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## **A Financial Assessment of Cooperatives in Northern Mindanao, Philippines\***

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### **Abstract**

What spells economic growth? The common measure of economic growth is gross national product or GNP. However, growth is not only a matter of increases in the country's total production. Growth will only be achieved when the people at the grassroots themselves participate in the process of development. Recently, efforts have been centered on issues of strengthening cooperatives and economic integration due to its significant role in agricultural development. A lot of cooperatives have turned to multi-purpose functions to meet the diverse needs of their members. This study looked into the financial movement of cooperatives in Northern Mindanao, Philippines and its problems. The result of the study showed that though they have improved, there are still some loopholes and they still need assistance not only financially but also technically.

### **I. Introduction**

What spells growth? One of the most fundamental tricks of achieving economic growth is simply to increase the proportion of national income saved<sup>1)</sup>. The common measure of economic growth is the gross national product or GNP; the total value of goods and services produced in a country during a specific period, usually a year<sup>2)</sup>. However, growth is not only a matter of increases in the country's total production. Its effects have to filter down to the lowest strata of the society. This will only happen effectively when the people at the grassroots participate in the process of development<sup>3)</sup>.

To achieve this goal, the government has initiated various programs in cooperation of the private sector and the non-government organizations or NGO. The government considers such partnership as important, such partnership has

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time and again been declared as the economy's "engine of growth"<sup>4</sup>).

In recent years, sectoral efforts have been centered on issues of strengthening cooperatives and economic integration<sup>(1)</sup> due to its significant role in agricultural development. As coops grow, their capital needs grow, often to a level which their limited economic resources (i.e. members' contribution<sup>(2)</sup>) are unable to meet. And as coops widen their services and membership base, they must meet the demands of their new members like small businessmen, market vendors, small farmers who seek larger and longer-term loans. Due to this dilemma, many cooperatives have turned to multi-purpose functions. Some small cooperatives have had to merge with other cooperatives to compete successfully and satisfy members needs.

The idea of cooperative integration was borne out by the sector's experience that, at any given time within the movement, there are cooperatives enjoying surplus funds and those that are suffering from deficit. What is lacking is the medium by which the excess funds can be moved to the areas needing them<sup>5</sup>. The integration is far from complete but, even now, it has not made an impact on rural development. Although over the past few years, surveys of cooperatives nationwide revealed an encouraging development; still their performance was not that impressive.

Many researchers have noted that cooperatives in Asia today are more powerful, diversified, not dominant in the economy as a whole but playing a critical role in smaller communities and in particular regions and industries than they were decades ago<sup>6</sup>. However, it must be admitted that many cooperatives suffered serious delinquencies inspite of the funding, the presence of the private and government agencies and with their credibility on line, they must always project the image of stability. This can be measured by their ability to meet the demand for funds from both their members and creditors. The main question now is how capable are these coops in meeting their cash needs or, to use a more technical parlance, how "liquid" are these coops. Its is in these context that this study was undertaken. Specifically, the study aimed to (1) Identify the various institutions involved in the cooperative movement and their corresponding activities with respect to movement; (2) Examine the financial status of the cooperative societies and (3) Determine the benefits afforded by the cooperatives to their members.

## II. Related Literature

Because of the cooperatives' very nature and structure, this made them the most appropriate means of reaching the small borrowers in an efficient and equitable way. Cooperatives offer an opportunity for local people to take development into their hands and make it a meaningful concept at the local level<sup>7</sup>.

For sometime now, there has been a growing concern among cooperators

that, despite their increasing financial capacities, coops are susceptible to liquidity risk arising from weaknesses in their financial structure. In particular, the limited liquidity of cooperatives, the lack of fallback mechanism to resolve liquidity problems and the utilization of reserve funds and other operating capital for working capital<sup>9)</sup>. Most cooperatives have so much of their assets tied up in loans receivable and cannot all together avoid the problem of late or non-payment of loans<sup>9)</sup>.

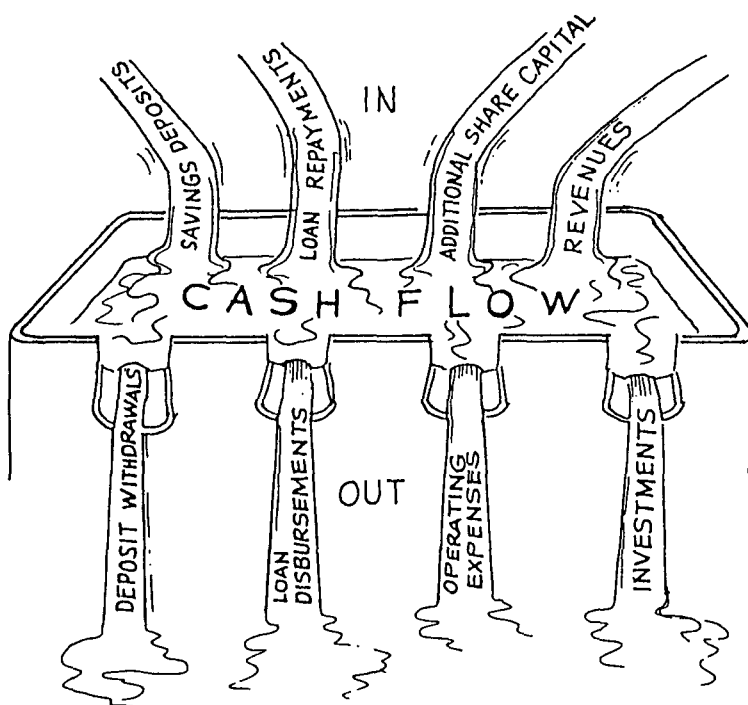
So what really is liquidity? It is the organization's ability to meet claims on funds, to pay current obligations as they become due. In the case of coops, it means having the cash<sup>9)</sup> to meet the members' deposit withdrawals, loan demands, maturing loan obligations and expenses due for payment<sup>10)</sup>. But, a coop member usually measure the liquidity of his coop through his withdrawals ; if he withdraws from his account and gets cash rather than promises, he will presume that the coop is liquid. He will then be confident that his next withdrawal will be met without difficulty.

Every cooperative manager is very much concerned with liquidity because of a very obvious reason. Any organization's inability to meet demands for funds on time creates an image of financial instability and, in due time, may erode clients' confidence in the organization's overall financial capability<sup>11)</sup>. And if members start doubting the coop's ability to handle their investments, they may even withdraw their investment from the organization.

The process of managing liquidity is not really straightforward. The manager may not know exactly when the funds would be available or when they would be needed, so the only thing the manager can do is to anticipate as much as possible the inflows and outflows monthly or yearly. Liquidity problems, as it is happening to some cooperatives and other businesses will most likely be temporary ; but unless contingency measures are taken, they can forever cripple the operation.

### **A. The Financial Movement in the Philippines**

Any business can be viewed as an interrelated system of financial resource movements. Successful operation, performance and long-term viability of any business depend on the continuous sequence of sound individual or collective decisions made by the management staff<sup>12)</sup>. Every decision causes an economic impact, for better or for worse, on the business. These ongoing series of choices and decisions activate movements of the financial resource supporting the business at varying degrees. These movements are best characterized by the term funds flow<sup>4)</sup>. Any funds movement causes a change in cash—cash in or cash out or what is commonly called as cash inflow and cash outflow<sup>5)</sup>. The difference between cash inflow and cash outflow is referred to as cash flow. The cash flow statement shows how much cash is needed and available in the operation at a given time<sup>13)</sup>. This will help coops use cash more efficiently and manage its



**Figure 1.** Cash Flow  
Source : The Coop Sector, Vol. 2, No. 4. p 5.

liquidity position (see Fig. 1).

### **B. Cooperatives' Financial Picture**

Based on the 1996 Northern Mindanao Statistical Yearbook, there are about 400 registered and about 100 unregistered primary cooperatives in Bukidnon, Northern Mindanao. Of the 400 cooperatives, around 300 coops are still operational as of December, 1995<sup>14)</sup>. There were three types of cooperatives in the area namely : multi-purpose, credit and consumer cooperative.

The 1987 NATCCO (National Confederation of Cooperatives) survey of cooperatives found that over 90 percent of the total assets, and 95 percent of the total liabilities were current (i.e. they carry maturities of one year or less), 80 percent of their current assets were in loan receivables, and 73 percent of their current liabilities were in savings deposit (see Table 1 below). From the results of the survey, NATCCO found that current ratio is 2.6:1 which means that cooperatives in the Philippines have 2.6 peso worth of assets for every 1 peso in liabilities which is almost equal to the old rule of thumb that the current ratio should be at least 2 : 1. The computed acid ratio<sup>(6)</sup> was 0.4 : 1 which means that, during the survey, these cooperatives had 40 centavos actual cash for every peso

**Table 1.** Composition of Balance Sheet  
(92 affiliates of NATCCO, all figures in %), December 31, 1997.

CURRENT ASSETS			
	% of total assets	% of current assets	
Cash on hand	2.82	3.13	
Cash in bank	9.44	10.47	
Deposits in other coops	0.01	0.01	
Cash advances	0.28	0.31	
Loans receivable	73.43	81.42	
Allowance for doubtful accounts	-0.26	-0.29	
Unused office/store supplies/ prepaid expenses	0.41	0.45	
Accounts receivable /other advances	2.17	2.41	
Interest receivable (accrued interest on loans)	0.22	0.24	
Merchandise inventory	1.62	1.80	
Other current assets	0.07	0.07	
<b>TOTAL CURRENT ASSETS</b>	<b>90.19</b>	<b>100.00</b>	
CURRENT LIABILITIES			
	% of total liabilities+members' equity	% of current liabilities	
Savings deposits	21.53	62.48	
Time deposits	3.77	10.94	
Short-term funds payable	0.60	1.74	
Loans payable	2.93	8.50	
Accounts payable	0.82	2.38	
Accrued interest/expenses	3.44	9.98	
Due to CETF	0.42	1.22	
Other current liabilities	0.94	2.73	
<b>TOTAL CURRENT LIABILITIES</b>	<b>34.46</b>	<b>100.00</b>	
Current liabilities as % of Total Liabilities		94.67	

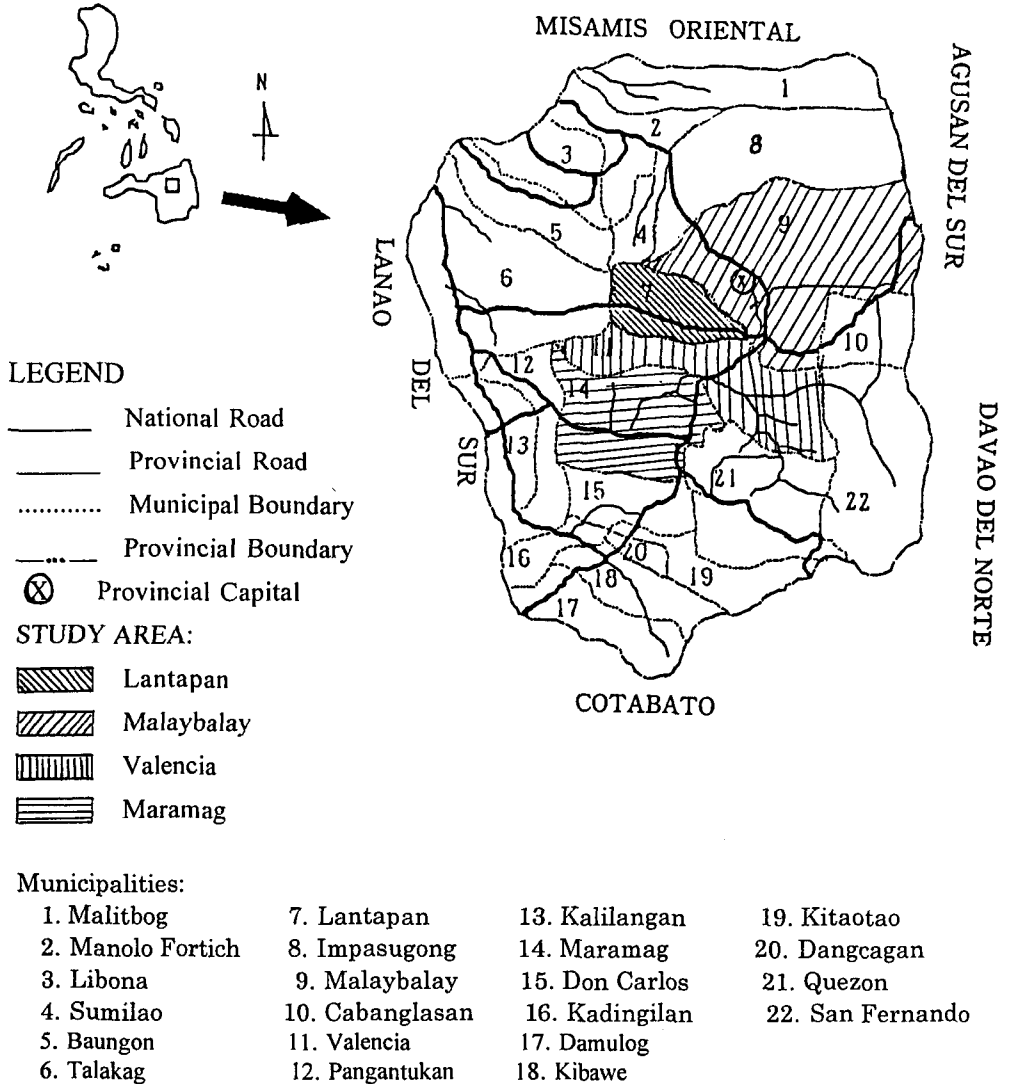
Source : The Coop Sector, Vol. 2 No. 4 : p. 4

of obligation that they had to meet during the year. It is also interesting to know that out of the total number of coops who provided information on past due loans of members, about 28.8 percent of the total loans receivable were past due by one to three months to over five years. Out of the 28.8 percent, 12 percent of the loans were past due by more than 2 years.

### III. Research Methodology

This study covered the whole province of Bukidnon (see Fig. 2). As seen in Figure 2, Bukidnon is located in the Southern part of Mindanao, the region is basically an agricultural area. Its primary products are rice, corn, pineapple, tobacco and others. The selection of the province covered was anchored on the

consideration that Land Bank of the Philippines (LBP) which has been mobilized as the financial arm of the government for extending assistance to the cooperatives recommended the area. A stratified random sampling technique was used in the collection of data. Due to accessibility problem, time constraint and since not all of the municipalities have functional cooperatives during the data collection period, only 4 municipalities were covered. Collection of data was done through personal interview with the management of the cooperatives using a



**Figure 2.** Map of Bukidnon Province showing location of Sample Municipalities  
Source : Marketing Practices and Problems of some Vegetable Growers in the Philippines, 1993. p74.

pre-tested questionnaire.

#### IV. Result and Discussion

There were 300 primary cooperatives which were operational in the 22 municipalities of Bukidnon. However, due to accessibility problem and time constraint, only 50 primary cooperatives and 4 municipalities were covered in these study.

##### A. General Information

The primary cooperatives were of four types namely : agricultural, credit, consumer and multi-purpose. During its first year of existence, majority of the cooperatives were agricultural (16 coops or 32%) in nature and 12 coops or 24 percent were consumer cooperatives. However, during the time of the survey, about 15 cooperatives shifted to credit and some to multi-purpose cooperative. When the respondents were asked why they shifted, majority answered due to higher demand and bigger profit. Some cooperatives were inactive due to bankruptcy and some were in the stage of reorganization/reviving their cooperative (Table 2).

Most of the cooperatives existed for quite a number of years already. About 14 coops or 28 percent had been in operation for more than seven years though majority (36 coops or 72 percent) were still young and were still in the trial and error stage or the first stage of the production cycle which is the adjustment period. The researcher believes that four to six years of existence level is the most interesting stage because this is the most critical stage in the life of a cooperative. It is in this stage where one would know whether the business will survive or fail (Table 3).

All of the primary cooperatives reported to have availed of the different assistance of the different agencies and institutions in the region. More than half (68%) reported to have received educational and training assistance from the universities within the region(7). Almost all (40 coops or 80%) of the primary coops reported to have received assistance from government agencies like the Municipal Government Office, Cooperative Development Agency, Bukidnon

**Table 2.** Type of Cooperative

Type	Ist year	%	1996	%
Agricultural	16	32	7	14
Consumer	12	24	9	18
Credit	5	10	20	40
Multipurpose	8	16	7	18
Inactive	9	18	7	10
Total	50	100	50	100

Source : Field Survey, 1996

Union of Cooperative, Department of Agriculture, Department of Agrarian Reform and the Land Bank of the Philippines. It is interesting to know that the community where they belong also helped them in some way through the different organizations and committees they have in the community (Table 4). Though not all of the cooperatives in Bukidnon are member of the cooperative federation -both national and regional, all of the cooperatives interviewed were member of the Bukidnon Union of Cooperatives. When the respondents were asked as to who decided on the type of business to undertake, majority (70%) of the coops replied that it was the general assembly who chose the type of business. Very few (14%, 12% and 4%) said that it was decided upon by the board of directors,

**Table 3.** Years of Existence

Number	1(n=17)	2(n=16)	3(n=8)	4(n=9)	Total(%)
3 years-below	3	4	5	1	13(26)
4-6 years	6	10	1	6	23(46)
7 -9 years	4	2	0	1	7(14)
10-12 years	1	0	2	0	3(6)
13-15 years	0	0	0	0	0
16 years-above	3	0	0	1	4(8)
Total	17	16	8	9	50

Source : Field Survey, 1996

**Table 4.** Agency who Assisted the Cooperatives

Agency	1	2	3	4	Total(%)
Community	6	8	7	4	25(50)
Government Agency	10	16	5	9	40(80)
Private Institution	5	5	7	5	22(44)
University	9	10	6	9	34(68)
N	17**	16**	8**	9**	

Source : Field Survey, 1996

Note : \*\* indicates more than one answer

**Table 5.** Person who chose the type of Business

Person	1	2	3	4	Total(%)
Coop Manager	0	2	1	3	6(12)
General Assembly	11	12	6	6	35(70)
Board of Director	5	1	1	0	7(14)
All of the above	1	1	0	0	2(4)
Total	17	16	8	9	50

Source : Field Survey, 1996

Notes :

1=Municipality of Maramag  
2=Municipality of Valencia

3=Municipality of Lantapan  
4=Municipality of Malaybalay

cooperative manager and, all of the above respectively (Table 5).

### B. Membership fee, Paid-up Capital and Subscribed Capital

One of the requirements for membership in a cooperative is the payment of the membership fee and paid-up share capital<sup>(8)</sup> so everybody was required to pay. The average membership required by the 50 cooperatives was 81.82 peso or 327.28 yen<sup>(9)</sup> with a lowest membership fee of 10 peso and the highest was 500 peso. The average paid-up share capital was 3,595.61 peso or 14,382.44 yen ; the highest paid-up share capital was 5,713 peso and the lowest was 50 peso. Cooperative managers see to it that its membership fee and paid-up capital are affordable as possible to attract farmers to join the cooperative. Most of the farmers in these area earn only meager amounts of income every year, an income which is not

**Table 6.** Membership fee, Paid-up capital and Subscribed Capital  
( Unit : Peso)

Amount	f	%
A. Membership fee		
0 -50	38	76
51-100	9	18
101-150	1	2
151-200	0	0
201-above	2	4
B. Paid-up capital		
0-100	8	16
101-200	11	22
201-300	7	14
301-400	3	6
401-500	8	16
501-above	13	26
C. Subscribed capital		
0-1000	31	62
1001-2000	8	16
2001-3000	0	0
3001-4000	1	2
4001-5000	6	12
5001-above	4	8

Source : Field Survey, 1996

even enough to feed and clothed their family. The average minimum subscribed capital (10) was 9,487.97 peso or 37,951.88 yen (Table 6).

### **C. Finances**

#### **(a) Income, Expense and Net Income**

The primary cooperatives earned an average total income of 704,986.35 peso in 1994 and 1,628,673 peso in 1995 while average total expense was 742,864.37 peso and 1,449,623.51 peso for 1994 and 1995 respectively. Both income and expense increased in 1995 but the percentage change in income (1.31) is higher than the percentage change in expense (.76). Furthermore, marginal net income<sup>(10)</sup> was computed to be equal to .31 which implies that net income increases by 31 centavo per one peso increase in average total expense. Of the four municipalities covered, area 1 or the municipality of Maramag earned the highest net income which can be explained by the location of the municipality (Table 7). Area 3 earned the highest income in 1994 while area 4 earned the highest income in 1995. However, in terms of net income area 1 has the highest net income both in 1994 and 1995.

#### **(b) Assets, Liabilities and Networth**

The average total assets<sup>(11)</sup> of the 50 primary cooperatives amounted to 6,707,570.73 peso in 1994 and 8,597,961.47 in 1995. On the other hand, average total liabilities amounted to 25,896,536.48 peso in 1994 and 38,349,981.97 in 1995. The 437,851.42 peso decrease in networth<sup>(12)</sup> was accompanied by the higher percentage change in average total liability<sup>(13)</sup> (6.59 peso) compared to the .15 percentage change in average total assets. (Table 7). Area 2 has the highest total assets and networth, this maybe due to the fact that the municipality of Valencia is Bukidnon's business center.

#### **(c) Return on Investment (ROI) and Current Ratio**

Unfortunately, there was a negative ROI<sup>(14)</sup> (-.019) in 1994. However, ROI increased to .115 in 1995. A ROI equal to .115 implies that for every one peso value of the asset of the cooperative gave a net return of .115. Current ratio measures the liquidity status of the business in the short-run. With an average total current asset equal to 7,082,842.44 peso in 1994 and 9,995,197.55 in 1995 against average total liability of 25,847,117.06 peso in 1994 and 38,198,766.39 in 1995; current ratio therefore was .99 and 1.54 respectively. A current ratio equal to 1.54 can also be written as 1.54 : 1 which implies that for every one peso liability the cooperative has, they have around 1.54 peso asset to pay it. Both the 1994 and 1995 current ratio were lower than the old rule of thumb that current ratio should at least be equal to 2 : 1. Area 1 has the highest average ROI both in 1994 and 1995. However, area 1 and area 3 was the most liquid area in 1994 and 1995 respectively.

#### **(d) Dividends and other benefits afforded to the members**

Surprisingly, all the primary cooperatives covered distribute the dividends or

Table 7. Financial data

(Unit : Peso)

Item	Area 1 (n=16)		Area 2 (n=6)		Area 3 (n=5)		Area 4 (n=6)		TOTAL	
	1994	1995	1994	1995	1994	1995	1994	1995	1994	1995
Total Income	4,288,131	5,391,092	1,584,980	2,177,028	323,445	567,947	648,755	4,891,814	6,845,311	13,027,881
	268,008	336,943	264,163	362,838	64,689	113,589	108,126	815,302	704,986	1,628,673
Total Expense	4,101,065	4,111,554	1,623,888	1,902,049	376,870	474,511	843,155	4,684,445	6,944,978	11,172,560
	256,317	256,972	270,648	317,008	75,374	94,902	140,526	780,741	742,864	1,449,623
Income-expense	187,066	1,279,538	-38,908	274,979	-53,425	93,436	-194400	207,368	-99,667	1,855,321
Net Income	11,692	79,971	-6,485	45,830	-10,685	18,687	-32,400	34,561	-37,878	179,049
Total Assets	12,463,084	18,088,157	18,779,180	22,920,744	7,287,875	10,961,754	8,047,135	8,729,861	46,577,275	60,700,516
	778,943	1,130,510	3,129,864	3,820,124	1,457,575	2,192,351	1,341,189	1,454,977	6,707,571	8,597,961
Total	12,912,211	16,653,222	11,921,322	19,396,533	1,104,969	1,066,929	5,052,053	12,521,049	6,787,436	14,426,675
Liabilities	807,013	1,040,826	1,986,887	3,232,755	220,994	213,386	842,009	2,086,841	25,896,536	38,349,982
Loans Payable	8,373,834	12,160,813	10,179,468	17,161,877	562,603	368,116	4,129,366	7,739,526	23,245,270	37,430,331
	523,365	760,051	1,696,578	2,860,313	112,521	73,623	688,228	1,289,921	3,020,691	4,983,908
Members equity/ Net worth	-449,127	1,434,935	6,857,858	3,524,212	6,10,2,0.7	6,408,739	4,959,158			
	-28,070	89,683	1,142,977	587,369	6,10,2,0.7	1,114,914	677,063			
Total Amount of reserved funds	623,355	917,815	231,016	316,521	14,703	16,511	101,809	147,227	970,833	1,398,075
	38,960	57,363	38,503	52,754	300	3,302	1,698	24,538	79,461	137,957
Educational Fund	85,753	112,295	92,746	118,683	4,116	17,246	7,352	9,490	189,968	257,715
	5,322	7,018	15,458	19,781	823	3,449	1,225	1,582	22,828	31,830
Patronage refund	426,834	308,641	100,623	285,229	113,732	136,704	12,065	12,453	653,254	743,027
	26,677	19,290	16,770	47,538	22,746	27,341	2,011	2,075	68,205	96,245

Source : Field Survey, 1996

Notes :

area 1=Municipality of Maramag

area 3=Municipality of Lantapan

area 2=Municipality of Valencia

area 4=Municipality of Malaybalay

All the figures on the second line of every item refers to the average.

**Table 7.b** Financial Analysis

( Unit : Peso ),

Item	Area 1 (n=16)		Area 2 (n=6)		Area 3 (n=5)		Area 4 (n=6)		TOTAL	
	1994	1995	1994	1995	1994	1995	1994	1995	1994	1995
Current Assets	4,997,239	6,421,202	1,908,742	2,612,233	342,265	601,705	757,916	5,048,531	8,006,162	14,683,670
Fix assets	7,465,845	11,666,955	16,870,438	20,308,512	6,945,610	10,360,049	7,289,219	3,681,329	17,025,184	18,302,551
	466,653	729,185	2,811,740	3,384,752	1,391,763	2,072,010	1,230,140	613,555	26,958,186	34,661,032
Current Liabilities	12,901,733.51	16,581,008	11,903,978	19,349,155	1,053,205	979,331	4,984,586	12,436,425	8,831,691	17,689,337
Long term Liabilities	806,358	1,036,313	1,983,996	3,224,859	210,641	195,866	830,764	2,072,737	25,847,117	38,198,766
	10,478	72,214	17,344	473,778	51,764	87,598	67,468	84,624	147,054	291,814
	655	4,513	2,891	7896	10,353	17,520	11,245	14,104	25,143	44,033
ROI (%)	1.5	7.1	-0.2	1.2	-0.7	0.8	-2.4	2.4	-1.8	11.5
	1.5	7.1	-0.2	1.2	-0.7	0.8	-2.4	2.4	-1.8	11.5
Networth	-18.67	8.53	1.49	4.88	93,148.78	44,355.47	263,404.57	11,222,008.91	3.65	7.61
	-18.67	8.53	1.49	4.88	18,629.76	8,871.09	439,134.09	1,870,334.82	2.73	7.43
Current ratio	0.39	0.39	0.16	0.14	0.32	0.61	0.15	0.41	1.02	1.55
	0.39	0.39	0.16	0.14	0.31	0.61	0.13	0.41	0.99	1.55

Source : Field Survey, 1996

Notes :

area 1=Municipality of Maramag

area3=Municipality of Lantapan

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All the figures on the second line of every item refers to the average.

patronage refund of their members annually though some members would ask the cooperative officers to just credit their dividend to their delinquent accounts. According to the managers, it was their way of attracting clients and their way of attracting their members to attend the coop's annual general assembly. The managers thought that it was the most effective way of maintaining the trust of the members.

Aside from the dividend, there are still some other benefits afforded by the members like the availment of loan at lower interest rate, opportunity to build up savings, financial assistance during emergency, opportunity to participate in trainings, seminars and workshops about technology advancement and technique, availment of government assistance, low cost quality service and lower prices of goods.

#### **D. Other Important Information**

It should be known that up to the time of data collection period, there was no full time cooperative officer in the municipalities covered. Also, some of the municipal cooperative during the conduct of the study was still in the process of organizing their committees pursuant to its defined function by the Cooperative Development Agency. In view of this there was no central coordinating committee or agency for the municipal cooperative management as a whole. Due to this scenario, there was no proper coordination between the cooperatives who needs trainings and the agencies and institutions who holds trainings, seminars or workshops for farmers.

#### **V. Implications and Recommendations**

The financial structure of the primary cooperatives was still very weak. Unless appropriate programs to strengthen it will be initiated, I don't think the cooperatives will still survive in the next ten to fifteen years. Its network, liquidity ratio and marginals (marginal asset and marginal liability) as shown in table 6 implies the need for a more aggressive and extensive saving mobilization programs to increase capital. In the same way that equity requirements for loans need to be increased at a reasonable level until such time that the cooperatives can stand on their own.

There is a need to have more trainings and workshops on proper book-keeping and simple accounting because a lot of cooperatives don't have proper and updated records and accounting of the cooperatives' finances. Though there are a lot of agencies and institutions who are very much willing to train farmers and other interested people, there is no link between the farmers and the said agencies. To wrap all of these, I think a permanent municipal cooperative office and officer are necessary for the development of the movement. The office will serve as the liaison between the various cooperatives and the agencies or institutions which should be tapped for technical, financial and educational assistance.

### Notes

- (1) The real meaning of economic integration is the merging of two or more countries in various degrees of the economies. However, in this paper economic integration refers to the merging of two or more cooperatives to strengthen its movement and be more competitive in the market.
- (2) There are a lot of cooperatives, specially in the rural areas which does not receive any form of assistance either from the public or private sector. Due to this dilemma, most of the small cooperatives depends on their members' contribution or payments; this may come in the form of membership-fee, paid-up share capital, subscribed capital or savings.
- (3) Cash here refers to any liquid assets available in hand. It may be in the form of currency, capital, funds, savings, payments and etc.
- (4) Funds is a common financial concept which denotes resources committed by the business in the form of cash balances, receivables, inventories, or obtained by the business in the form of deposit withdrawals, loan disbursements, purchase investments and payment for operating expenses.
- (5) Cash inflow maybe in the form of additional share capital, savings deposit, loan repayments and revenues. Cash outflow may come in the form of deposit withdrawals, loan disbursements, purchase of investments, and payment for operating expenses.
- (6) Acid ratio or what is commonly called the quick ratio supplements the current ratio. Like the current ratio, it indicates the borrowers ability to meet his obligations but its a more severe test since it considers only the quick or relatively liquid assets. An old rule of thumb says that a business should at least have a acid-test ratio of 1 : 1 and a current ratio of at least 2 : 1.
- (7) State universities in the area are the helping arm of the government and other agencies and institutions in their programs of helping the farmers through trainings, workshops, seminars or counselling.
- (8) Paid-up capital is the value of subscribed capital stock that the stock-holders of a firm are required to pay.
- (9) 1 yen = .25 peso.
- (10) Marginal income is the addition to total income incurred by the producer as a result of varying cost by one more unit, it is the percentage change in income over the percentage change in cost. On the other hand, marginal cost is the addition to total cost incurred by the producer as a result of varying output by one more unit, it is the percentage change in cost over the percentage change in income.
- (11) Asset is any physical or intangible item of value to a company or an individual. There are 2 types of asset : (1) Current assets- any asset on the balance sheet with a short-term expectation of being turned into cash, such as cash, receivables and inventories; usually considered as having a one-year time horizon, and (2)

Fixed asset- any asset on the balance sheet considered to have a life span of more than one year in the business such as land, buildings and machinery. Liabilities is the amount of money a firm owes its creditors. The word creditors usually refer to those who lend money to the firm, it may also include the investors who put up money for the firm. There are also 2 types of liability : (1) Current liability- any liability on the balance sheet with a short-term maturity, usually payable within one year, such as accounts payable and accrued taxes ; it is also called as short-term liability, and (2) Long-term liability.

(12) Networth or what is called as owner's equity or shareholders' equity. It is the recorded ownership claim of common or preferred shareholders in a corporation as reflected in the balance sheet. It is also defined as total assets less total liabilities.

(13) Marginal liability is the percentage change in liabilities over the percentage change in assets. Marginal asset is the percentage change in total assets over the percentage change in liabilities.

(14) Return on Investment or ROI is the easiest form of profitability analysis.

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