

Basic Economics of an Agricultural Cooperative
A Self Study Guide for Members and Staff of Agricultural Cooperatives

CHECK OUT!



To prove to yourself that you have fully understood this Study Guide, you should now go through the following multiple choice questions. Mark which you think is the right answer to each question. If you have any problems with a particular question, go back and read the corresponding lesson again.

The key to the answers can be found at the end.

1. Which one of the following is a "fixed asset"?
 - a. The warehouse owned by the co-operative.
 - b. The manager.
 - c. The stock of produce in the warehouse.
2. What is "working capital"?
 - a. The money used to pay workers' wages.
 - b. The money used to build a store.
 - c. The money used to buy produce and farm supplies.
3. What is the "commission"?
 - a. The membership fee in a co-operative.
 - b. The same as net surplus.
 - c. The amount deducted by the co-operative from produce sales before paying the producers.
4. What is the "cost price" of farm supplies?
 - a. The price the members pay for the supplies.
 - b. The price the co-operative pays for the supplies plus possible freight costs.
 - c. The price members pay minus possible discount.
5. What is the "selling price" of farm supplies?
 - a. The cost price plus the "mark-up".
 - b. The cost price plus the net surplus.
 - c. The cost price plus sales tax.
6. Why does the co-operative need a "trade margin" on the sales of supplies?
 - a. A margin is needed to purchase farm supplies.
 - b. A margin is needed to pay running costs.
 - c. A margin is not needed in co-operative business.
7. "The margin is 6%" What does it mean?
 - a. The margin is 6% of the cost of the goods.
 - b. The margin is 6% of the sales.
 - c. The margin is 6% of the gross surplus.

8. A co-operative sold farm supplies for T\$20,000 and its average trade margin was 12%. What was the gross surplus?
- T\$8,000
 - T\$2,400
 - T\$1,667
9. What is "gross surplus"?
- The surplus left before the costs of running the co-operative have been deducted.
 - The surplus left after the costs of running the co-operative have been deducted.
 - The bonus paid to the members.
10. What is "net surplus"?
- Sales minus cost of goods.
 - Sales minus running costs.
 - Sales minus cost of goods minus running costs.
11. When will there be a loss?
- If the running costs are higher than the gross surplus.
 - If the running costs are lower than the gross surplus.
 - If the running costs are equal to the gross surplus.
12. How is a "bonus" in a co-operative distributed?
- In proportion to shares in the co-operative.
 - In proportion to the business made with the cooperative.
 - In proportion to total contributions to the cooperative.
13. A co-operative sold produce for T\$972,000. They took 15% in commission. They also sold farm supplies to members for T\$360,000. The cost of these supplies was T\$331,200. The total running cost for the co-operative was T\$110,300. What was the net surplus?
- T\$174,600
 - T\$ 64,300
 - T\$ 6,430.



There are some questions for group discussion on the next page.

*Discussion questions:***1. Raising Capital**

To raise capital many co-operatives have to borrow money in addition to the contributions from members. Discuss the most advantageous ways of raising money.

2. Working Capital

Ask a few co-operative societies for balance sheets covering two consecutive years. Examine the balance sheets and calculate by how much the working capital has changed from one year to the next. Discuss whether the trend has been favourable or not.

3. Examine the Trading result

Examine the trading accounts for the last year of some co-operatives, including your own. Discuss and answer the following questions:

- a. Do you consider the net surplus sufficient? If not, suggest some ways of increasing it.
- b. How should the net surplus be used for the maximum benefit of the members?

Key to the "Check-Out" questions:

Question	1	2	3	4	5	6	7	8	9	10	11	12	13
Correct answer	a	c	c	b	a	b	b	b	a	c	a	b	b
Lesson	1	1	1	2	2	2	2	2	2	2	3	3	3