 shares to 9.9 shares.

And for the shares subscribed in the cooperative society, there is the declaring of dividends each year if there is the earning of profits. Dividend payment is also known as the interest paid on subscribed shares.

From Table 11 it can be clearly observed that the dividend payment for the shares subscribed is six per cent.

As regards deposits, there are no deposits by members in the society.

³⁴ There was a case where an individual subscribed more than one-fifth of the paid up share capital. He was asked to withdraw the oversubscribed amount. See, Audit Report Sekinchan Long Heng Cooperative Rice Mill Society Limited, 1960-1964.

TABLE 10

THE RELATIONSHIP BETWEEN SHARE CAPITAL AND MEMBERSHIP,
SEKINCHAN LONG HENG COOPERATIVE RICE MILL SOCIETY LTD.
1960-1964.

Year	1960	1961	1962	1963	1964
Subscribed Share capital at 1st. January. (\$)	12240.1	11800.1	12000.1	12460.1	10930.1
Less Withdrawals (\$)	930.0	200.0	-	1670.0	not stated
Add. Subscribed Shares (\$)	490.0	400.0	460.0	140.0	not stated
Subscribed Share capital at 31st December. (\$)	11800.1	12000.1	12460.1	10930.1	10930.1*
Total Membership	91	100	110	108	111
Average Share capital per member (\$)	129.7	120.0	113.3	101.2	98.5
Average number of shares per member	13.0	12.0	11.3	10.1	9.9

* It is shown thus in the 1964 Balance Sheet of the Sekinchan Long Heng Cooperative Rice Mill Society Limited. The figure is as at 31st December 1963 since no adjustments have been made for the 1964 Balance Sheet.

Source:
Balance Sheets, Sekinchan Long Heng Cooperative Rice Mill Society Limited, 1960 - 1964.

TABLE 11

DIVIDEND PAYMENTS, SEKINCHAN LONG HENG COOPERATIVE
RICE MILL SOCIETY LIMITED, 1960 - 1964

Year	1960	1961	1962	1963	1964
Net Profits	6399.2	10793.6	3879.3	1942.7	692.3
Dividend Payment	708.0	720.0	747.6	655.8	*
Share Capital	11800.1	12000.1	12460.1	10930.1	
Dividend Payment as % of share Capital	6%	6%	6%	6%	

* The Balance Sheet for 1965 is not audited yet.

Source:

Profit and Loss Appropriation Accounts, Sekinchan Long Heng Cooperative Rice Mill Society Limited, 1960-1964.

Investments, Reserves and Loans.

This cooperative society has shares worth \$5,080.00 invested in 1961 in the Tanjong Karang Cooperative Milling Union Limited.

Fixed deposit of \$10,000.00 invested in banks in 1964 received \$200.00. Investment in savings bank fetched a yearly two and a half per cent interest. In 1960, the amount invested was \$4,167.58 and after allowing the invested amount to gain interest, the figure for 1964 was \$4,679.31.

The Reser ves of the cooperative society are classi-
fied into the Statutory Reserve Fund, the General Reserve,
the Share Redemption Fund, the Building Fund and the Welfare
Fund.

The Total Reserve is given in the following Table
12 on Page (29).

TABLE 12

**RESERVE FUNDS, SEKINCHAN LONG HENG COOPERATIVE RICE
MILL SOCIETY LIMITED, 1960 - 1964.**

Year	1960	1961	1962	1963	1964
Statutory Reserve Fund	10742.0	12213.8	14696.4	15588.6	16035.4
General Reserve	333.5	333.5	333.5	333.5	333.5
Share Redemption Fund	1000.0	1000.0	1000.0	1000.0	1000.0
Building Fund	2891.5	2891.5	2891.5	2891.5	2891.5
Welfare Fund	1005.0	1005.0	1005.0	1005.0	1005.0
Total Reserve Fund	159720	16443.8	19926.4	20,218.6	21265.4

Source:

Balance Sheets, Sekinchan Long Heng Cooperative Rice Mill Society Limited, 1960-1964.

The Statutory Reserve Fund forms the major part of the Total Reserve Fund.³⁵ The increase in the Statutory Reserve Fund shows that the cooperative society is making some profit. It varies according to whether it is a good or a bad trading year. The Reserve Fund is indivisible and no member is entitled to claim a specific share in it. It may be employed to cover unforeseen losses, to meet unforeseen charges and to provide security for the contractual obligations of the cooperative society.³⁶

³⁵By-law 27, By-laws of Sekinchan Long Heng Cooperative Rice Mill Society Limited states that at the close of each trading year of the cooperative society, the actual working expenses are deducted from the earnings, and after payment of such audit and supervision fees as may be fixed by the Registrar, twenty-five per cent of net profit shall be credited to the Reserve Fund.

³⁶See by-law 60, By-laws of Sekinchan Long Heng Cooperative Rice Mill Society Limited.

The General Reserve can be utilised for general items. The Share Redemption Fund is made use of when a member wishes to withdraw his share. But it must be made known that the refund of share capital invested takes place only when the cooperative society is in the position to do so.

The Building Fund is for the building of facilities for drying padi and the repair of capital assets of the cooperative society.

The Welfare Fund is important when the cooperative society makes some contributions to institutions.

Other than the Statutory Reserve Fund, the other funds are kept constant every year. In fact the Statutory Reserve Fund forms twenty-three per cent of net profits each year. The other two per cent goes to the Cooperative College contribution. (See Table 13 on Page (31)).

Loans are obtainable from the Tanjong Karang Co-operative Milling Union Limited yearly for the purpose of purchasing the farmers' padi to the maximum amount of twenty thousand dollars. The interest rate is six per cent. These loans are repaid fully and in one payment after the harvesting season or after the trading season. Thus, the Balance Sheet shows no such accounts.

A loan of three thousand dollars was given interest free in 1963 to the Tanjong Karang Cooperative Milling Union Limited. No other loans are extended to members or non-members.

Trading Surplus or Loss and Refunds.

In the milling and trading sections of the cooperative society, profits are made each year for the period under study. Therefore, there are surpluses to be distributed to the members. Table 14 shows the amounts of profits made from the milling and marketing operations and also the net profits of the cooperative society.

From Table 14, it can be said that total profits received from padi milling and padi trading operations as well as total net profits of the cooperative society reached a peak in 1961 but the years after that had the total profits from the operations and the net profits of the cooperative society decreasing quite abruptly. The cooperative society is, therefore, earning profits, but at a decreasing rate.

Out of the total net profits made by the cooperative society, patronage rebates on padi milling and trading are given. (See Table 15).

TABLE 13

**STATUTORY RESERVE FUND AND NET PROFIT, SEKI AN
LONG HENG COOPERATIVE RICE MILL SOCIETY LIMITED,
1960 - 1964.**

Year	1960	1961	1962	1963	1964
	\$	\$	\$	\$	\$
Net Profits	6399.2	10793.6	3879.3	1942.7	692.3
Statutory Reserve Fund. (23% of Net Profits)	1471.8	2482.5	892.2	446.8	•
Cooprerative College con- tribution (2% of net profits)	147.7	128.0	77.6	38.9	
Statutory Reserve Fund until 31st December.	10742.0	12213.8	14696.4	15588.6	
Statutory Reserve Fund at 1st Janua- ry the follo- wing year af- ter addition of 23% net Profits.	12213.8	14696.4	15588.6	16035.4	

* The Balance Sheet for 1965 is not audited yet.

Source:

- i. Profit and Loss Appropriation Accounts, Sekinchan Long Heng Cooperative Rice Mill Society Limited, 1960-1964.
- ii. Balance Sheets, Sekinchan Long Heng Cooperative Rice Mill Society Limited, 1960-1964.

TABLE 14

TOTAL PROFITS MADE FROM PADI MILLING AND PADI MARKETING OPERATIONS AND TOTAL NET PROFITS OF THE COOPERATIVE SOCIETY, BEKINCHAN LONG HENG COOPERATIVE RICE MILL SOCIETY LIMITED, 1960 - 1964.

Year	1960 (\$)	1961 (\$)	1962 (\$)	1963 (\$)	1964 (\$)
Profits received from:					
- Padi Milling section	5405.4	7433.7	3107.9	2661.6	1373.9
- Padi marketing section	4378.9	7646.8	4849.3	1842.3	545.8
Total Profits	9784.3	15080.5	7957.2	4503.9	1919.7
Total net profits of the society*	6399.2	10793.6	3879.3	1942.7	629.3

* Includes small items of interest received from savings banks and commission earned.

Source:

1. Audit Reports, Sekinchan Long Heng Cooperative Rice Mill Society Limited, 1960-1964.
- ii. Profit and Loss Appropriation Accounts, Sekinchan Long Heng Cooperative Rice Mill Society Limited, 1960-1964.

The total percentage of patronage rebates of total profits from the milling and marketing sections is quite high. It ranges from 20.3 per cent to 39.0 per cent for the period under study. (See Table 15 on Page 33).

Gratuities are paid to the employees of the cooperative society. An item known as honoraria is paid to the committee members for their honorary services. (See Table 16).

The amount of bonuses and honorarium depends on the success of the cooperative society in its operations.

TABLE 15

PATRONAGE REBATES ON PADI MILLING AND PADI TRADING,
SEKINCHAN LONG HENG COOPERATIVE RICE MILL SOCIETY
LIMITED 1960-1964.

Year	1960	1961	1962	1963	1964
Net profits(\$)	6399.2	10793.6	3879.3	1942.7	629.3
Patronage Re- bates on Padi Marketed (\$)	2372.6	4494.3	838.9	922.6	**
% of total profits *	24.3%	29.8%	10.5%	20.5%	
Patronage Rebates on Padi Milled(\$)	641.2	1385.9	777.9	437.2	
% of total profits*	6.6%	9.2%	9.8%	9.7%	
Total % of Patronage Rebates of Total Profits	30.9%	39.0%	20.3%	30.2%	

* Total profits received from the padi milling and trading sections.

** The Balance Sheet for 1965 is not audited yet.

Source:

Profit and Loss Appropriation Accounts, Sekinchan Long
Heng Cooperative Rice Mill Society Limited,
1960 - 1964.

TABLE 16

**BONUS AND HONORARIA PAYMENTS, SEKINCHAN LONG
HENG COOPERATIVE RICE MILL SOCIETY LIMITED,
1960 - 1964.**

Year	1960	1961	1962	1963	1964
	(\$)	(\$)	(\$)	(\$)	(\$)
Bonus to Staff	830.3	623.8	884.3	258.9	371.7
Honoraria to committee members	553.6	326.6	-	-	-

Source:

Profit and Loss Appropriation Accounts, Sekinchan
Long Heng Cooperative Rice Mill Society Limited,
1960 - 1964.

Miscellaneous: Cash Holdings.

The cash holdings of the cooperative society is kept quite constant throughout the years under study.

TABLE 17

**CASH HOLDINGS, SEKINCHAN LONG HENG COOPERATIVE RICE
MILL SOCIETY LIMITED, 1960-1964.**

Year	1960	1961	1962	1963	1964
	(\$)	(\$)	(\$)	(\$)	(\$)
In hand	3975.9	4203.9	3262.3	4623.4	6850.9
Chartered Bank Klang.	16426.7	7141.9	-	-	-
Chung Khiaw Bank, K.L.	-	11414.7	884.7	884.7	4836.8
United Malayan Bank, K.Lumpur	-	-	15600.5	7507.7	-
Total Cash holdings	20402.6	22760.5	19747.5	13015.8	11687.7

Source: Balance Sheets, Sekinchan Long Heng Cooperative Rice Mill Society Limited, 1960-64.

The great difference in the 1962 and 1963 cash holdings is because in 1963, cash to the total amount of \$3,000.00 is loaned out to the Tanjong Karang Cooperative Milling Union Limited as well as the increasing of the stocks-in-hand to the amount of \$4,860.40. The further drop in 1964 is due to the having a deposit account of \$10,000.00 as well as the stocks-in-hand account of \$1731.90.

The accounts in the banks are current accounts. Frequent change of banks are made by the committee of management with the approval of the Registrar of Cooperative Societies.

Auditing

The cooperative society has two internal honorary auditors elected yearly by the members during general meetings held each year. They get honorarium when the business year is good. In addition, a certified public accountant will audit the accounts and present balance sheet each year to the Division of cooperative Development, Ministry of Agriculture and Cooperatives, Kuala Lumpur for approval. The auditor is paid a fee of \$400.00.

Philanthropic Activities

Amounts ranging from two hundred dollars to one thousand dollars are donated and contributed yearly to some institutions, for example, music clubs, school funds, temple funds and patriotic fund.