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The co-operative societies Act, 1912, a central act, contain fundamental law regarding the formation and working of co-operative societies in India and is applicable in many states with or without amendments. Co-operative societies in India and is applicable in many states with or without amendments.
operatively, eliminating the middlemen and exploitation from outside force. Audit as per Section 17 of the Co-operative Societies Act, 1912. The registered society at least once a year. The audit under shall include an examination of overdue debts, if
any, and a valuation of assets and liabilities of the society. The registrar, the collector or any person authorized shall at all the times have access to all the books, accounts, papers and securities of a society, and every officer of the society shall furnish such information in regard to the transactions and working of the society as the person making such
inspection may require. REGISTRAR means a person appointed to perform the duties of registrar of co-operative society: Qualification of auditor: Apart from the chartered Accountant within the meaning of the Chartered
Accountancy Act, 1949, some of the state co-operative Acts have permitted persons holding a government diploma in co-operative accounts or in 
society is appointed by the registrar of co-operative societies and the audit report to him as well as to the society. Books, Accounts and other records of co: operative societies-under section 43(h) of the Act. a state government can frame rules prescribing the books and
accounts to be kept by a co-operative society. Special features of co-operative Audit. The general process of auditing involved in audit work such as checking of posting, ascertainment of arithmetical accuracy, vouching, verification of assets and liabilities and final scrutiny of balance sheet are well known by everyone. But in case of co-operative
society audit certain special features are there to be borne in mind while doing audit of it. These features are as follows: Examination of overdue debts: Auditor shall report these overdue debts as for period from 6 months to 5 years and more than 5 years. Furthermore, analysis is done by the auditor in viewpoint of recovery of these debts and these
are classified as good debt or bad debts. Now auditor is also liable to checkout whether provision regarding bad debts is provided or not and if provided trom interest should be excluded from interest outstanding and accrued due while calculating
profit. In practice an overdue interest reserve is created and the credit of overdue interest account is reduced. Certification of bad debts: As per the law, bad debts can be written off only when they are being certified by the auditor as bad where the law requires it and if not then managing committee of society must authorize the
write-off. Valuation of assets and liabilities: They will have to ascertain the existence, ownership and valuation of assets should be properly capitalized. The current assets be valued at
cost or market price, whichever is lower. Regarding liabilities are stated by way of a note. Adherence to co-operative principles: The auditor will have to ascertain that how far the objective for which the co-operative organization is set up, have
been achieved in the course of its working. The assessment is not necessary in terms of profits, but in terms of extension of benefits to its members who have formed it. While auditing the expense, the auditor should be followed for this purpose.
Observations of the provisions of the provisions of the act and rules: The financial implication of the infringements which are pointed out by the co-operative societies Act and rules and bye-laws, should be reported properly. Verification of the infringements which are pointed out by the co-operative societies Act and rules and bye-laws, should be assessed by the auditor and they should be reported properly.
member's pass books regarding the loan given and its repayment and confirmation of loan balances in person is very much important in co-operative societies to assure that the entries in books of accounts are free from manipulation. Special report to registrar: During the course of audit if the auditor notices that there is some serious irregularity
then he has report this irregularity to the registrar by drawing his specific attention to the society. Addit classification of the society. Addit classification of the society. Addit classification of the society. This specific class is awarded by the
auditor as accordance to the criteria given by the registrar. It is to be noted that if management is not satisfied by the class given by the auditor then they may appeal to the registrar. Discussion of the audit report with managing committee:
meeting to discuss the audit draft report. The audit draft report to be submitted by the auditor has to state or comment upon. In addition to the auditor has to state or comment upon. In addition to the auditor has to state or comment upon.
report the auditor has to attach schedules to the report regarding the following Information: All transactions which appears to be contrary to the provisions of the Act, the rules and bye-laws of the society. Any material, or property belonging to society which
appears to the auditor to be bad or doubtful of recovery. Any material, or property belonging to society which appears to the auditor to be bad or doubtful of recovery. Any material irregularity or impropriety in expenditure or in the realization or monies due to society. Any other matters specified by the registrar in this behalf. NOTE: In case of NIL
report in any of the above matters, the auditor will have to give a nil report. The auditor will have to give a nil report in a narrative form is also required to be submitted by the auditor will have to give a nil report. The auditor will have to give a nil report in any of the auditor will have to give a nil report. The auditor will have to give a nil report in any of the auditor will have to give a nil report in any of the auditor will have to give a nil report.
a light on comparative financial position, capital structure, solvency position and the profitability and otherwise of the routine vouch and post audit such as missing vouchers, loan bonds, etc. (1) Cooperatives are obligated and entitled
to be audited.(2) The specific aim of cooperative audit is to verify that cooperatives as defined by the law and their structure and activity are consistent with their identity as cooperatives.(3) Cooperative audit must be conducted by specifically qualified and independent
auditors in forms that ensure the autonomy of cooperatives and are consistent with their specific features. (4) Cooperatives are also obligated and entitled to be financially audited as prescribed by law, according to the nature and scale of their activities, their size, and the need to protect creditors, and other stakeholders in addition to the members
and the pursuit of the cooperative objective. COMMENTARYIntroduction - Overview of Chapter 4In this chapter, the focus is on audit and member control. Comparing company audit and audit of cooperative societies as a form of external control supplementing internal audit and member control.
audit of companies and other commercial enterprises, cooperative audit assesses operational efficiency and economic results, including performance of the management (prudence and care) and compliance with the law. This is done in the form of financial audit. Cooperative audit is different from company audit because, besides assessing the
operational efficiency of the cooperative enterprise, the auditors must also assess member-oriented effectiveness by means of management audit in addition to financial audit. The principles of cooperative audit are derived from national laws and regulations governing audit of cooperative societies in seven EU member states: Finland, France,
Germany, Italy, Portugal, Spain and the United Kingdom (UK). In Italy, the Constitution (art. 45) expressly states that the law ensures, through appropriate controls, the character and purposes of cooperatives observe the
rules on their function (mutual purpose) and structure (democracy, member participation, member control). Official Directory Web Mail Contact Us ICAI Motto | Copyright 2025 ICAI. Audit in cooperative societies represents a critical function that ensures financial transparency, regulatory compliance, and organizational accountability. This
systematic examination of accounts and records verifies the accuracy of financial statements while detecting errors, frauds, and mismanagement that might otherwise remain hidden. Beyond mere number-checking, auditing in cooperatives serves as a protective mechanism for members' interests and helps maintain the democratic principles upon
which these institutions are founded. Table of Contents An audit in the context of cooperative societies refers to a methodical inspection and verification of financial year. Unlike conventional business audits, cooperative audits extend beyond financial
verification to evaluate adherence to cooperative principles, bylaws, and the effectiveness of member service delivery. The cooperative structure—being member-owned and democratically controlled—necessitates rigorous auditing to safeguard the collective interests of often hundreds or thousands of members who have entrusted their resources to
the organization. The cooperative audit thus serves as both a financial checkpoint and a governance assessment tool. Legal foundation for cooperative audits In India, the legal basis for cooperative audits primarily stems from the Multi-State Cooperative audits In India, the legal basis for cooperative audits In India, the legal basis for cooperative audits primarily stems from the Multi-State Cooperative audits In India, the legal basis for cooperative audits India, the l
audits for all registered cooperative societies, recognizing audit as an essential element of cooperative governance rather than an optional practice. Under most cooperative societies, recognizing audit schedules, and
prescribing the qualifications required for those conducting cooperative audits. Types of audits in cooperative societies undergo various types of audits, each with distinct objectives and members appreciate the comprehensive nature
of the audit function. Statutory audit A statutory audit A statutory audit represents the mandatory examination of accounts required by law. For cooperative Societies, this annual exercise is non-negotiable and must be conducted by auditors appointed or approved by the Registrar of Cooperative Societies. The statutory audit verifies: Compliance with legal provisions:
Whether the society adheres to relevant cooperative laws and regulations Adherence to bylaws. Whether the balance sheet and profit and loss accounts present a true and fair view of the society's financial position. The outcome of a statutory audit
includes a formal audit report which must be presented to the general body of members and filed with the Registrar within stipulated timeframes. Internal audits are conducted by staff or committees within the cooperatives
seeking continuous monitoring of financial health and operational efficiency. These audits typically examine: Internal control systems: Evaluating the effectiveness of checks and balances within the organization Day-to-day transactions: Reviewing routine financial activities for accuracy and propriety Procedural compliance: Ensuring staff follow
established protocols and procedures Internal audits provide cooperative management with real-time feedback on operational deficiencies before these escalate into significant issues that might be flagged during statutory audits. External audits are conducted by independent professionals not affiliated with the cooperative society. In
the cooperative context, these are typically either auditors appointed by the Registrar or chartered accounting and auditing knowledge Stakeholder confidence: Enhanced credibility
through third-party verification The external audit represents an essential accountability mechanism, particularly for larger cooperative societies with substantial financial operations and diverse stakeholder interests. Financial audit Financial audit focus specifically on the accounting records and financial statements of the cooperative society. These
examinations verify the accuracy of reported financial information and assess compliance with established accounting standards. Key areas covered include: Asset verification: Confirming the existence and valuation of assets Liability assessment: Validating the completeness and accuracy of recorded liabilities Revenue recognition: Ensuring income is
properly recorded and classified Expense verification: Confirming expenditures are legitimate and properly authorized Financial statements present a true and fair view of the cooperative's financial position and performance. Functional audit Functional audits examine specific operational areas
or departments within a cooperative society. Rather than reviewing the entire organization, these targeted assessments focus on particular functional audits include: Specialized scrutiny: In-depth examination of critical functional areas Targeted
recommendations: Specific suggestions for functional improvements Efficient resource utilization: Focused approach that maximizes audit resources cooperative societies with diverse operations often benefit from rotating functional audits to systematically address different operations of functional improvements experience audit resources.
evaluate the economy, efficiency, and effectiveness of cooperative operations. Moving beyond financial compliance, these assessments determine whether the society achieves its objectives while optimizing resource utilization. Performance audits typically assess: Operational efficiency; Whether resources are being used optimally Goal achievement:
Whether stated objectives are being met Value creation: Whether operations generate appropriate value for members Management effectiveness: Whether leadership decisions align with cooperative principles and objectives are being met Value creation.
organizational performance. Re-audit A re-audit A re-audit occurs when the original audit findings are discovered that warrant a second examination. The Registrar of Cooperative Societies typically orders re-audits when: Audit quality concerns: Questions arise about the thoroughness or competence of the initial audit
Member complaints: Substantial grievances are raised about financial mismanagement Fraud suspicions: Indications of possible malfeasance emerge after the original audit Re-audits provide an additional layer of scrutiny and often involve more experienced auditors who conduct deeper investigations into specific areas of concern. The cooperative
audit process The audit process in cooperative societies follows a structured approach that ensures comprehensive examination while maintaining procedural consistency. Understanding this process helps cooperative leaders prepare effectively and maximize audit planning Effective audit planning establishes the foundation for a
successful examination. This preliminary stage involves: Scope determination: Defining the boundaries and focus areas of the audit Risk assessment: Identifying high-risk areas requiring special attention Resource allocation: Assigning appropriate personnel and time to various audit components Timeline establishment: Setting realistic schedules for
audit activities and reporting For cooperative societies, this planning phase often involves coordination between society management and the auditors appointed by the Registrar. Fieldwork and evidence collection During this phase, auditors gather and analyze evidence through various techniques including: Document examination: Reviewing
financial records, meeting minutes, and policy documents Physical verification: Confirming the existence and condition of assets Analytical procedures: Examining relationships between financial and operational data Interviews: Gathering information from management, staff, and sometimes members The cooperative context often requires auditors to
pay special attention to member transaction records, patronage dividend calculations, and governance documentation that might not feature prominently in standard corporate audits. Reporting and follow-up The audit culminates in formal reporting that communicates findings and recommendations. For cooperatives, this typically includes: Audit
report: Formal document detailing findings, observations, and opinions Management letter: Confidential communication highlighting operational deficiencies and improvement opportunities General body presentation: Summary of key findings presented to the cooperative's membership Follow-up procedures ensure that recommendations are
implemented and deficiencies addressed. In the cooperative framework, the Registrar often monitors this remediation process, sometimes requiring formal compliance reports from society leadership. Powers and duties of cooperative auditors possess specific authorities and responsibilities that enable them to conduct thorough
examinations while maintaining professional standards. These powers and duties typically derive from cooperative legislation and auditing standards. Access to records Cooperative auditors hold the legal right to access all books, accounts, documents, securities, cash, and other assets of the society. This comprehensive access covers: Financial
records: All accounting books, vouchers, and statements Administrative documents: Minutes, correspondence, and contracts Member records: Shareholding details and transaction histories Property documentation: Title deeds, lease agreements, and asset registers Society officers must provide these materials promptly when requested, with
obstruction potentially constituting an offense under cooperative laws. Auditors may question any officer, employee, or member regarding transactions of the cooperative society. This interrogatory power extends to: Seeking explanations: Requesting clarification on unusual transactions or practices Requiring confirmations: Verifying
information through direct questioning Obtaining testimonies: Gathering first-hand accounts of operational procedures These inquiries typically require truthful responses, with deliberate misrepresentation potentially triggering legal consequences. Reporting obligations Cooperative auditors must report on specific matters prescribed by law and
procedures For cooperative auditors, these reporting obligations extend to the Registrar of Cooperative governance Beyond regulatory compliance, audit serves several crucial functions in cooperative governance that contribute to organizational
sustainability and member confidence. Error detection and fraud prevention Regular audits help identify unintentional errors and deliberate manipulations before they cause significant damage. This protective function operates through: Systematic verification: Methodical checking that catches discrepancies Deterrent effect: Knowledge of impending
audit that discourages misconduct Control testing: Evaluation of safeguards against potential fraud For cooperative societies managing member funds and preventing financial losses. Audits reinforce transparency by ensuring that financial
information accurately reflects reality and is accessible to stakeholders. This transparency supports: Member oversight: Enabling ordinary members to understand society operations Collaborative governance: Facilitating informed participation in decision-making
These elements align perfectly with cooperative principles of democratic member control and education. Enhancing operational efficiency Well-conducted audits identify inefficiencies and improvement function manifests through: Process evaluation: Assessing operational
procedures for efficiency gaps Resource optimization: Identifying underutilized or misallocated resources Best practice recommendations: Suggesting improvements based on observed deficiencies By enhancing operational efficiency, audits help cooperative societies maximize benefits to members while ensuring organizational sustainability.
Challenges in cooperative auditing Despite its importance, cooperative auditing faces several distinctive challenges that can impact effectiveness and outcomes. Resource constraints Many smaller cooperative societies operate with limited financial and human resources, affecting audit quality through: Budget limitations: Inadequate funding for
comprehensive audits Expertise shortages: Difficulty accessing auditors with cooperative-specific knowledge Time pressures: Compressed audit focus areas, potentially leaving some aspects less thoroughly examined. Membership diversity and
engagement The diverse membership base of cooperatives creates unique audit challenges, including: Varying financial literacy: Different levels of understanding among members reviewing audit reports Engagement disparities: Uneven member interest in audit findings and implications Competing priorities: Different member groups emphasizing
various aspects of performance Effective cooperative auditors must navigate these complexities while ensuring their work serves the entire membership rather than just the most engaged or influential segments. Balancing compliance verification with performance
evaluation. This tension manifests in: Compliance focus: Tendency to emphasize legal adherence over operative-specific concerns Progressive
cooperative auditing strives to address both compliance and performance dimensions, recognizing that each provides valuable insights into organizational health. Best practices for effective cooperative auditing To maximize audit benefits while addressing common challenges, cooperative societies and their auditors can implement several best
practices that enhance the audit function. Continuous monitoring systems Rather than relying solely on annual audits, progressive cooperatives implement ongoing monitoring mechanisms that: Track key indicators: Regularly measure critical financial and operational metrics Implement internal controls: Establish preventive and detective controls
that operate continuously Conduct periodic self-assessments: Regularly evaluate compliance and performance internally These continuous systems complement formal audits by addressing issues promptly rather than allowing them to accumulate between annual examinations. Member education and engagement Enhancing member understanding of
and participation in (1) Cooperatives are obligated and entitled to be audited. (2) The specific aim of cooperatives are consistent with their structure and activity are consistent with their identity as cooperative audit is to verify that cooperatives are obligated and entitled to be audited. (3) Cooperative audit is to verify that cooperative audit i
must be conducted by specifically qualified and independent auditors in forms that ensure the autonomy of cooperatives and are consistent with their specific features. (4) Cooperatives and are consistent with their specific features.
creditors, and other stakeholders in addition to the members and the pursuit of the cooperative societies as a form of external control supplementing internal audit and member control. Comparing company audit and audit of cooperative
societies reveals similarities and differences. As in the case of audit of companies and other commercial enterprises, cooperative audit assesses operational efficiency and economic results, including performance of the management (prudence and care) and compliance with the law. This is done in the form of financial audit. Cooperative audit is
different from company audit because, besides assessing the operational efficiency of the cooperative enterprise, the auditors must also assess member-oriented effectiveness by means of management audit in addition to financial audit. The principles of cooperative enterprise, the auditors must also assess member-oriented effectiveness by means of management audit in addition to financial audit.
societies in seven EU member states: Finland, France, Germany, Italy, Portugal, Spain and the United Kingdom (UK). In Italy, the Constitution (art. 45) expressly states that the law ensures, through appropriate controls, the character and purposes of cooperatives. This includes ensuring respect of their distinct legal nature as laid down in the
organisational law and verifying that cooperatives observe the rules on their function (mutual purpose) and structure (democracy, member control). Any ten persons who are competent to enter into contract may make an application to the Registrar of Co-operative Societies as per section 6 of the Co-operative Societies Act,
1912. By-laws may be framed by each society and should be registered with Co-operative Societies. Effectiveness of change in by-laws of societies, limited liabilities and un-limited liabilities societies. Any member is not liable to pay more than the
nominal value of share held by them and no member can own more than 20% of shares of societies. Government is encouraging co-operative societies to help societies, the terms receipt and
payment are used for two-fold aspect of double entry system. Members are elected at the annual general meeting of the society. Day-to-day work of cooperative society is managed by the managing committee. Audit of Co-operative Society Let us now discuss the provisions for Audit as Per Section 17 of the Co-operative Society Act, 1912 – The
Registrar shall audit or cause to be audited by some person authorized by him by general or special order in writing on his behalf, the accounts of every registered society once at least every year. The Audit under sub-section (1) shall include an examination of overdue debts, if any, and a valuation of the assets and liabilities of the society. The
Registrar, the Collector or any person authorized by general or special order in writing on his behalf by the Registrar, shall at all-time have access to all the books, accounts, papers and securities of a society, and every officer of the society shall furnish such information concerning the transactions and working of the society as the person making
such inspection may require. Qualification of Auditor A chartered accountant within the meaning of the Chartered Accountant or in Cooperative Accountant Act-1949, Or, A person who has served as an Auditor in the co-operative society department of the State
Government and whose name has been included by the Registrar on the Panel of Certified Auditor smaintained and published by him in the official Gazette at least once every year. Appointment of Auditor smaintained and published by him in the official Gazette at least once every year.
fees is paid by co-operative society according to the statutory scale of fees prescribed by the Registrar and one copy of the audit report is submitted to the concerned society. Rights of an Auditor As per Section 17, an Auditor
can access all the books, accounts, documents and securities of the society. He has to see that Balance-sheet of the society shows a true and fair view of a business according to information and explanation given to him. Every officer of the society shows a true and fair view of a business according to information and explanation given to him.
An Auditor needs to consider the following points to be able to perform his duties in an efficient way - An Auditor should be well-versed with the Co-operative Society Act, 1912 and the by-laws of the society. If there is any type of irregularities and improprieties found by an Auditor during his audit regarding Co-operative Societies Act, 1912 and by
laws, he should immediately point out the same. An Auditor should ascertain that how many shares are held by each member of the society; for this, he should check the member ship registers. An Auditor should be well aware of power of officers regarding loan, investment, borrowings, advancing of the funds. He should thoroughly check and vouch
the cash book and bank book. An Auditor should check all the receipts and payments of the society according to standard auditing practice. He should go through the agreements between society and borrower to check the interest due on loan and repayment schedule. An Auditor should also check and compare the actual interest received and the
repayment of loan received with dues from them. He should carefully vouch and verify that loan given to members of the society or not. An Auditor has to assure that a loan given to a non-member is not without the permission of the Registrar. He
should verify the loan given by Co-operative bank should be according to the prescribed limit. An Auditor should be according to the preforma given by the Chief
Auditor of the Co-operative Society of the State. Accounts should be according to the Co-operative Society Act and also with the provision of Income Tax Act. All the assets, expenses, income, cash-in-hand, etc. should be vouched and verified according to standard accounting procedures and principles. Under Section 43(h) of the Co-operative Society
Act, 1912, the Government of a state can frame rules prescribing the books of accounts to be kept by a Co-operative society. Following books and accounts are prescribed by the Maharashtra Government. Cash Book General Ledger Stock register of Shares and debentures Minutes books of general body.
meeting and committee meetings Property Register Register recording loan applications Maintenance of register of audit objections and their rectification of assets and liabilities and scrutiny of balance sheet are same as Auditor do in any
other case. We will now discuss a few important aspects related to the Audit of Co-operative societies. Examination of Overdue Debts An Auditor has to examine and classify overdue debts from six months to five years and, overdue Debts An Auditor has to examine and classify overdue Debts An Auditor has to examine and classify overdue Debts An Auditor has to examine and classify overdue Debts An Auditor has to examine and classify overdue Debts An Auditor has to examine and classify overdue Debts An Auditor has to examine and classify overdue Debts An Auditor has to examine and classify overdue Debts An Auditor has to examine and classify overdue Debts An Auditor has to examine and classify overdue Debts An Auditor has to examine and classify overdue Debts An Auditor has to examine and classify overdue Debts An Auditor has to examine and classify overdue Debts An Auditor has to examine and classify overdue Debts An Auditor has to examine and classify overdue Debts An Auditor has to examine and classify overdue Debts An Auditor has to examine and classify overdue Debts An Auditor has to examine and classify overdue Debts An Auditor has to examine and classify overdue Debts An Auditor has to examine and classify overdue Debts An Auditor has to examine and classify overdue Debts An Auditor has to examine and classify overdue Debts An Auditor has to examine and classify overdue Debts An Auditor has to examine and classify overdue Debts An Auditor has to examine and classify overdue Debts An Auditor has to examine and classify overdue Debts An Auditor has to examine and classify overdue Debts An Auditor has to examine and classify overdue Debts An Auditor has to examine and classify overdue Debts An Auditor has to examine and classify overdue Debts An Auditor has to examine and classify overdue Debts An Auditor has to examine and classify overdue Debts An Auditor has to examine and classify overdue Debts An Auditor has to examine and classify overdue Debts An Auditor has to examine and classify overdue Debts An Audito
profit of Co-operative society overdue amount of interest outstanding should be excluded. Valuation of Assets and Liabilities General principles of accounting and auditing conventions and standard are adopted at the time of valuation of Assets and Liabilities. No specific provisions or instructions under the Act and Rules are provided. Adherence to Co
operative principles An Auditor should ascertain how far the objectives, for which the Co-operative society is set up, have been achieved in course of its working. It is not necessarily in terms of extending of benefits to members who have formed the Society. Certification of Bad-debts As per Rule No.49 of the Maharashtra State
Co-operative Rules, 1961, it is very interesting to note that no bad debts by the Auditor. Where no such requirement of law exists, the managing committee of the society must authorize the write-off. Observation of the Provisions of the Act and Rules An Auditor should be well versed with the
Provisions of the Act and Rules of the Cooperative Society and the by-laws thereof. If the Auditor finds any irregularity, it should be immediately assessed and reported to the next level. Verification of Members Register and Examination of their Pass Books This is essential especially in rural and agricultural credit society where members are illiterated.
the Auditor should verify the pass book and members register to verify the amount of loan granted and their repayments. It will help to ensure that the books of accounts are free from any manipulation. Special Report to the Registrar and an appropriate
action may be taken by the Registrar against the society. Audit Classification of Society After assessing the overall performance, an Auditor has to award a class to the society. Judgement of Auditor should be based on the criteria fixed by the Registrar. The Auditor should be very careful when making decisions related to the classes in the society; if
management is not satisfied by the award he may file an appeal to the Registrar and 
discussing with the managing committee. By-laws Each registered society is required to frame its own by-laws which have to be registered with the Registrar of Co-operative society shall not be valid until the same has been approved by the Registrar of the Co-operative society shall not be valid until the same has been approved by the Registrar of the Co-operative society shall not be valid until the same has been approved by the Registrar of the Co-operative society shall not be valid until the same has been approved by the Registrar of the Co-operative society shall not be valid until the same has been approved by the Registrar of the Co-operative society shall not be valid until the same has been approved by the Registrar of the Co-operative society shall not be valid until the same has been approved by the Registrar of the Co-operative society shall not be valid until the same has been approved by the Registrar of the Co-operative society shall not be valid until the same has been approved by the Registrar of the Co-operative society shall not be valid until the same has been approved by the Registrar of the Co-operative society shall not be valid until the same has been approved by the Registrar of the Co-operative society shall not be valid until the same has been approved by the Registrar of the Co-operative society shall not be valid until the same has been approved by the Registrar of the Co-operative society shall not be valid until the same has been approved by the Registrar of the Co-operative society shall not be valid until the same has been approved by the Registrar of the Co-operative society shall not be valid until the same has been approved by the Registrar of the Co-operative society shall not be valid until the same has been approved by the Registrar of the Co-operative society shall not be valid until the same has been approved by the Registrar of the Co-operative society shall not be valid until the same has been approved by the Registrar of the Co-operative society shall not be valid unti
operative societies. Investment of Funds A registered society can invest or deposit its funds only in - Saving bank account of Government Banks. Any of the securities specified under Section 20 of the Indian Trust Act, 1882. The shares or in the security of any other registered society. Any bank or person carrying on the business of banking approved
for this purpose by the Registrar. Any other mode permitted by the Section 32 of the Co-operative Society Let us now understand the restriction on Co-operative Society Let us now understand the restriction on Co-operative Society is limited, no
member other than a registered society can hold more than 20% of the shares capital or shares of the society with unlimited liability, cannot transfer any shares held by him or his interest in the capital of the society unless — He has held that share
for at least one year, and The transfer and change is made to the society or to a member of the society cannot lend money on the
security of a movable property except with the sanction of the Registrar of Co-operative society. The State Government has the power and can prohibit or restrict loans against mortgage of immovable property by any registered society or class of registered society or class of registered society. The State Government has the power and can prohibit or restrict loans against mortgage of immovable property by any registered society or class of registered society.
persons who are not members of the society, only such an extent and under such condition as may be prescribed by the rules of the Co-operative Societies Act or by-laws of the concerned society, only such an extent and under such condition as may be prescribed by the rules of the Co-operative Societies Act or by-laws of the concerned society. Exemptions According to Section 28 Central Government may exempt any registered societies or class of registered societies from Income Tax (Payable on
the profits of the society or on dividends or other profit related to payments received by the members of the society). Stamp duty or registration fees. Reserve Fund, Contribution to Charitable Funds and Distribution of Profit According to Section 33, the first 25% of the net profit earned during the year should be transferred to a Reserve Fund. 10% of
Balance amount of net profit after transferring 25% to Reserve fund, a registered society can contribute for charitable purpose with the sanction of Registrar. Under such conditions as may be prescribed by the rules or by-laws, the balance amount of current profit plus past years profit can be distributed to members of the society. Dividend can be
distributed according to rules and by-laws but cannot be more than 6.25%. Only after special order of the State Government, unlimited liability society can distribute his profit otherwise not.
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