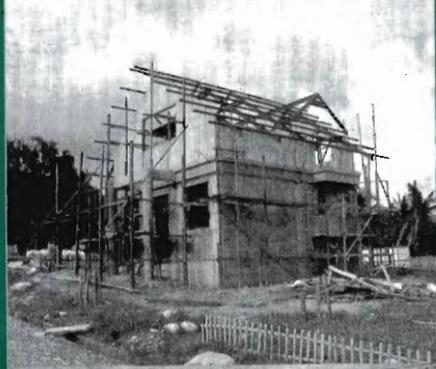




# ACCOUNTING CO-OP HOUSING

*a guide on accounting systems  
for cooperative housing*



WRITTEN BY  
Elenita S. Mantalaba, CPA





MANUAL ON COOPERATIVE HOUSING

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# ACCOUNTING GO-OP HOUSING

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*A Guide on Accounting Systems for Cooperative Housing*



This CHF publication is produced with funds from the United States Agency for International Development (USAID).

*Volumes Included in the Manual on Cooperative Housing*

1

*Analyzing Co-op Housing*

2

*Managing Co-op Housing*

3

*Financing Co-op Housing*

4

*Accounting Co-op Housing*

5

*Regulating Co-op Housing*

6

*Constructing Co-op Housing*

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# **ACCOUNTING CO-OP HOUSING**

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**CHF**  
International

**ACCOUNTING CO-OP HOUSING**  
*A Guide on Accounting Systems for Cooperative Housing*

*Published by*  
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# Foreword

Adequate shelter is a right that should be enjoyed by everyone. International statutes such as the United Nations Declaration on Human Rights guarantee this right. However in the Philippines, providing shelter to the homeless remains one of the primary concerns of government and cause-oriented groups.

Various approaches have already been adopted to solve the housing problem. One such approach is cooperative housing. It is an alternative self-help approach which applies the principles and methodologies adopted by cooperatives to shelter delivery.

While historically, cooperative housing has been put into practice in the late 19th century in various countries, its growth and development in the Philippines has only begun recently. As a response to promoting this innovative approach, CHF implemented the Cooperative Development Program in 1997, with the National Housing Authority (NHA) as its local partner and with funding from USAID.

The program sought to increase the availability of affordable housing services to underserved populations through cooperative housing. In particular, technical assistance was extended to build up the institutional capacity of NHA and several cooperatives to establish cooperative housing as a sustainable system. Part of such efforts is the development of a training manual on cooperative housing.

This Manual on Cooperative Housing was thus conceived to guide cooperatives engaged in mass housing projects for their homeless

members. In the process, it is hoped that this will encourage the creation of a favorable environment for the emergence of more housing cooperatives in the future.

CHF produced this manual in order to provide cooperatives with a better understanding of the operational and technical requirements, as well as, the processes involved in the cooperative housing project.

This Manual is designed to explain various concepts in terms that will be best understood by its intended end-users, which are the cooperatives. CHF attempted to provide a simplified presentation of some of the most important elements and steps of cooperative housing since there are so many details and variables involved in this process that varies according to each situation.

While we have wanted to base this Manual on the actual experiences of the pilot cooperatives of the Cooperative Development Program, it was not possible since these cooperatives have not gone through the entire cooperative housing process at this stage. The Manual was developed and drew largely from presentations made during the CHF-sponsored National Conference on Cooperative Housing held in Cavite on December 2001.

Volume One on **Analyzing Co-op Housing: Historical Analysis of Cooperative Housing** discusses the emergence and growth of cooperative housing in different countries, what were the issues and problems they faced, and how were these resolved. It also examines the experience of the SLU-SVP Housing Cooperative, one of the country's pioneers in cooperative housing.

Volume Two on **Managing Co-op Housing: A Guide on How to Manage the Organization, Implementation, and Maintenance of the Cooperative Housing Project** explains how the project affects the organizational structure and processes of the cooperative. It defines project management and lays down the specific management requirements necessary for the implementation and maintenance of the project.

Volume Three on **Financing Co-op Housing: A Guide on How to Avail of Fund Assistance for Cooperative Housing from Land Bank of the Philippines** presents the details of the bank's Cooperative Pabahay Program and how this may be utilized by the cooperative to finance its housing project.

Volume Four on **Accounting Co-op Housing: A Guide on Accounting Systems for Cooperative Housing** presents the different financial transactions of the project and how these should be documented and accounted for by the implementing cooperative.

Volume Five on **Regulating Co-op Housing: A Guide on Securing Titles, Licenses and Permits, and How to Avail of Tax Exemptions for Cooperative Housing** lists down the different legal and documentary requirements that regulate the project and how these can be secured by the cooperative. A section on taxation explains how a cooperative involved in socialized housing may avail of tax exemptions.

Finally, Volume Six on **Constructing Co-op Housing: A Guide on Construction Management of the Cooperative Housing Project** provides a layman discussion on the resource requirements, procedures, and tools needed during the construction phase of the project.

CHF hopes that these six volumes comprising the Manual on Cooperative Housing would serve as a valuable contribution towards the development of the cooperative housing movement in the Philippines.

**Randall Sach**  
Country Director  
CHF Philippines

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CHF-Philippines would like to extend its sincerest gratitude to all people and institutions who have shared their knowledge, time, effort and patience in producing this manual. We would thus like to thank the following:

To the officers and staff of the National Housing Authority (NHA), our principal partner in the implementation of the Cooperative Development Program, especially to Ms. Evangelina Equipaje, Officer-in-Charge of NHA's Livelihood Development Department (LDD), and Ms. Aida de Gula, former LDD Manager.

To the resource persons who imparted their expertise and know-how during the National Conference on Cooperative Housing held in Cavite on December 2001, namely: Danilo Consuegra of the National Confederation of Cooperatives (NATCCO), Ruben Corpuz of the SLU-SVP Housing Cooperative, Marlyn Estrella of the Cooperative Development Authority (CDA), Anne Henderson of UHAB from New York, Rose Nartates of NHA, Gary Ramirez of Land Bank of the Philippines (LBP), Sarah Redoblado of Alterplan, Ricardo San Andres of the Department of Agrarian Reform (DAR), Robert Sheen of the Department of Environment and Natural Resources (DENR), and Rolando Teves of NHA.

To Prof. Elenita Mantalaba, Director of the PUP Institute of Cooperatives, for her manual on Accounting Co-op Housing and her contributions on financing housing cooperatives.

To the officers of the Customer Service and Product Development Department of LBP, especially Gary Ramirez and Pocholo Nuñez, for their patience in explaining the details of the LBP-NHA Cooperative Pabahay Program.

To the officers and staff of the Mines and Geosciences Bureau (MGB) and the Environmental Management Bureau (EMB) of DENR, for clarifying the department's environmental regulations.

To the pilots and other cooperatives of the Cooperative Development Program for inspiring us to produce this manual.

This manual also benefited greatly from the technical training on cooperative housing of the SEDCOP Program of NATCCO, Alterplan, and VICTO.

Lastly, this manual would not have been possible if not for the generous funding provided by the United States Agency for International Development (USAID).





## I N T R O D U C T I O N

# Why install an accounting system for cooperative housing?

Housing cooperatives, just like any other cooperatives, face reportorial problems for use of decision makers. The most important report that a cooperative needs is financial in nature and can only be prepared if an effective accounting system is installed.

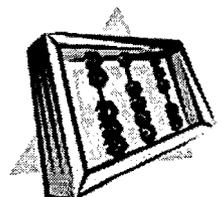
An accounting system is defined as the orderly arrangement of procedures, personnel, records, equipment and other devices for the logical gathering and processing of raw data and the reporting of financial and other information essential to the efficient conduct and evaluation of activities of a business organization.

A cooperative prepares the financial reports of its business activities in

written form. To do so, a system has to be installed to gather and process accounting data and prepare the necessary financial and management reports.

For any and all types of cooperatives, the concept of an accounting system remains the same but the details of the basic elements vary because of their uniqueness with one another.

This manual will deal on the accounting system for a housing cooperative that can also be interfaced with a different type of cooperative -  
- credit or multi-purpose cooperative  
-- undertaking a housing project.



Cooperatives must set their **accounting policies and standards** in preparing their financial statements. These policies and standards must adhere to the Generally Accepted Accounting Principles (GAAP) issued by the Accounting Standards Council in its Statement of Financial Accounting Standards (SFAS).



The GAAP consists of rules governing the preparation of financial reports. These principles include the objectives of financial accounting and financial statements, qualities of financial accounting information, and the basic features and elements of financial accounting.

## **Why do we need to do financial accounting and financial statements?**

The basic purpose of financial accounting and financial statements is to provide quantitative financial information about a business enterprise that is useful to statement users in making economic decisions.

The objectives of cooperative financial statements is to present fairly the following in conformity with the GAAP, cooperative rules and regulations, and cooperative principles and practices -- (a) financial position; (b) results of operations; (c) distribution of net surplus; (d) changes in reserve accounts; and (e) cash flow.

## What are the general objectives of financial accounting?

- To provide reliable financial information about the economic resources and obligations of a business in order to evaluate the enterprise's strengths and weaknesses.



- To provide reliable information about changes in net resources (resources less obligations) of an enterprise that result from its profit-directed activities. Activities of the cooperative from which earnings are generated are set forth in its By-laws. These are not profit-directed, but provide results into the payments of members in excess of loans borrowed or cost of acquired goods, rights, or privileges.
- To provide financial information that assists in estimating the earning potential of the enterprise.
- To provide other needed information about changes in economic resources and obligations.
- To disclose, to the extent possible, other information related to the financial statements that is relevant to the needs of the statement user or the cooperative and its members.

## What are the qualities of financial information?

Financial accounting information must have the following qualities:

1. **Relevance** refers to the usefulness of accounting information. Relevant financial accounting information influences the user's decisions.

2. **Understandability.** Financial accounting information must present data that can be understood by users of such information. They are expressed in a form and terminology adapted to the range of understanding of users.
3. **Verifiability.** Financial accounting information must provide results that would be substantially duplicated by independent auditors using the same measurement methods.
4. **Neutrality.** Financial accounting information are directed toward the common needs of users. It must be independent of presumptions about particular needs and desires of specific users of the information.
5. **Timeliness.** To avoid delays in making decisions, financial accounting information must be communicated at the right time.
6. **Comparability.** Financial accounting information present similarities and differences that arise from cooperative transactions and financial accounting treatments. Financial accounting treatments must be consistent to permit comparisons over time. Any change in practice or procedure and its effects must be disclosed.
7. **Completeness.** All financial accounting data must be included to reasonably fulfill all the objectives of financial accounting.

The reliability of financial statements is enhanced with the achievement of these qualities. This is important to the users or the cooperative because decisions that may affect the status of the economic enterprise are based on the information provided. However,

reliability does not imply precision of information because financial accounting involves approximation and judgment.

## What are the basic features of financial accounting?

The following describe the basic concepts and principles adapted in financial accounting:

1. **Accounting entity** is the specific business enterprise separate and distinct from its owners and other business units. The business enterprise is identified in the financial statements.



2. **Going concern.** An accounting entity is viewed as a continuing business unit without interruptions in its operation. It is evidenced by financial reports showing costs that pertain to future activities, and revenues and costs that are assigned to the current period. A business entity is no longer considered a going concern if it is in the process of dissolution or liquidation.

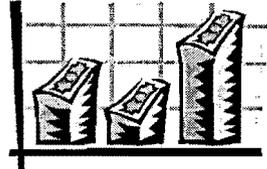
3. **Measurement of economic resources and obligations.** Only those economic activities that can be quantified should be measured and reported in financial statements.



4. **Accounting periods.** The financial report should contain information about economic activities of an

enterprise for specified periods, usually one year, that are shorter than the life of the enterprise. Reports may also be prepared on a monthly basis to facilitate comparisons and decision-making.

5. **Measurement in terms of money.** Economic resources and obligations and changes in them must be measured in peso terms. These should be identified in the financial statements.



6. **Accrual.** In determining periodic net surplus (net income), revenues are recognized as earned rather than when cash is received, while expenses are recognized when incurred rather than when cash is paid.
7. **Exchange price.** Financial accounting measurements are primarily based on historical prices at the time economic resources and obligations are exchanged.
8. **Approximation.** Financial accounting measurements also involve allocations on the basis of estimates if exact measurements are not possible in determining the changes in economic resources and obligations over periods of time. Depreciation is an estimated amount. It is the allocation of acquisition costs of property and equipment over the estimated life of these assets.
9. **Judgment.** Estimates used in financial accounting are based on informed judgment to avoid inflexible rules.
10. **General purpose financial information.** Financial reports are designed to serve the common needs of

members, owners, creditors, managers and other users, with primary emphasis on the needs of present and potential members and creditors.

**11. Fundamentally related financial statements.**

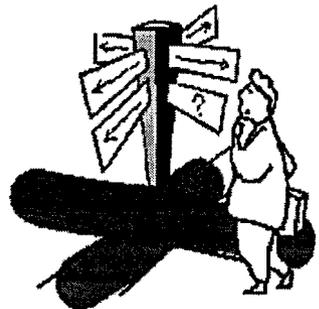
Financial reports are the end-results of processing accounting data on the changes in economic resources and obligations. These reports are prepared in the following sequence: (1) surplus statement, including supporting schedules; (2) distribution of net surplus; (3) statement of changes in reserve accounts; (4) balance sheet; and (5) statement of cash flows.

**12. Substance over form.** Financial accounting emphasizes the economic substance of events even though the legal form may differ from the economic substance and suggest a different treatment. Financial accounting information are better reflected if substance rather than form is emphasized.

**13. Materiality.** Because of approximation and judgment, financial accounting information is not always exact and complete. But there is a point when incomplete and inexact information may influence a decision and this determines whether the information is material or immaterial.

## **Are there any other principles that guide the financial accounting of cooperatives?**

The cooperatives should not only adhere to these Generally Accepted Accounting Principles. They should also comply with



provisions of the **Cooperative Code of the Philippines**, or Republic Act No. 6938, and its implementing rules and regulations. If there is any conflict between GAAP and the law, the law should prevail.

Adherence to principles must be consistent to achieve comparability of financial reports between two fiscal periods and between cooperatives. Some of the principles that must be adhered to are accrual accounting, historical cost, revenue realization, expense recognition, substance over form, etc.

On the other hand, some provisions of the Cooperative Code which may affect the preparation of financial statements include the following:

- accounting for capital, property and funds
- allocation and distribution of net surplus
- accounting for reserves
- tax treatment and tax exemptions
- distribution of economic resources upon lawful dissolution

## What is a transaction?

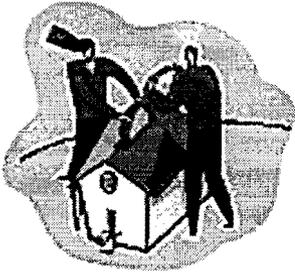
To fully understand cooperative housing transactions, let us first define what a transaction is. A transaction is a business activity that involves the transfer or exchange of goods and services between two or more entities. Any transaction must be systematically recorded in the books of the cooperative.



The transaction can be an activity between the cooperative and another entity, whether an individual or juridical person. Examples of this are the purchase of supplies or goods on account, the payment of salaries of employees, and the payment of accounts to suppliers. These transactions are called external transactions.

There are other activities which occur within the cooperative. These activities, which affect the assets and liabilities of the cooperative and the equity or reserves of the members, are called internal transactions. Examples of these are the transfer of cash from one bank account to another, the depreciation of equipment, and the determination of cost of goods sold or services rendered.

## What are the different transactions in co-op housing?



Cooperative housing transactions are the business activities involving housing operations, from conceptualization to implementation. When a cooperative starts conceptualizing a housing project, it starts using its own resources. For example, supplies used for market survey, salaries of staff in charge of housing, food or the per diem in a meeting of directors, are transactions in the initial stage of housing operations.

These transactions must be segregated from the other transactions of the cooperative and must be recorded separately.

Cooperative housing transactions of a credit or multi-purpose cooperative that engages in cooperative housing project include the following:

1. **Transfer of funds/investment from major operations of the cooperative.** As soon as the Board of the Directors approves the cooperative's housing project and sets it for further approval of the General Assembly, a fund should be appropriated and segregated as the cooperative's initial investment on the project. All expenditures related to the housing project shall be disbursed from this fund.

Before the cooperative can start its housing operations, it must amend its Articles of Cooperation and By-laws, specifically its general objectives and operations.

2. **Members' housing equity contribution.** Members participate in the equity build-up of the housing

project. This can be in the form of share capital specifically for housing operations. Common shares may be offered to the housing beneficiaries or buyers while preferred shares may be offered to other investors who are not housing beneficiaries. However, to do this, the cooperative must amend its Articles of Cooperation on capitalization.

There are some cooperatives which implement a planned savings program before pursuing a housing project. These savings form part of the members' equity contribution to housing.

- 3. Land acquisition.** Cost of land acquisition includes cash purchase price and all costs directly attributable to its acquisition. It also includes attorney's fees and other expenditures for establishing a clean title, taxes, agent's commission, cost of demolition of old structures, clearing and grading.

The cost of relocation or reconstruction of property belonging to other occupants to acquire possession is added to land acquisition cost. The same with all expenses that should have been paid by the seller but assumed by the buyer, such as accrued interest and taxes.



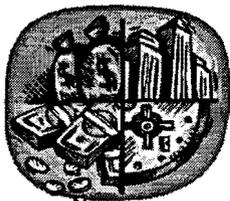
- 4. Applying for and release of loans from financing institutions.** The cooperative can avail of financial services from a public or private financing institution

such as Land Bank of the Philippines or Development Bank of the Philippines. The cooperative usually prepares the documents and other papers required by these institutions. Related to these are payments for legal expenses, preparation of project feasibility studies, and receipt of approved loan on staggered or lump-sum basis.

5. **Preparatory land development.** This includes surveys, plans, certificates of conversion of agricultural land to residential type, professional fees of geodetic and other engineers, ocular inspection, preparation of studies required by government agencies for purposes of securing permits like EGGAR and ECC, and other costs prior to land development.
6. **Acquisition of property and equipment.** Property and equipment may be acquired by the cooperative for use at the construction site and the office. These include vehicles, payloaders, backhoes, computers with software on construction design and scheduling, etc.
7. **Land development and improvement costs.** Land development and improvement costs to level off land and construct roads, sidewalks, sewage system, open spaces and parks, perimeter fences, and gates. These costs include direct and indirect materials and supplies such as gasoline and oil, salaries of construction workers and project officers, depreciation (if equipment is purchased) or rental of equipment used, supervision, and other project management costs.



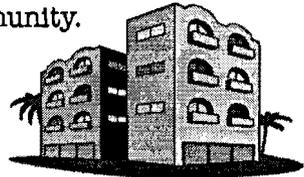
8. **Construction of housing units or residential buildings.** These include the design of the housing unit, materials used, direct and indirect labor costs, and other costs to construct the housing unit. If the cooperative opts to engage an independent contractor to construct the housing units, the transaction would include the payment of construction cost to the contractor.
  
9. **Construction of water system, multi-purpose building and other structures for common use.** Direct materials used, salaries of workers and project officers, and other costs related to the construction of the water system and other structures are accounted for separately.



10. **Payment of administrative expenses.** Administrative expenses are also incurred when implementing housing projects. Those incurred during the period of development are charged to land development cost while those incurred during construction are charged to housing construction.
  
11. **Payment of marketing expenses.** Expenses to sell or promote the housing project, disposable lots and housing units are classified as marketing expenses. Trips to project site are promotional activities generating sales and are also therefore considered as marketing expenses.
  
12. **Completion of land development/improvement.** Transfer of cost of land and the improvement to inventoriable

disposable lots. These include materials used, labor and other costs incurred and paid during the development phase.

13. **Completion of housing units.** This involves the transfer of materials used, labor and other costs incurred and paid for the construction of housing units to disposable and inventorable housing units.
14. **Completion of water system.** This involves the transfer of materials used, labor and other costs incurred and paid for the drilling and installation of water system to a depreciable asset for common use of housing beneficiaries.
15. **Completion of other common structures.** This involves the transfer of materials used, labor and other costs incurred and paid for the construction of a multi-purpose hall, playground and other structures for use as common areas of the community.



16. **Transfer/sale of disposable lot and housing unit for cash.** After the completion of the housing units, these can be sold for cash or transferred to housing beneficiaries who may reimburse the cooperative for the cost of the house and lot plus a margin of surplus.
17. **Transfer/sale of disposable lot and housing unit on account.** The house and lots may be transferred to the beneficiaries on long-term installment basis. A downpayment or an initial payment may be asked from the beneficiaries and the balance to be paid on regular installment basis with provision for interest.

18. **Collection of installment receivables.** During the term of recovery of the selling price of the disposable lot and housing units, receivables shall be collected from housing beneficiaries.
19. **Repayment of housing loan and interest to financing institutions.** The financing of the housing project through a loan from a financing institution shall be paid during the term of the loan. Repayment includes the principal, interest and other financing costs charged by the bank.
20. **Collection of carrying charges from housing beneficiaries.** Common costs in the maintenance and security of the project shall be collected from the housing beneficiaries such as insurance, security services, repairs and maintenance of road network, sewage system, and other community structures.
21. **Payment of carrying charges.** Carrying charges are to be paid to the appropriate agencies or entities providing these services to the cooperative, such as, security agencies, insurance companies, contractors, etc.

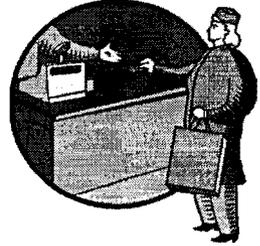


Gross margin is the excess of sales revenue over cost of goods sold. It is also referred to as the gross profit.

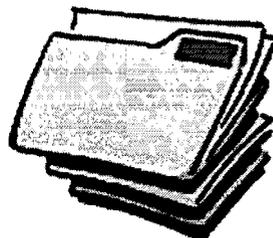
22. **Realization of gross margin on sale of house and lots.** Gross margin on sale of house and lot is deferred over the term of the installment and realized based on collection.

23. **Interest earned on collection of receivables.** Interest on installment receivables may be recorded upon collection or at the end of the year recognizing interest for the accounting period.

**24. Repayment/fund transfer of original investment of the cooperative.** When the housing project is completed and has been operating as a separate community or housing cooperative, the cooperative may require the repayment of its investment or transfer of funds to its core business.



## How do we document each transaction?



Business functions are repetitive transactions that need to be documented and recorded, and whose effects must be presented in the financial statements.

**Forms** are used in documenting transactions. These may be internally generated or received from parties outside the cooperative that provide audit trail in all cooperative transactions.

The documents serve as physical evidences of completed transactions. These are also sometimes referred to as source documents, the details of which are then recorded in a journal or ledger.

The following are the list of documents which arise on various transactions:

Transaction	Document/s
Investment/Fund transfer from major operations of cooperative	<ul style="list-style-type: none"> <li>▪ Board resolution</li> <li>▪ Authority to transfer funds</li> <li>▪ Check voucher</li> </ul>
Reservation for homelot/housing unit	<ul style="list-style-type: none"> <li>▪ Reservation form</li> <li>▪ Official receipt</li> </ul>

Transaction	Document/s
Housing equity contribution of members (including planned savings program)	<ul style="list-style-type: none"> <li>▪ Application for housing unit/ Approved beneficiary form/ Subscription form for new capital on housing</li> <li>▪ Official receipt</li> </ul>
Bank deposits	<ul style="list-style-type: none"> <li>▪ Validated bank deposit slips</li> </ul>
Purchase/acquisition of land for housing	<ul style="list-style-type: none"> <li>▪ Deed of absolute sale</li> <li>▪ Accounts payable voucher/s</li> <li>▪ Tax clearance</li> <li>▪ Check voucher</li> </ul>
Payment of taxes, attorney's fees, agent's commission	<ul style="list-style-type: none"> <li>▪ Statement of account/s</li> <li>▪ Order of payment</li> <li>▪ Accounts payable voucher/s</li> <li>▪ Check voucher/s</li> </ul>
Payment of professional fees for land survey, site development plan, etc.	<ul style="list-style-type: none"> <li>▪ Contract/MOA</li> <li>▪ Statement of account/s</li> <li>▪ Accounts payable voucher/s</li> <li>▪ Check voucher/s</li> </ul>
Cash subsidy, grant, donation	<ul style="list-style-type: none"> <li>▪ BOD resolution accepting grant</li> <li>▪ Deed of donation</li> <li>▪ Official receipt</li> </ul>
Application and release of loans from a financing institution	<ul style="list-style-type: none"> <li>▪ Application for loan</li> <li>▪ Project feasibility study</li> <li>▪ Memorandum of agreement</li> <li>▪ Joint and several signatures</li> <li>▪ Promissory note</li> <li>▪ Bank credit memorandum</li> <li>▪ Bank loan proceeds release form</li> </ul>

Transaction	Document/s
Purchase of heavy equipment for use on account	<ul style="list-style-type: none"> <li>▪ Purchase requisition</li> <li>▪ Purchase order</li> <li>▪ Supplier's invoice</li> <li>▪ Supplier's statement of account</li> <li>▪ Supplier's delivery receipt</li> <li>▪ Receiving report</li> <li>▪ Accounts payable voucher</li> <li>▪ Check voucher</li> </ul>
Equipment received as donation	<ul style="list-style-type: none"> <li>▪ BOD resolution accepting donation</li> <li>▪ Deed of donation</li> <li>▪ Journal voucher</li> </ul>
Materials/Supplies purchased on account	<ul style="list-style-type: none"> <li>▪ Purchase requisition</li> <li>▪ Purchase order</li> <li>▪ Supplier's invoice</li> <li>▪ Supplier's delivery receipt</li> <li>▪ Receiving report</li> <li>▪ Accounts payable voucher</li> <li>▪ Check voucher</li> </ul>
Requisition and issuance of materials for land development and house construction	<ul style="list-style-type: none"> <li>▪ Material requisition and issuance voucher</li> <li>▪ Journal voucher</li> </ul>
Payroll of workers less mandated deductions	<ul style="list-style-type: none"> <li>▪ Time record</li> <li>▪ Overtime authorization</li> <li>▪ Payroll register</li> <li>▪ Accounts payable voucher</li> <li>▪ Check voucher</li> </ul>

Transaction	Document/s
Share of cooperative on SSS, Philhealth, Pag-ibig contributions	<ul style="list-style-type: none"> <li>▪ Schedules of co-op's share on SSS, Philhealth, Pag-ibig contributions</li> <li>▪ Journal voucher</li> </ul>
Remittance of deductions and co-op's share on SSS, etc	<ul style="list-style-type: none"> <li>▪ Accounts payable voucher</li> <li>▪ Check voucher</li> </ul>
Rental of equipment used	<ul style="list-style-type: none"> <li>▪ Rental agreement</li> <li>▪ Statement of account</li> <li>▪ Accounts payable</li> <li>▪ Check voucher</li> </ul>
Supervision/Project management cost	<ul style="list-style-type: none"> <li>▪ Contract/MOA</li> <li>▪ Statement of account</li> <li>▪ Board resolution on the appointment of project engineer/project officer from management staff</li> <li>▪ Accounts payable voucher</li> <li>▪ Check voucher</li> </ul>
Depreciation of equipment purchased and used for housing project	<ul style="list-style-type: none"> <li>▪ Schedule of depreciation</li> <li>▪ Journal voucher</li> </ul>
Depreciation of equipment donated to the co-op or purchased from donated capital	<ul style="list-style-type: none"> <li>▪ Schedule of depreciation</li> <li>▪ Journal voucher</li> </ul>
Cost of land improvement	<ul style="list-style-type: none"> <li>▪ Approved schedule of cost of land improvements</li> <li>▪ Journal voucher</li> </ul>

Transaction	Document/s
Cost of homelots for sale/award	<ul style="list-style-type: none"> <li>▪ Approved schedule of cost of homelots for sale/award and allocation of cost per homelot</li> <li>▪ Journal voucher</li> </ul>
Cost of housing units completed	<ul style="list-style-type: none"> <li>▪ Approved schedule of cost of completed housing units</li> <li>▪ Journal voucher</li> </ul>
Cost of water system, buildings, and other structures completed	<ul style="list-style-type: none"> <li>▪ Approved schedule of cost of completed water system and other structures</li> <li>▪ Journal voucher</li> </ul>
Repayment of housing loan plus interest	<ul style="list-style-type: none"> <li>▪ Amortization schedule</li> <li>▪ Accounts payable voucher</li> <li>▪ Check voucher</li> </ul>
Award/Transfer/Sale of Housing Units and Lot for cash	<ul style="list-style-type: none"> <li>▪ Deed of absolute sale</li> <li>▪ Notice of occupancy</li> <li>▪ Homeowning agreement</li> <li>▪ Master deed of restrictions</li> <li>▪ Official receipt</li> </ul>
Award/Transfer/Sale of housing units and lots on long-term installment basis	<ul style="list-style-type: none"> <li>▪ Contract to sell</li> <li>▪ Deed of absolute sale</li> <li>▪ Amortization schedule</li> <li>▪ Notice of occupancy</li> <li>▪ Homeowning agreement</li> <li>▪ Master deed of restriction</li> <li>▪ Journal voucher</li> </ul>
Collection of installment receivable	<ul style="list-style-type: none"> <li>▪ Official receipt</li> </ul>

Transaction	Document/s
Adjustment for realized gross margin on sale of housing units and disposable lots	<ul style="list-style-type: none"> <li>▪ Journal voucher</li> </ul>
Adjustment for interest earned on the collected portion of installment receivable	<ul style="list-style-type: none"> <li>▪ Journal voucher</li> </ul>
Adjustment for accrued interest expense on loans payable	<ul style="list-style-type: none"> <li>▪ Journal voucher</li> </ul>

## What are internally generated forms?



Internally generated forms are documents made and released by the cooperative and should be:

- designed for multiple use if possible, thereby minimizing the number of different forms
- designed to include data to validate or approve the contents/ transactions
- designed to provide source, destination, number of copies and distribution
- pre-numbered sequentially when printed, thereby providing a control over unused and missing forms
- relatively easy to complete, thereby encouraging employees to complete them accurately

In the succeeding pages are examples of internally generated forms that are commonly used by cooperatives in their housing project.

Name of Cooperative  
Address

**BOARD RESOLUTION NO. \_\_\_\_\_**

In a regular/special meeting of the Board of Directors held on (date) at (place) the following resolution/s was approved and adopted upon motion of (name of director who moved for approval of resolution) duly seconded by (name of director who seconded the motion);

WHEREAS, the COOPERATIVE desires to provide decent and affordable housing to its members;

WHEREAS, the COOPERATIVE in providing housing to its members desires to adopt the cooperative housing approach;

WHEREAS, the cooperative housing approach mandates that collective ownership of the housing project be adopted;

BE IT RESOLVED AS IT IS HEREBY RESOLVED THAT THE COOPERATIVE implements a housing project that will provide decent and affordable housing to its members adopting cooperative housing approach;

BE IT FURTHER RESOLVED THAT ownership of the dwelling units remain with the cooperative indivisible until the end of the life of the cooperative.

Adopted this \_\_\_\_ day of \_\_\_\_ year \_\_\_\_

(to be signed by majority of the Board of Directors)

Name of Cooperative  
Address

**BOARD RESOLUTION NO. \_\_\_\_\_**

In a regular/special meeting of the Board of Directors on (date) held at (place), (name of director who moved for the approval of the resolution) duly seconded by (name of director who seconded the motion);

WHEREAS, in implementing a housing project, funds are necessary to pay for the initial costs of the project such as conduct of market survey, site selection, land acquisition, and site planning, before equity could be received from member-beneficiaries;

BE IT RESOLVED AS IT IS HEREBY RESOLVED THAT the amount of \_\_\_\_\_ from credit operations be set aside and that this amount be transferred to a new current and savings account at (name of bank) as the cooperative's initial investment to the housing project;

BE IT FURTHER RESOLVED THAT for and in behalf of the cooperative, the following officers be authorized to sign checks, documents relative to the disbursements of funds from such account.

(name of officers)

BE IT FINALLY RESOLVED THAT a copy of this resolution be forwarded to (name of the bank) and serve as an authorization for (name of the bank) to transfer the amount of \_\_\_\_\_ from CA/SA Account No. \_\_\_\_\_ to a new CA/SA account for housing operations.

Adopted this \_\_\_\_ day of \_\_\_\_ year \_\_\_\_

(to be signed by majority of the members of the Board of Directors)

Form No. 3

Date

Name of Bank  
Address of Bank

Dear Sir/Madam:

This is to authorize your bank to transfer the amount of (in words and figures) from our CA/SA Account No. \_\_\_\_\_ to a new CA/SA account specifically for our housing operations.

Further, the following officers are authorized to sign checks, documents and all papers relative to the transactions of this account:

Name of Signatory

Specimen Signature

Thank you for your usual attention and cooperation.

Very truly yours,

(Sgd.) Signatory/ies

NAME OF COOPERATIVE  
Address of Cooperative  
CDA Registration No.  
TIN No.

**RESERVATION FORM**

No. \_\_\_\_\_

Date \_\_\_\_\_

This is to certify that I, \_\_\_\_\_ (name of member) \_\_\_\_\_, of legal age, (married or single), residing at \_\_\_\_\_ (address) \_\_\_\_\_, a member in good standing of this cooperative do make the following commitments:

1. That I am making a reservation for one unit of homelot with a lot area of approximately \_\_\_\_\_ sq. m. and a residential housing unit with a floor area of approximately \_\_\_\_\_ sq. m.;
2. That I am willing to pay for the cost of the homelot and housing unit that shall be awarded to me in accordance with the policies and guidelines promulgated by the Board of Directors;
3. That I shall abide by the homeownership agreement that I shall sign as a beneficiary and the housing rules and regulations that shall be promulgated by the cooperative and by the association of home dwellers of the housing project;
4. That I shall pay a reservation fee of \_\_\_\_\_ pesos (P\_\_\_\_\_ ) and initial capital contribution to the housing project (housing equity) of \_\_\_\_\_ pesos (P\_\_\_\_\_ ).

(Sgd) Member-Beneficiary

Date \_\_\_\_\_



NAME OF COOPERATIVE  
Address of Cooperative  
CDA Registration No.  
TIN No.

**CHECK VOUCHER**

CV No. \_\_\_\_\_  
Date \_\_\_\_\_

Payee \_\_\_\_\_  
Pesos: \_\_\_\_\_ (P \_\_\_\_\_)  
Bank \_\_\_\_\_ Check No. \_\_\_\_\_ Date of Check \_\_\_\_\_

Particulars			Amount
In Payment of: AP Voucher No. _____ Date of Voucher _____			
Prepared by	Checked by	Approved by	Recorded by

Received the amount of PESOS: \_\_\_\_\_ (P \_\_\_\_\_) In payment of above.

Payee

To be prepared in triplicate







**NAME OF COOPERATIVE**  
**Address of Cooperative**  
**CDA Registration No.**  
**TIN No.**

**RECEIVING REPORT**

No. \_\_\_\_\_

Date \_\_\_\_\_

Supplier \_\_\_\_\_

Address of Supplier \_\_\_\_\_

Terms \_\_\_\_\_

Shipped via \_\_\_\_\_

Item/s	Description/Specification of Item/s	Quantity	Unit	Unit Cost	Amount
	Total				
Received by		Inspected by		Recorded by	

To be prepared in triplicate



**NAME OF COOPERATIVE**

Address of Cooperative

CDA Registration No.

TIN No.

**DAILY TIME RECORD**

Period \_\_\_\_\_

Name \_\_\_\_\_ Employee No. \_\_\_\_\_

Position \_\_\_\_\_ Department/Unit \_\_\_\_\_

Date	AM				PM				Overtime				
	In	Out	Hrs	Job	In	Out	Hrs	Job	In	Out	Hrs	Job	
1													
2													
3													
4													
5													
6													
7													
8													
9													
10													
11													
12													
13													
14													
15													
I hereby certify that the above is true and correct					Verified and checked by					OT Authorized by			

NAME OF COOPERATIVE  
 Address of Cooperative  
 CDA Registration No.  
 TIN No.

**REQUEST FOR AUTHORITY TO WORK OVERTIME**

Date \_\_\_\_\_

Name \_\_\_\_\_ Employee No. \_\_\_\_\_  
 Position \_\_\_\_\_ Department/Unit \_\_\_\_\_

Date/s of OT Work Requested \_\_\_\_\_  
 No. of Hours \_\_\_\_\_

**Purpose of Overtime Work**

<b>Requested by</b>	<b>Recommending approval</b>	<b>Approved by</b>

**Actual Overtime Work**

Date	From	To	No. of Hours	Job
<b>Total</b>				
<b>Prepared by</b>		<b>Checked by</b>		<b>Approved by</b>

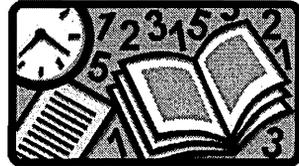


## Why record transactions in a journal?

A **journal** is a permanent record of transactions arranged in a chronological order. This is also called the **book of original entry**.

The process of recording transactions is called **journalizing**. In recording a transaction, an entry is made in the journal. The basis of the entry made is the primary source document evidencing the transaction.

A journal helps systematize the accounting process. It eliminates the need to constantly refer to several pages of source documents during the preparation of financial statements. Each journal entry shows the complete effect of a certain transaction.



## Are there special journals used for specific purposes?

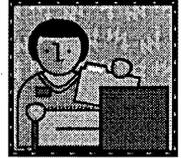
If transactions occur frequently, special journals are used to eliminate the repetitive nature of recording similar transactions. Commonly used special journals are:

- **Cash Receipts Journal** - used to record all cash receipts from all sources
- **Cash Disbursements Journal** - used to record all cash payments
- **General Journal** - used to record non-cash transactions

Other special journals may be used if the same transactions occur frequently. These journals are designed to meet the needs of the cooperative in recording repetitive transactions to eliminate numerous postings.

With the different forms presented and described earlier, the following special journals are necessary to record the transactions evidenced by these documents:

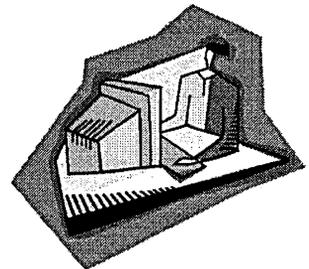
- Accounts Payable Register
- Check Register
- Journal Voucher Register



The distribution or disposal of the house and lots to beneficiaries may also be recorded in another special journal. If the house and lots are for sale on installment basis, a **Sales Journal** may be used. But if the housing project is collectively owned, another special journal may be designed and used for this transaction.

To be able to record the business transactions of a cooperative, both internal and external, it may be helpful to review the following recording processes: (a) double-entry accounting system; (b) chart of accounts; (c) pro-forma entries.

## What is the Double-Entry Accounting System?



The **Double-Entry Accounting System** is the old and universally accepted system used in recording accounting data. Each transaction is recorded in the way that maintains the equality of the basic accounting equation:

$$\text{Assets} = \text{Liabilities} + \text{Capital}$$

This equation is expanded to reflect the treatment of the accounts in a cooperative environment.

## **Assets = Liabilities + Members' Equity + Reserves**

The left side and the right side of this equation are equal. A change in the left or right side must have an equal change on the other side. A business transaction will either increase and/or decrease any one or more of the elements of the equation.

The equation is transformed into a T-account where the left side is called debit and the right side is called credit. Thus, debit equals credit at all times.

Using the double-entry accounting system, the effects of transactions may be summarized by the following rules on debit and credit.

### **1. Debit**

- Increase in assets
- Decrease in liabilities
- Decrease in members equity
- Decrease in reserves
- Decrease in net surplus
  - Increase in expenses/Decrease in revenues

### **2. Credit**

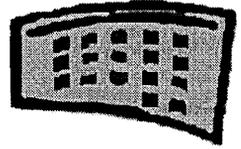
- Decrease in assets
- Increase in liabilities
- Increase in members' equity
- Increase in reserves
- Increase in net surplus
  - Decrease in expenses/Increase in revenues



A T-account is so-called because it takes the form of the capital letter T, where the vertical line in the letter divides the left and right side, while the account title rests on the horizontal line. It is a convenient form of showing the effect of transactions on a particular account.

Account Title	
Debit	Credit

# What is the Chart of Accounts?



A **Chart of Accounts** consists of account titles that are classified and identified with codes in symbols or numbers. These account titles are listed in the order they are presented in the financial statements. The account titles reflect the purpose and nature of the accounts and describe the business transactions. They are used in recording transactions in the journals.

A typical chart of accounts is divided into the balance sheet and the surplus statement accounts to facilitate the preparation of financial statements. These financial statements are prepared in accordance with the Generally Accepted Accounting Principles, as well as in accordance with existing cooperative laws and practices.

Additional accounts that may be used by cooperatives with housing operations include:

## 1. Balance Sheet

- Cash in Bank - Housing
- Installment Receivable - Housing
- Discount on Installment Receivable - Housing
- Materials and Supplies
- Lots for Sale/Disposable Lots
- Housing Units
- Land
- Land Improvements
- Water System
- Building - Multi-Purpose Hall
- Construction Equipment
- Accumulated Depreciation: Housing Property and Equipment
- Housing Loans Payable
- Discount on Housing Loans Payable
- Deferred Gross Margin on Sale of Housing Units and Disposable Lots
- Share Capital - Housing

## 2. Surplus Statement/Statement of Operations

- Realized Gross Margin From Sale of Disposable Lots and Housing Units
- Interest Revenue on Installment Receivable
- Interest Expense on Housing Loans Payable

## 3. Schedule of Cost of Disposable Lots and Housing Units Sold

- Direct Materials
- Direct Labor
- Other Construction Costs
- Indirect Materials Used
- Indirect Labor
- Rental of Equipment and Other Property
- Supervision and Project Management Cost
- Depreciation of Construction Equipment
- Lots for Sale/Disposable Lots
- Housing Units
- Cost of Lots/ Disposable Lots Sold
- Cost of Housing Units Sold

## What are Pro-forma Entries?

**Pro-forma Entries** are the usual journal entries for typical transactions with debit and credit accounts. The following are the pro-forma entries for housing transactions of a cooperative:

Transaction	Pro-forma Entry
Investment/Fund transfer from major operations of cooperative	Dr. Cash in Bank - Housing Cr. Cash in Bank - Credit

Transaction	Pro-forma Entry
Housing equity contribution of members	Dr. Cash in Bank - Housing Cr. Share Capital - Housing
Purchase of land for housing	Dr. Land Cr. Cash in Bank - Housing
Payment of taxes, attorney's fees, agent's commission	Dr. Land Cr. Cash in Bank - Housing
Payment of professional fees for survey, plans, etc.	Dr. Land Cr. Cash in Bank - Housing
Purchase of heavy equipment for use on account	Dr. Construction. Equipment Cr. Accounts Payable - Supplier
Materials/Supplies purchased on accounting	Dr. Materials Cr. Accounts Payable - Supplier
Payroll of workers less mandated deductions	Dr. Payroll Cr. Withholding Tax Pay SSS/ECC Premium Pay PhilHealth Premium Pay Pag-ibig Premium Pay Cash in Bank - Housing
Rental of equipment used	Dr. Rental Cr. Cash in Bank - Housing
Supervision/Project management cost	Dr. Supervision and Other Cost Cr. Cash in Bank - Housing

Transaction	Pro-forma Entry
Depreciation of equipment used	Dr. Depreciation - Construction Equipment Cr. Accumulated Depreciation
Cost of land improvement	Dr. Land Improvements Cr. Materials Payroll Rental Depreciation - Construction Equipment
Cost of lots for sale	Dr. Lots for Sale/Disposable Lots Cr. Land Land Improvements
Cost of housing units completed	Dr. Buildings/Housing Units Cr. Materials Payroll Rental Depreciation - Construction Equipment
Cost of water system, buildings and other structures completed	Dr. Water System, Building - Multi-Purpose Hall Cr. Materials Payroll Rental Depreciation - Construction Equipment

Transaction	Pro-forma Entry
<p>Release of loan from financing institution  <i>(This is wholesale financing provided by a financing institution. The co-op is the borrower while members are sub-borrower who pay their obligation to the co-op.)</i></p>	<p>Dr. Cash in Bank - Housing  Dr. Discount on Housing Loans Payable  Cr. Housing Loans Payable  Or  Dr. Cash in Bank - Housing  Cr. Housing Loans Payable</p>
<p>Repayment of housing loan plus interest</p>	<p>Dr. Housing Loans Payable  Cr. Cash in Bank - Housing  And  Dr. Interest Expense  Cr. Discount on Loans Pay  Or  Dr. Housing Loans Payable  Interest Expense  Cash in Bank - Housing</p>
<p>Award/Transfer/Sale of Housing Units and Lot for cash</p>	<p>Dr. Cash In Bank - Housing  Cr. Lots for Sale/Disposable Lots  Housing Units  Realized Gross Margin on Lots and Housing Units</p>
<p>Award/Transfer/Sale of Housing Units and Lots on Long-term Installment basis</p>	<p>Dr. Installment Receivable  Cr. Lots for Sale/Disposable Lots  Housing Units  Discount on Installment Receivable  Deferred Gross Margin on Sale of Disposable Lots and Housing Units</p>

Transaction	Document/s
Award/Transfer/Sale of Housing Units and Lots on Long-term Installment basis	<p style="text-align: center;"><i>Or</i></p> Dr. Installment Receivable Cr. Lots for Sale/Disposable Lots Housing Units Deferred Gross Margin on Sale of Disposable Lots and Housing Units
Collection of installment receivable	Dr. Cash in Bank - Housing Cr. Installment Receivable <p style="text-align: center;"><i>And</i></p> Dr. Discount on Installment Receivable Cr. Interest Revenue on Installment Receivable <p style="text-align: center;"><i>Or</i></p> Dr. Cash in Bank - Housing Cr. Installment Receivable Interest Revenue on Installment Receivable
Adjustment for realized gross margin on sale of housing units and disposable lots	Dr. Deferred Gross Margin on Sale of Disposable Lots and Housing Units Cr. Realized Gross Margin on Sale of Disposable Lots and Housing Units



## What are ledgers?

A **ledger** consists of accounts such as financial statement accounts, members' accounts, customers' accounts, suppliers' accounts, etc. It is also called the **book of final entry**. The entries in the journals are transferred to the ledgers and this process is called **posting**.

A ledger containing the accounts presented in the financial statements is called the **general ledger**. These accounts are taken from the chart of accounts. They vary depending on the nature of the business of the cooperative, its operations, and the information that should be presented in the financial statements.

Posting of entries from the journals to the general ledger is usually done at the end of the month.

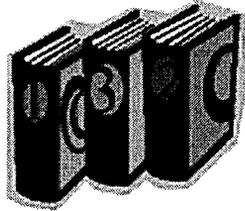
After the end-of-the month postings to the general ledger, a summary of individual accounts is prepared. This is called a **trial balance**. The trial balance contains the accounts found in the general ledger and their account balances -- debit or credit balances.

## Aside from the general ledger, is there another form of ledger?

The other type of ledger containing the details of some general ledger accounts is called the **subsidiary ledger**. The subsidiary ledger is used to support the balances of certain accounts such as accounts receivable, installment receivable, materials, accounts payable, members' share capital, etc.

Posting to the subsidiary ledger is made directly from the source documents to the individual accounts in the subsidiary ledger and is done on a more frequent basis -- daily or weekly.

The total of the accounts in the subsidiary ledger must be equal to the balance of the general ledger account. If there is any difference between the two, then these should be reconciled to correct any discrepancy.



**Cooperative financial statements** are the means by which accounting information is periodically communicated to serve the needs of a variety of users, particularly member-owners and creditors. They are presentations of information collected and organized in the accounting system and they also contain information on the results of operations and the financial position of the cooperative enterprise.

The basic purpose of financial statements is to provide quantitative financial information about a cooperative enterprise that is useful to statement users in making economic decisions. This purpose includes providing information that can be used in evaluating management's performance and effectiveness in utilizing its resources to attain organizational goals and objectives.

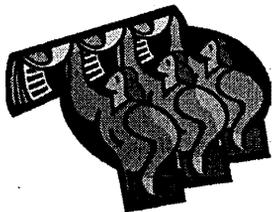


## What are the basic types of financial statements?

Basic types of financial statements and reports of housing cooperatives are as follows:

- **Balance sheet** reflects the financial position/condition of the cooperative showing the assets, liabilities, members' equity and reserves.

- **Surplus Statement or Statement of Operations** presents revenues, expenses and net surplus (or net loss) recognized during the given period showing the results of operations of the cooperative. Revenues and expenses are recognized on the basis of accrual accounting where revenues are recognized when earned rather than when cash is received while expenses are recognized when incurred rather than when paid.
- **Schedule of distribution of net surplus** presents how net surplus is allocated between reserve accounts due to the cooperative and amounts due to the members in the form of interest on capital and patronage refund. The allocation of net surplus should be made in accordance with the provisions of the Cooperative Code.
- **Statement of Changes in Reserve Accounts** shows the effects of specific transactions on the individual reserve accounts during the period including the portion of net surplus allocated to the reserve account.



- **Statement of Cash Flows** provides a summary of the entity's cash inflows (receipts) and outflows (payments) during a period. Cash inflows and outflows are classified and reported under the categories -- operating activities, investing activities, and financing activities.

- **Schedule of Cost of Disposable Lots and Housing Units Sold** presents the cost allocated to the cost of the lots and housing units that have been sold or awarded to housing beneficiaries.
- Additional explanations and information that cannot be expressed in money terms including description of significant accounting policies are presented separately in the **Notes to Financial Statements**.

The statement of operations presented herein is based on the individual ownership concept; disposable lots and housing units are sold to individual members.

**People's Housing Cooperative**  
**Statement of Operations**  
 For the Year Ended, December 31, 2000

		Cash	Installment	Total
<b>Revenue from sales of</b>				
	Disposable lots			
	Housing units			
	Commercial units			
	Total sales			
<b>Cost of lots and units sold</b>				
	Disposable lots			
	Housing units			
	Commercial Units			
	Total cost of lots and units sold			
<b>Gross margin on sales</b>				
<b>Less: Deferred gross margin</b>				
<b>Realized gross margin</b>				
<b>Add: Other revenues</b>				
	Interest on installment receivables			
	Rental income			
	Water service fees			
	<b>Total revenues</b>			
<b>Operating expenses</b>				
	Administrative expenses			
	Marketing expenses			
	Financing costs			
	<b>Total expenses</b>			
<b>Net surplus</b>				

**People's Housing Cooperative**  
**Schedule of Cost of Disposable Lots and Housing Units**  
**Completed and Sold**  
**For the Year Ended, December 31, 2000**

	Disposable Lots	Housing Units	Commercial Units	Total
<b>Land acquisition</b>				
Purchase Price				
Taxes - documentary, transfer, etc.				
Tilling				
Other identifiable cost				
Total land cost				
<b>Land and site development cost</b>				
Site designing and planning				
Materials used				
Labor cost				
Rental (depreciation) of equipment				
Other development cost				
Total land development cost				
<b>Housing construction</b>				
Architectural and engineering plans				
Materials used				
Labor cost - Salaries of construction workers				
Rental (depreciation) of equipment				
Other construction cost				
Total construction cost				
<b>Project management cost</b>				
Salaries (professional fees) of project managers				
Supplies and Materials				
Other project management cost				
Total project management cost				
<b>Total project cost incurred</b>				
<b>Cost of housing/commercial units in progress</b>				
Architectural and engineering plans				
Materials used				
Labor cost				
Rental (depreciation) of equipment				
Other construction cost				
Total housing/commercial units in progress				
<b>Cost of disposable lots and housing units completed</b>				
<b>Total lot area of disposable lots/floor area of housing units completed</b>				
<b>Cost per lot area of disposable lots/floor area of housing units completed</b>				

**People's Housing Cooperative**  
**Schedule of Cost of Individual Disposable Lot**  
**and Housing/Commercial Unit Completed**  
**For the Year Ended, December 31, 2000**

	Disposable Lots		Housing Units		Commercial Units		
	Lot Area	Cost	Floor Area	Cost	Floor Area	Cost	
Housing Unit No. _____ c/o Member Beneficiary							
Housing Unit No. _____ c/o Member Beneficiary							
Housing Unit No. _____ c/o Member Beneficiary							
Housing Unit No. _____ c/o Member Beneficiary							
Housing Unit No. _____ c/o Member Beneficiary							
Housing Unit No. _____ c/o Member Beneficiary							
Housing Unit No. _____ c/o Member Beneficiary							
Housing Unit No. _____ c/o Member Beneficiary							
Housing Unit No. _____ c/o Member Beneficiary							
Housing Unit No. _____ c/o Member Beneficiary							
Housing Unit No. _____ c/o Member Beneficiary							
Housing Unit No. _____ c/o Member Beneficiary							
Housing Unit No. _____ c/o Member Beneficiary							
Housing Unit No. _____ c/o Member Beneficiary							
<b>Total</b>							

**People's Housing Cooperative**  
**Schedule of Cost of Individual Housing/**  
**Commercial Unit in Progress**  
**For the Year Ended, December 31, 2000**

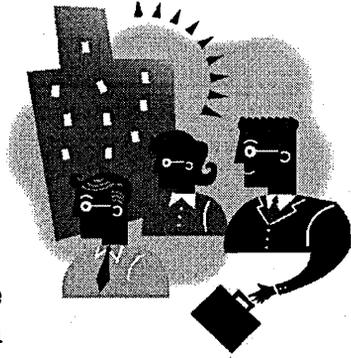
	Cost Allocation					
	Archi & Engg Plan	Materials	Labor Cost	Equip Rent	Other Cost	Total
Housing Unit No. _____ c/o Member Beneficiary						
Housing Unit No. _____ c/o Member Beneficiary						
Housing Unit No. _____ c/o Member Beneficiary						
Housing Unit No. _____ c/o Member Beneficiary						
Housing Unit No. _____ c/o Member Beneficiary						
Housing Unit No. _____ c/o Member Beneficiary						
Housing Unit No. _____ c/o Member Beneficiary						
Housing Unit No. _____ c/o Member Beneficiary						
Housing Unit No. _____ c/o Member Beneficiary						
Housing Unit No. _____ c/o Member Beneficiary						
Housing Unit No. _____ c/o Member Beneficiary						
Housing Unit No. _____ c/o Member Beneficiary						
Housing Unit No. _____ c/o Member Beneficiary						
Housing Unit No. _____ c/o Member Beneficiary						
<b>Total</b>						

## Who takes care of accounting the cooperative's transactions?

The **management staff/personnel** is the group of people who takes charge of each and every activity of the cooperative in coordination with the Board of Directors and committee members. This is considered as the most important aspect in any system.

Control measures can be absent and potential errors and fraud may not occur as long as employees are competent and trustworthy. Honest and efficient employees can perform well even if there are a few controls to support them. On the other hand, dishonest and incompetent people can ruin any system despite numerous controls.

Control activities consisting of policies and procedures help ensure that actions are taken to achieve the cooperative's objectives. One of these is the adequate separation of duties and responsibilities to prevent both fraud and errors.



The following responsibilities should be segregated:

1. Transaction authorization/approval is a management function. Persons who authorize or approve transactions are prevented from having control over related assets to prevent the unauthorized dissipation or disposal of such assets.

The project manager who approves the issuance of materials for land improvement or house construction may allow the withdrawal of materials more than the authorized quantity if he or she is also the one in charge of the storage or warehousing of materials.

2. Transaction execution is a custodial function. The staff who has custody of the asset is not permitted to perform the recording function. The disposal of assets under the custody of a staff for personal gain may not be detected if he or she also handles the recording of the transaction by adjusting the asset account.

The treasurer or cashier who receives cash may postpone the deposit of the collection if he or she also takes charge of the recording of this transaction in the cash receipts book.

3. Transaction recording is an accounting function. The accountant or bookkeeper records the transactions in the books of accounts and prepares the financial statements. The accounting staff, other than the bookkeeper or accountant, performs the posting of transactions to the subsidiary ledger.

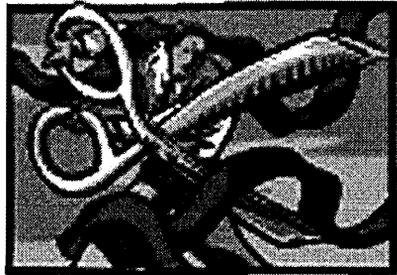
When financial statements are prepared, general ledger accounts or control accounts must be

reconciled with the total of the subsidiary ledger of these accounts. If the bookkeeper or the accountant also posts transactions to the subsidiary ledger, errors in recording or posting may not be detected.

Financial statements are not prepared by operating units as they may window dress financial status to improve performance as reported.

4. Independent checks on performance are functions of an audit committee, acting as internal auditor of the cooperative.

There should be a periodic review or internal verification of the system including the separation of duties and responsibilities. Some personnel tend to forget or intentionally fail to follow procedures or become careless unless someone evaluates their performance.



**BENEFICIARY SELECTION, SALE/AWARD OF LOTS  
AND HOUSING UNITS, CASH RECEIPT: OBJECTIVES, POTENTIAL ERRORS  
OR IRREGULARITIES AND CONTROL PROCEDURES**

<b>Objective</b>	<b>Types of Errors or Irregularities that could Occur if Objective is not Met</b>	<b>Control Procedures Designed to Prevent or Detect Errors or Irregularities</b>
<b><i>Transaction Authorization</i></b>		
<ul style="list-style-type: none"> <li>▪ Member's application for a housing unit should be approved in accordance with the beneficiary criteria.</li> </ul>	<ul style="list-style-type: none"> <li>▪ A member who applied for a housing unit but did not meet the criteria may be qualified as housing beneficiary.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Criteria must be established to qualify members as housing beneficiaries.</li> <li>▪ All applications for housing unit must be reviewed by a committee and determine if they qualify for a housing unit as a beneficiary.</li> <li>▪ Application for housing units must be approved by the BOD.</li> </ul>

Objective	Types of Errors or Irregularities that could Occur if Objective is not Met	Control Procedures Designed to Prevent or Detect Errors or Irregularities
<ul style="list-style-type: none"> <li>▪ Selling price per disposable lot and housing unit either on installment or cash basis must be determined and approved.</li> <li>▪ Interest rates for installment sales of housing units should be established.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Lots and housing units may be sold at unauthorized prices potentially resulting into reduced revenues or gross margin.</li> <li>▪ Terms maybe different from what had been approved resulting into an increased cost or operating expenses or inadequate cash flows.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Keep updated schedule of undisposed lots and housing units and their selling prices. Update policies on terms and other conditions on sale of lots and housing units.</li> <li>▪ Establish procedures for reviewing undisposed lots and housing units and their selling prices.</li> <li>▪ Update list of housing beneficiaries on file and still to be served.</li> </ul>

Objective	Types of Errors or Irregularities that could Occur if Objective is not Met	Control Procedures Designed to Prevent or Detect Errors or Irregularities
<b>Execution</b>		
<ul style="list-style-type: none"> <li>▪ Land development and house construction should be in accordance with approved plans and specifications.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Materials used may not be in accordance with the design and plans that may result in increase in cost or inferior quality of construction.</li> <li>▪ Size of lots may not be the same as planned thus changing the lot areas that have been approved to individual beneficiaries; those with access may change the plan increasing the size of their lot areas depriving others of getting a lot area allotted to them.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Conduct independent tests of materials to be used.</li> <li>▪ Check brands of materials delivered if they are the same as specified in the plan or if not the materials are approved equivalent.</li> <li>▪ Any change in plan should be accompanied by change order duly approved by coop's project officer/engineer.</li> <li>▪ No officer or beneficiary should have access on the over-all plan of site development unless authorized.</li> </ul>

Objective	Types of Errors or Irregularities that could Occur if Objective is not Met	Control Procedures Designed to Prevent or Detect Errors or Irregularities
<ul style="list-style-type: none"> <li>▪ The cooperative must prepare all documents for the transfer of lots and housing units to the beneficiary including promissory notes, contract to sell, deed of absolute sale indicating therein the price, amortization, term of payments etc.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Problem of collection may arise if transfer of lots and housing units are not properly documented.</li> <li>▪ Identification/ assignment of lots and housing units may not be the same as in the original documents thus creating confusion among beneficiaries.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Identify and prepare all documents that are needed to transfer lots and housing units to beneficiaries.</li> <li>▪ Each document should specify the assigned lot and housing unit to the individual beneficiary.</li> </ul>
<b>Recording</b>		
<ul style="list-style-type: none"> <li>▪ Transfer of lots and housing units, cash receipts and other transactions are to be recorded at the correct amounts and in the proper period, and should be properly classified.</li> </ul>	<ul style="list-style-type: none"> <li>▪ General ledger account balances may be inaccurate, potentially resulting in misstated financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Establish processing and recording procedures.</li> <li>▪ Compare actual and planned (e.g., forecasted, budgeted) results, and analyze variances.</li> </ul>

Objective	Types of Errors or Irregularities that could Occur if Objective is not Met	Control Procedures Designed to Prevent or Detect Errors or Irregularities
<ul style="list-style-type: none"> <li>▪ Initial sales price of lot and housing charged to each beneficiary, collections, and related adjustment transactions should be posted accurately to individual member beneficiary accounts.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Summaries of detailed records may not agree with control accounts, potentially resulting in adjusting journal entries prompted by inaccurate information.</li> <li>▪ Transactions may be posted to an improper member potentially resulting in improper billings.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Establish validation procedures to verify postings (e.g. manual audit of postings)</li> <li>▪ Reconcile total of individual underlying documents.</li> <li>▪ Review member monthly statements and records for accuracy and follow up on discrepancies.</li> <li>▪ Promptly investigate complaints correspondence from member-beneficiaries.</li> </ul>

Objective	Types of Errors or Irregularities that could Occur if Objective is not Met	Control Procedures Designed to Prevent or Detect Errors or Irregularities
<ul style="list-style-type: none"> <li>▪ Recorded installment receivable balances (and related transactions) reflect underlying transactions and events.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Accounts may include errors or irregularities, potentially resulting in materially misstated financial statements.</li> <li>▪ Management decisions may be based on erroneous data, potentially resulting in improper decisions.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Periodically substantiate and evaluate recorded account balances through regular audit.</li> <li>▪ Establish policy and procedures manuals, organization charts, and supporting documentation (e.g., compare selected member balances with underlying documents).</li> <li>▪ Follow up promptly on member complaints.</li> <li>▪ Reconcile subsidiary ledgers with general ledger control accounts.</li> </ul>

Objective	Types of Errors or Irregularities that could Occur if Objective is not Met	Control Procedures Designed to Prevent or Detect Errors or Irregularities
<b>Access to Assets</b>		
<ul style="list-style-type: none"> <li>▪ Access to cash and cash-related records should be restricted to personnel authorized by management.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Cash collection from member beneficiaries could be lost or diverted, potentially resulting in overstated accounts receivable and unrecorded cash.</li> <li>▪ Cash receipts from other sources (carrying charges) could be unreported, potentially resulting in unrecorded cash.</li> <li>▪ Cash shortages could go undetected, potentially resulting in lost cash and overstated cash balances.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Establish the cash receipts function in a centralized location.</li> <li>▪ Require daily reconciliation of cash receipts records with bank deposit slips.</li> <li>▪ Pre number and control cash remittance summary reports.</li> <li>▪ Prepare lists of cash receipts in the cashier's office.</li> <li>▪ Separate responsibility for handling and recording cash.</li> <li>▪ Establish periodic procedures for reconciling cash records with bank statements.</li> <li>▪ Establish physical barriers over cash and unused checks.</li> </ul>

Objective	Types of Errors or Irregularities that could Occur if Objective is not Met	Control Procedures Designed to Prevent or Detect Errors or Irregularities
		<ul style="list-style-type: none"> <li>▪ Maintain insurance and fidelity bonds for personnel handling cash.</li> <li>▪ Maintain listings - and signature samples - of authorized signatories.</li> <li>▪ Inform the bank that no checks payable to the company are to be cashed (i.e., deposited only).</li> <li>▪ Restrictively endorse checks received from customers.</li> </ul>
<ul style="list-style-type: none"> <li>▪ Access to land development, construction, material control, and accounting records should be restricted to personnel authorized by management.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Records or assets may be misused, potentially resulting in misappropriated assets.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Segregate responsibilities for authorization, execution and recording functions.</li> <li>▪ Pre-number and control custody of forms and documents.</li> </ul>

**PURCHASING AND CASH DISBURSEMENTS:  
OBJECTIVES, POTENTIAL ERRORS OR IRREGULARITIES,  
AND CONTROL PROCEDURES**

Objective	Types of Errors or Irregularities that could Occur if Objective is not Met	Control Procedures Designed to Prevent or Detect Errors or Irregularities
<b><i>Transaction Authorization</i></b>		
<ul style="list-style-type: none"> <li>▪ Suppliers and contractors should be approved prior to purchasing materials and supplies and other construction-related services.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Purchases of materials, supplies or services could be made from unauthorized suppliers, contractors, lessors that may result in purchasing from related parties without management's knowledge.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Prepare lists of authorized and approved suppliers of materials and other services.</li> <li>▪ Establish criteria for identifying, shortlisting and qualifying suppliers and service contractors.</li> </ul>

Objective	Types of Errors or Irregularities that could Occur if Objective is not Met	Control Procedures Designed to Prevent or Detect Errors or Irregularities
<ul style="list-style-type: none"> <li>■ Types, quantities, terms and prices should be approved for all materials and other construction related supplies and services.</li> <li>■ Type of service whether manpower or equipment rental should be approved as to contract price, terms of payment, expertise, and project experience.</li> </ul>	<ul style="list-style-type: none"> <li>■ Unnecessary materials and supplies may be ordered that may result in write-downs of unusable materials inventory and unserviceable equipment.</li> <li>■ Materials may be purchased above prevailing market prices or unfavorable terms, resulting in higher construction cost.</li> <li>■ Contracting party may not have the capacity to provide the service that may result into work stoppage or legal problems.</li> </ul>	<ul style="list-style-type: none"> <li>■ Maintain updated guidelines for purchase transactions (e.g., competitive bids, desired quality or brand, specific authorization for all purchases).</li> <li>■ Establish procedures for reviewing and approving suppliers, service contractors, purchase prices and terms prior to purchase/ contract.</li> <li>■ Establish criteria in qualifying service provider.</li> <li>■ Contract agreement should be explicit as to terms of reference.</li> </ul>

Objective	Types of Errors or Irregularities that could Occur if Objective is not Met	Control Procedures Designed to Prevent or Detect Errors or Irregularities
<b>Execution</b>		
<ul style="list-style-type: none"> <li>▪ Received materials/ supplies should be counted and inspected in accordance with specifications.</li> <li>▪ All cash disbursements for materials, supplies and services should be based on a consideration or prior obligation to establish an actual liability.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Defective, damaged or unordered goods could be accepted, potentially creating delays in receiving the materials and supplies desired.</li> <li>▪ Cash could be disbursed to unauthorized parties, for materials, supplies or services not received, or as a duplicate payment.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Establish procedures for inspecting and counting materials and supplies received before preparing received report and releasing the carrier/ forwarder that delivered the goods.</li> <li>▪ Pre-number and control vouchers and checks.</li> <li>▪ Cancel voucher packages immediately upon payment.</li> <li>▪ Require manual dual signatories for all checks.</li> </ul>

Objective	Types of Errors or Irregularities that could Occur if Objective is not Met	Control Procedures Designed to Prevent or Detect Errors or Irregularities
<b><i>Recording</i></b>		
<ul style="list-style-type: none"> <li>▪ All materials, supplies and services received should be accurately and immediately recorded.</li> <li>▪ Purchases and cash payment transactions should be recorded properly.</li> <li>▪ Purchase and cash disbursement transactions should be posted to individual supplier/contractor accounts.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Materials, supplies and services may be received but not reported, that may result in understated materials inventory and liabilities.</li> <li>▪ Account balances may be under or overstated that may result in misstated financial statements.</li> <li>▪ Summaries of detailed records may not agree with control accounts.</li> <li>▪ Transactions may be posted to wrong supplier accounts that may result in incorrect payments.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Pre number receiving reports, and subsequently review for prompt recording.</li> <li>▪ Establish control totals for input documents (e.g.number of documents) and reconcile journals and ledgers.</li> <li>▪ Setup processing and recording procedures.</li> <li>▪ Setup validation procedures to verify postings (e.g, check digits).</li> <li>▪ Promptly look into any communication from suppliers/ service contractors (e.g., collection notices).</li> </ul>

Objective	Types of Errors or Irregularities that could Occur if Objective is not Met	Control Procedures Designed to Prevent or Detect Errors or Irregularities
<b>Access to Assets</b>		
<ul style="list-style-type: none"> <li>▪ Access to purchasing and cash disbursement records and to forms and documents should be restricted to personnel authorized by management.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Records, forms or documents may be used for unscrupulous or personal purposes by unauthorized personnel that may result in under or overstated payables or diversion for personnel use.</li> <li>▪ Unauthorized use of records, forms or documents may result into liabilities that were not incurred by the cooperative.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Establish physical controls over unused forms and documents.</li> <li>▪ Segregate responsibilities for authorization, execution, and recording functions.</li> <li>▪ Maintain listings and samples of authorized signatories.</li> <li>▪ Make an inventory of unused forms and documents on a regular basis.</li> <li>▪ Form a committee to conduct regular audit of unused records, forms and documents to establish accountability and responsibility.</li> </ul>





**CHF International** serves as a catalyst for long-lasting positive change in low and moderate income communities around the world, helping to improve their housing, economic circumstances, and environments. It works with a wide range of organizations to develop systems, policies, and practices that increase access to affordable housing, community services and finance. It believes that safe and affordable housing is the foundation upon which families can build a livelihood, a healthy community, and a peaceful, democratic society.

In the Philippines, CHF is working with the National Housing Authority to promote cooperative housing. It also provides technical assistance to 3 pilot cooperatives whose housing projects are already under construction.

