

ACCOUNTING AND STATUTORY REQUIREMENTS OF BANKING COMPANIES

Unit structure

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2.1. INTRODUCTION

2.1.1 Meaning of Banking Companies:

A bank is a commercial institution, permitted to accept, collect, transfer, lend and exchange money and claims to money both the domestically and internationally and thereby conduct smooth banking activities.

2.1.2. Definition:

Banking companies are governed by the Banking Regulation Act of 1949 and also subject to the companies act. 1956.

According to Banking Regulation act, 1949 Banking means – “The accepting, for the purpose of lending or investment, of deposit of money from the public repayable on demand or otherwise and withdraw able by cheque, draft, order or otherwise.’

2.1.3 Business of Banking Companies:

As per section 6 of the Act, banking companies may engage in the following business in addition to their usual banking business.

1. The borrowing, raising or taking up on money, the lending or advancing of money either upon or without security, the drawing, making, accepting, discounting, buying, selling, collecting and dealing in bills of exchange, 'hundies', promissory notes, drafts, bills of lading, railways receipt, warrants, debentures, certificates, scrip's and other instruments and securities whether transferable or negotiable or not; granting and issuing of letters of credit, traveller's cheques and circular notes; the buying, selling and dealing in bullion and specie; the buying and selling of foreign exchange including foreign bank notes; the acquiring, holding, issuing on commission, underwriting and dealing in stock, funds, shares, debentures, debenture stock bonds, obligations, securities and investments of all kinds; the purchasing and selling of bonds, scrips or other forms of securities on behalf of constituents or other, the negotiating of loans and advances; the receiving of all kinds of bonds, scrips or valuables on deposit or for safe custody or otherwise; the providing of safe deposit vaults; the collecting and transmitting of money and securities.
2. Acting as agents for any Government or local authority or any other person or persons; the carrying on of agency business of any description including the clearing and forwarding of goods, giving of receipts and discharges and otherwise acting as on attorney on behalf of customers but excluding the business of (managing agent or secretary and treasurer) of a company.
3. Contracting for public and private loans and negotiating and issuing the same.
4. The effecting, insuring, guaranterring, underwriting, participating in managing and carrying out of any issue, public or private of state, municipal or other loans or of shares, stock, debentures or debenture stock of any Company Corporation or association and of the lending of money for the purpose of any such issue.
5. Carrying on and transacting every kind of guarantee and indemnity business.
6. Managing, selling and realizing any property which may come into the possession of the company in satisfaction or part satisfaction of any of its claims.
7. Acquiring and holding and generally dealing with any property or any right, title or interest in any such property which may form the security or part of the security for any loans or advances which may be connected with any such security.
8. Undertaking and executing trusts.

9. Undertaking the administration of estates as executor, trustee or otherwise.

10. Establishing and supporting or aiding in the establishment and support of associations, institutions, funds, trusts and conveniences calculated to benefit employees or ex-employees of the company or the dependents or connections of such persons; granting pensions and allowances and making payments towards insurance; subscribing to or guaranteeing moneys for charitable or benevolent objects or for any exhibition or for any public, general or useful object.

11. The acquisition, construction maintenance and alteration of any building or works necessary or convenient for the purpose of the company.

12. Selling, improving, managing, developing, exchanging, leasing, mortgaging, disposing of or turning into account or otherwise dealing with all or any part of the property and rights of the company.

13. Acquiring and undertaking the whole or any part of the business of any person or company, when such business is of a nature enumerated or described in section 6.

14. Doing all such other things as are incidental or conclusion to the promotion or advancement of the business of the company.

15. Any other form of business which the central Government may by notification in the official Gazette, specify as a form of business in which it is lawful for a banking company to engage.

No Banking Company shall engage in any form of business other than those referred to in section 6.

2.1.4 Restrictions on Business:

The Banking Companies are restricted from conducting certain activities.

A bank can not directly or indirectly deal in the buying or selling or bartering of goods, except in connection with the realization of security given to or held by it, or engage in any trade or buy or sell of barter goods for others otherwise than in connection with bills of exchange, immovable property, except that required for its own use, however acquired, must be disposed of within seven years from the date of acquisition.

2.1.5 Non-Banking Assets:

The case in which the customer to whom a bank sanctioned loan against some security and if he fails to repay the same, the bank decides to acquire such property kept as security to satisfy its claim. Such property or assets termed as 'Non-Banking Assets'. These Assets are exhibited in schedule 11 – "Other Assets".

2.2. IMPORTANT ACCOUNTING PROVISIONS OF BANKING REGULATION ACT 1949.

2.2.1 Minimum Capital and reserves – Section 11.

According to the provision of section 11 (2) of the Banking Regulation Act 1949 the following are the limits imposed on value of paid up Capital and Reserves of a banking Company.

1) In the case of Banking Company incorporated outside India. If it has a place or places of business in the city of Bombay or Calcutta or both Rs. 20 lakhs.

If the places of business are other than Bombay or Calcutta Rs. 15 lakhs. In addition 20% of the profits earned in India must be added to the sums mentioned above.

2) In the case of a banking company incorporated in India.

a) If it has places of business in more than one state and it has a place or places of business in Bombay or Calcutta or both Rs. 10 lakhs.

b) If it has places of business in more than one state but not in Bombay or Calcutta Rs. 5 lakhs.

c) If it has places of business in one state but not in Bombay or Calcutta. Rs. 1 lakhs in respect of its principle place plus Rs. 10,000 for each of its other places of business in the same district and Rs. 25,000 in respect of each place of business outside the district. The total need not exceed Rs. 5 lakhs. In case there is only one place of business Rs. 50,000.

(In case of companies, which have commenced business after the commencement of the Banking Companies (Amendment) Act of 1962, a minimum of Rs. 5 lakhs is required)

d) If it has all its places of business in one state / Rs. 5 lakhs and if the places of business are also in / plus Rs. 25,000 Bombay or Calcutta. / In respect of each place of business situated outside the city of Bombay or Calcutta. The total need not exceed Rs. 10 lakhs.

2.2.2 Restriction on commission Brokerage, Discount, etc. on sale of shares-section B:

A Banking company is not allowed to pay directly or indirectly commission, Brokerage, Discount or remuneration in any form in respect of any shares issued by it, any amount exceeding two and one-half percent of the paid up value of the said shares.

2.2.3 Restriction on payment of dividend – section 15:

A Banking company shall not pay dividend unless all of its capitalized expenses (including preliminary expenses, organization expenses, share selling commission, Brokerage, amount of losses incurred and any other item. Of expenditure not represented by tangible assets) have been completely written-off.

However, a banking company may pay dividend on its shares without writing off.

2.2.4 Statutory Reserve – Section 17:

Section 17 of the act lays down that every banking company should create a reserve fund by transferring to it at least 20 percent of its annual profit as disclosed by its profit and loss account before any declaration of dividend, such reserve is known as statutory Reserve. The transfer of profit to reserve fund should be continued even after the accumulated amount of reserve fund and share premium account together exceed its paid up capital. Unless the central government grant an exemption in this regard on the recommendation of Reserve Bank of India.

2.2.5 Cash Reserves – Section 18:

Every Banking Company requires to maintain a balance equal to 3 percent of its time and demand liabilities with RBI (a non scheduled bank has to keep similar balances either in cash or deposit with RBI)

2.2.6 Restrictions on loans and Advances –section 20

A Bank can not

- i) grant loans and advances on the security of its own shares and
- ii) grant or agree to grant loan or advance to or on behalf of
 - a) Any of its directors;
 - b) Any firm in which any of its directors is interested as partner, manager or guarantor;

- c) Any company of which any of its directors is a director manager, employee or guarantor or in which he holds substantial interest; or
- d) Any individual in respect of whom any of its directors is a partner or guarantor.

2.3. BOOKS OF ACCOUNTS

In order to have immediate entry of voluminous transaction and enables continuous internal check on the record of these transactions, Banks are required to maintain subsidiary books along with its principal books of accounts.

A) Subsidiary books

- i. Receiving cashier's counter cash book;
- ii. Paying cashier's counter cash book;
- iii. Current accounts ledger.
- iv. Savings bank accounts ledger
- v. Fixed deposit accounts ledger
- vi. Investments Ledger
- vii. Loans Ledger
- viii. Bills discounted and purchased ledger
- ix. Customer's acceptances endorsements and guarantee ledger

B) Principal Books

- i. Cash book : It records all cash transactions
- ii. General Leger : It contains control Accounts of all subsidiary ledgers and different assets and liabilities account

2.4. PROVISIONING OF NON-PERFORMING ASSETS

Meaning:

The 'Non-Performing Assets' refers to those assets which fails to generate expected returns to the bank due to borrowers default in making repayment.

In accordance with the international practice and the directives of RBI, the bank should recognized income on Non-Performing Assets (NPA) when it is actually received and not on accrual basis.

Similarly, the RBI has accepted the definition of a NPA given by Narasimham committee from March 1995 onwards –

‘as an advance where, as on the bank’s balance sheet date, (a) interest on a term loan account is past due or (b) a cash credit / overdraft account remains out of order or (c) a bill purchased / discounted is unpaid or overdue or (d) any amount to be received in respect of any other account remains past due, for a period more than 180 days. (e) in respect of agricultural finance / advance (eg crop loans) interest and / or installment of principal remains overdue for two harvest seasons but for a period not exceeding two half years. The period of 180 days has been reduced to 90 days effective from March 31, 2004.

A ‘past due’ account has been defined as an amount which remains outstanding 30 days beyond the due date.

Assets classification and provisioning

In order to make adequate provisions, assets have been classified as follows:

- i. Standard assets – These are the assets which does not disclose any problems and does not carry more than normal risk attached to the business therefore no provision is to be made against them.
- ii. Substandard assets – These assets exhibit problems and would include assets classified as non-performing for a period not exceeding two years. Hence the provision is to be made at the rate of 10 percent of the total outstanding amount of substandard assets.
- iii. Doubtful assets – these are the assets which remain non performing for a period exceeding two years and would also include loans in respect of which installments are overdue for a period exceeding two years.

The provision for doubtful assets as follows:

Period for which the advance Has been considered As doubtful	Provision requirements (%)
Upto one year	20
One to three years	30
More than three years	50

- iv. Loss assets – Loss assets are those assets where the loss has been identified but the amounts have not been returned off.

Illustration

Exe bank Ltd. having the following advances as on 31st March 2009 and provision is to be made against them.

	Bills Purchased and Discounted	Cash credit, overdraft	Term loans
i) Standard Assets	5,150	4,925	2,375
ii) Sub-standard Assets	4,000	1,500	1,000
iii) Doubtful Assets:			
- upto one year	--	500	1,800
- One to 3 years	--	1,800	700
- More than 3 years	--	1,275	550
iv) Loss Assets		350	225
	9,150	10,350	6,650

Solution

	Amount (Rs.)	% of Provision	Amount of Provision (Rs)
i) Standard Assets	12,450	Nil	Nil
ii) Sub-standard Assets	6,500	10%	650
iii) Doubtful Assets:			
- upto one year	2,300	20%	460
- One to 3 years	2,500	30%	750
- More than 3 years	1,825	50%	912.5
iv) Loss Assets	575	100%	575
Total Provision on Advances			3,347.5

2.5. FINAL ACCOUNTS

The Banking Regulation act, 1949 prescribes formats of preparing final accounts of the Banking companies. The third schedule of section 29 gives forms 'A' for the balance sheet and Form 'B' for Profit and loss account. The balance sheet consists of total 12 schedules. Schedule 1 to schedule 5 depicts capital and liabilities and schedule 6 to schedule 11 shows Assets of the bank and schedule 12 shows contingent liabilities and there is no specific schedule prescribes for bills for collection.

THE THIRD SCHEDULE
(See Section 29)
Form 'A'
FORM OF BALANCE SHEET

Balance Sheet of..... (here enter the name of the Banking Company)			
Balance Sheet as on 31 st March _____ (year) _____ (000's omitted)			
	Schedule No.	As on 31.3..... (Current Year)	As on 31.3..... (Previous Year)
Capital & Liabilities			
Capital	1		
Reserves & Surplus	2		
Deposits	3		
Borrowings	4		
Other Liabilities and Provisions	5		
Total			
Assets			
Cash and balance with Reserve Bank of India	6		
Balances with banks and money at call and short notice	7		
Investments	8		
Advances	9		
Fixed Assets	10		
Other Assets	11		
Total			
Contingent liabilities	12		
Bills for collection			

Form 'B'
FORM OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH

(000's omitted)			
	Schedule No.	Year ended 31.3... (Current Year)	Year ended 31.3... (Previous Year)
I. Income			
Interest earned	13		
Other income	14		
Total			
II. Expenditure			
Interest expended	15		
Operating expenses	16		
Provisions and contingencies			
Total			
III. Profit / Loss			
Net profit / Loss (-) for the year			
Profit / Loss (-) brought forward			
Total			
IV. Appropriations			
Transfer to statutory reserves			
Transfer to other reserves			
Transfer to Government / Proposed dividend			
Balance carried over to Balance Sheet			
Total			

- NOTE:** 1. The total income includes income of foreign branches of Rs. _____
 2. The total expenditure includes expenditure of foreign branches at Rs. _____
 3. Surplus / deficit of foreign branches Rs. _____

SCHEDULE 1 --- CAPITAL

	As on 31.3.... (Current Year)	As on 31.3... (Previous Year)
I. For Nationalized Banks Capital (Fully owned by Central Government)		
II. For Banks Incorporated Outside India Capital (The amount brought in by banks by way of start-up capital as prescribed by RBI should be shown under this head) Amount of deposit with the RBI under Section 11(2) of Banking Regulation Act, 1949		
Total		
III. For Other Banks Authorized Capital shares of Rs..... each Issued Capital shares of Rs..... each Subscribed Capital shares of Rs..... each Called-up Capital shares of Rs..... each Less: Calls unpaid Add: Forfeited shares		

SCHEDULE 2 – RESERVES & SURPLUS

	As on 31.3.... (Current Year)	As on 31.3... (Previous Year)
I. Statutory Reserves Opening Balance Additions during the year Deductions during the year		
II. Capital Reserves Opening Balance Additions during the year Deductions during the year		
III. Shares Premium Opening Balance Additions during the year Deductions during the year		
IV. Revenue and other Reserves Opening Balance Additions during the year Deductions during the year		
V. Balance in Profit and Loss Account Total (I + II + III + IV + V)		

SCHEDULE 3 – DEPOSITS

	As on 31.3.... (Current Year)	As on 31.3.... (Previous Year)
A. I. Demand Deposits		
i) From Banks		
ii) From Banks		
II. Savings Bank Deposits		
III. Term Deposits		
i) From banks		
ii) From others		
Total (I + II + III)		
B. i) Deposits of branches in India		
ii) Deposits of branches outside India		
Total		

SCHEDULE 4 – BORROWINGS

	As on 31.3.... (Current Year)	As on 31.3.... (Previous Year)
I. Borrowings in India		
i) Reserve Bank of India		
ii) Other banks		
iii) Other institutions and agencies		
II. Borrowings outside India		
Total (I + II)		
Secured borrowings included in I & II above – Rs.		

SCHEDULE 5 – OTHER LIABILITIES AND PROVISIONS

	As on 31.3.... (Current Year)	As on 31.3.... (Previous Year)
I. Bills payable		
II. Inter-office adjustments (net)		
III. Interest accrued		
IV. Others (including provisions)		
Total		

SCHEDULE 6 – CASH AND BALANCES WITH RESERVE BANK OF India

	As on 31.3.... (Current Year)	As on 31.3.... (Previous Year)
I. Cash in hand (including foreign currency notes)		
II. Balances with RBI		
(i) in Current Account		
(ii) in Other Accounts		
Total (I + II)		

**SCHEDULE 7 – BALANCES WITH BANKS & MONEY AT CALL
& SHORT NOTICE**

	As on 31.3.... (Current Year)	As on 31.3.... (Previous Year)
I. In India		
(i) Balances with banks		
(a) in Current Accounts		
b) in Other Deposit Accounts		
(ii) Money at call and short notice		
a) With banks		
b) With other institutions		
Total		
II. Outside India		
(i) in Current Accounts		
(ii) in Other Deposit Accounts		
(iii) Money at call and short notice		
Total		
Grand Total (I + II)		

SCHEDULE 8 – INVESTMENTS

	As on 31.3.... (Current Year)	As on 31.3.... (Previous Year)
I. Investments in India in		
i) Government securities		
ii) Other approved securities		
iii) shares		
iv) Debentures and Bonds		
v) Subsidiaries and / or joint ventures		
vi) Others (to be specified)		
Total		
II. Investments outside India in		
i) Government securities (including local authorities)		
ii) Subsidiaries and / or joint ventures abroad		
iii) Other investments (to be specified)		
Total		
Grand Total (I + II)		

SCHEDULE 9 – ADVANCES

	As on 31.3.... (Current Year)	As on 31.3.... (Previous Year)
A. i) Bills purchased and discounted		
ii) Cash credits, overdrafts and loans repayable on demand		
iii) Term loans		
Total		
B. i) Secured by tangible assets		
ii) Covered by Bank / Government guarantees		
iii) Unsecured		
Total		

C. I. Advances in India i) Priority Sectors ii) Public Sector iii) Banks iv) Others		
Total		
II. Advances outside India		
i) Due from banks ii) Due from others a) Bills purchased and discounted b) Syndicated loans c) Others		
Total		
Grand Total (C. I. + C. II.)		

SCHEDULE 10 – FIXED ASSETS

	As on 31.3... (Current Year)	As on 31.3... (Previous Year)
I. Premises At cost as on 31 st March of the preceding year Additions during the year Deductions during the year Depreciation to date		
II. Other Fixed Assets (including furniture and fixtures) At cost as on 31 st March of the preceding year Additions during the year Deductions during the year Depreciation to date		
Total (I + II)		

SCHEDULE 11 – OTHER ASSETS

	As on 31.3.... (Current Year)	As on 31.3.... (Previous Year)
I. Inter-office adjustments (net) II. Interest accrued III. Tax paid in advance / tax deducted at source IV. Stationery and stamps V. Non-banking assets acquired in satisfaction of claims VI. Others @		
Total		

@ In case there is any unadjusted balance of loss, the same may be shown under this item with appropriate foot-note.

SCHEDULE 12 – CONTINGENT LIABILITIES

	As on 31.3.... (Current Year)	As on 31.3.... (Previous Year)
I. Claims against the bank not acknowledged as debts		
II. Liability for partly paid investment		
III. Liability on account of outstanding forward exchange contracts		
IV. Guarantee given on behalf of constituents		
a) In India		
b) Outside India		
V. Acceptances, endorsements and, other obligations		
VI. Other items for which the bank is contingently liable		
Total		

SCHEDULE 13 – INTEREST EARNED

	Year ended 31.3... (Current Year)	Year ended 31.3... (Previous Year)
I. Interest / discount on advances / bills		
II. Income on investments		
III. Interest on balances with Reserve Bank of India and other inter-bank funds		
IV. Others		
Total		

SCHEDULE 14 – OTHER INCOME

	Year ended 31.3... (Current Year)	Year ended 31.3... (Previous Year)
I. Commission, exchange and brokerage		
II. Profit on sale of investments Less: Loss on sale of investments		
III. Profit on revaluation of investments Less: Loss on revaluation of investments		
IV. Profit on sale of land, buildings and other assets Less: Loss on sale of land, buildings and other assets.		
V. Profit on exchange transactions Less: Loss on exchange transactions		
VI. Income earned by way of dividends etc. from subsidiaries / companies and / or joint ventures abroad / in India		
VII. Miscellaneous Income		
Total		

Note : Under items II to V loss figures may be shown in brackets

SCHEDULE 15 – INTEREST EXPENDED

	Year ended 31.3... (Current Year)	Year ended 31.3... (Previous Year)
I. Interest on deposits		
II. Interest on Reserve Bank of India / inter-bank borrowings		
III. Others		
Total		

SCHEDULE 16 – OPERATING EXPENSES

	Year ended 31.3... (Current Year)	Year ended 31.3... (Previous Year)
I. Payments to and provisions for employees		
II. Rent, taxes and lighting		
III. Printing and stationery		
IV. Advertisement and publicity		
V. Depreciation on bank's property		
VI. Directors' fees, allowances and expenses		
VII. Auditor' fees and expenses (including branch auditors' fees and expenses)		
VII. Law charges		
IX. Postages, telegrams, telephone, etc.		
X. Repairs and maintenance		
XI. Insurance		
XII. Other expenditure		
Total		

**GUIDELINES OF RBI FOR COMPILATION OF FINANCIAL
STATEMENTS BALANCE SHEET**

Item	Schedule	Coverage	Notes and instructions for compilation
(1)	(2)	(3)	(4)
Capital	1	Nationalized Banks Capital (fully owned by Central Government)	The capital owned by Central Government as on the date of the Balance Sheet, including contribution from Government, if any, for participating in World Bank, Projects, should be shown.

**Banking
Companies
incorporated
outside India**

(i) The amount brought in by banks by way of start-up capital as prescribed by RBI, should be shown under this head.

(ii) The amount or deposits kept with RBI under sub-section 2 of Section 11 of the Banking Regulation Act, 1949 should also be shown.

Other Banks
(Indian)

Authorized
Capital

(... shares of
Rs... each)

Issued Capital

(... Shares of
Rs... Each)

Subscribed
Capital

(... Shares of
Rs.... Each)

Called-up
Capital

(... Shares of
Rs... each)

Less: **Calls
unpaid Add:**

**Forfeited
shares: Paid-
up Capital**

Authorized, Issued,
Subscribed, Called-up
Capital should be given
separately. Calls-in-
arrears will be deducted
from Called-up Capital
while the paid-up value of
forfeited shares should be
added, thus arriving at the
paid-up capital. The
necessary items which
can be combined should
be shown under one
head, for instance,
“Issued and Subscribed
Capital”.

Notes: General

The changes in the above items, if any, during the years, say, fresh contribution made by the Government, fresh issue of capital, capitalization of reserves, etc., may be explained in the notes.

Reserves and Surplus	2	<p>(I) Statutory Reserves</p> <p>(II) Capital Reserves</p> <p>(III) Share Premium</p> <p>(IV) Revenue and other Reserves</p> <p>(V) Balance of Profit</p>	<p>Reserves created in terms of Section 17 or another section of Banking Regulation Act, must be separately disclosed.</p> <p>The expression 'capital reserve' shall not include any amount regarded as free for distribution through the Profit and Loss Account. Surplus on revaluation should be treated as Capital Reserves. Surplus on translation of the financial statements of foreign branches (which includes fixed assets also) is not a revaluation reserve.</p> <p>Premium on issue of share capital may be shown separately under this head.</p> <p>The expression 'Revenue Reserve' shall mean any reserve other than those separately classified. This expression 'reserve' shall not include any amount, written-off or retained by way of providing for depreciation, renewals or diminution in value of assets or retained by way of providing for any known liability.</p> <p>Includes balance of profit after appropriation. In case of loss the balance may be shown as a deduction.</p>
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Notes : General

Movement in various categories of reserves should be shown as indicated in the schedule.

Deposits 3

A. (I) Demand Deposits

(i) from banks

(ii) from others

Includes all bank deposits repayable on demand. Include all demand deposits of the non-banking sectors.

Credit balances in overdrafts, cash credit accounts, deposits payable at call, overdue deposits, inoperative current accounts, matured time deposits and cash certificates, certificate of deposits, etc. are to be included under this category.

(ii) **Saving Bank Deposits**

Includes all savings bank deposits (including inoperative savings bank accounts).

(III) **Term Deposits**

(i) from banks

(ii) from others

Includes all types of bank deposits repayable after specified term.

Includes all types of deposits of the non-banking sector, repayable after a specified term. Fixed deposits, cumulative and recurring deposits, annuity deposits, deposits mobilized under various schemes, ordinary staff deposits, foreign currency non-resident deposit accounts, etc., are to be included under this category.

B. The total of these two items will agree with the total deposits.

(i) **Deposits of branches in India**

(ii) **Deposits of branches outside India**

Notes : General

(a) Interest payable on deposits which is accrued but not due should not be included but shown under other liabilities.

b) Matured time deposits and cash certificates, etc., should be treated as demand deposits.

c) Deposits under special schemes should be included under the term deposits, if they are not payable on demand. When such deposits have matured for payment they should be shown under demand deposits.

d) Deposits from banks will include deposits from the banking system in India, co-operative banks, foreign banks, which may or may not have presence in India.

Borrowings

(I) **Borrowings in India** Includes borrowing / refinance obtained from Reserve Bank of India

(i) Reserve Bank of India

Includes borrowings / refinance obtained from commercial banks (including co-operative banks).

(II) Other Banks

(iii) Other institutions and agencies.

Includes borrowings / refinance obtained from industrial Development Bank of India, Export-Import of Bank of India,

National Bank for Agriculture and Rural Development and other institutions, agencies (including liability against participation certificates, if any).

(II)
**Borrowings
outside India**

Includes borrowings of Indian branches abroad as well as borrowings of foreign branches.

Secured
borrowings
included
above

This item will be shown separately. Includes secured borrowings / refinance in India and outside India.

Note: General

(i) The total of I and II will agree with the total borrowings shown in the Balance Sheet.

(ii) Inter-office transactions should not be shown as borrowings.

(iii) Funds raised by foreign branches by way of certificate of deposits, notes, bonds, etc., should be classified depending upon documentation, as 'deposits', ' borrowings', etc.

(iv) Refinance obtained by banks from Reserve Bank of India and various institutions are being brought under the head 'Borrowings'. Hence, advances will be shown at the gross amount on the assets side.

Other Liabilities and Provisions	5	<p>I. Bills Payable</p> <p>II. Inter-office Adjustments</p> <p>III. Interest Accrued</p> <p>IV. Others (including provisions)</p>	<p>Includes drafts, telegraphic transfers, traveler cheques, mail transfers payable, pay slips, bankers cheques and other miscellaneous items.</p> <p>The inter-office adjustments balance, if the credit should be shown under this head. Only net position of inter-office accounts, inland as well as foreign, should be shown here.</p> <p>Includes interest accrued but not due on deposits and borrowings.</p> <p>Includes net provision for income tax and other taxes like interest tax (less advance payment, tax deducted at source, etc.) surplus in aggregate in provisions for depreciation in securities, contingency funds which are not disclosed under any of the major heads such as unclaimed dividend, provisions and funds kept for specific purpose, unexpired discount, outstanding charges like rent, conveyance, etc. Certain types of deposits like staff security deposits, margin deposits, etc. where the repayment is not free, should also be included under this head.</p>
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Notes: General

i) For arriving at the net balance of inter-office adjustments all connected inter-office accounts should be aggregated and the net balance should only be shown, representing mostly items in transit and unadjusted items.

(ii) the interest accruing on all deposits, whether the payment is due or not, should be treated as a liability.

iii) it is proposed to show only pure deposits under the head 'deposits', and hence, all surplus provisions for bad and doubtful debts, contingency funds, secret reserves, etc., which are not netted off against the relative assets, should be brought under the head 'others' (including provisions).

Cash and Balances with the Reserve Bank of India **6**

I. Cash in hand (including foreign currency notes)

Includes cash in hand, including foreign currency notes and also of foreign branches in the case of banks having such branches.

II. Balance with RBI

i) In current Account

ii) in other Accounts

Balance with banks and money at call and short notice	7	<p>I. In India</p> <p>i) Balance with Banks</p> <p style="padding-left: 20px;">a) in current accounts</p> <p style="padding-left: 20px;">b) in other deposit accounts</p> <p>ii) Money at call and short notice</p> <p style="padding-left: 20px;">a) with banks</p> <p style="padding-left: 20px;">b) with other institutions</p> <p>II. Outside India</p> <p>i) Current accounts</p> <p>ii) Deposits</p> <p>iii) Money at call and short notice</p>	<p>Includes all balance with banks in India (including co-operative banks). Balances in current accounts and deposit accounts should be shown separately.</p> <p>Includes deposits repayable within 15 days notice, lent in the inter-bank call money market.</p> <p>Includes balances held by foreign branches and balances held by Indian branches of the banks outside India. Balance held with foreign branches by other branches of the bank, should not show under this head but should be included in the inter-branch accounts. The amounts held in 'current accounts' and 'deposit accounts' should be shown separately.</p> <p>Includes deposits usually classified in foreign currencies as money at call and short notice.</p>
Investment	8	<p>I. Investment in India</p> <p>i) Government securities</p>	<p>Includes Central and State Government securities and Government treasury bills. These securities should be at the book value. However, the difference between the</p>

book value and market value should be given in the notes to the Balance Sheet.

- ii) Other approved securities Securities other than Government securities, which according to the Banking Regulation Act, 1949, are treated as approved securities, should be included here.
- iii) Shares Investment in shares of companies and corporations not included in item (ii) should be included here.
- iv) Debentures and Bonds Investments in debentures and bonds of Companies, Corporations not included in item (ii) should be included here.
- v) Investments in subsidiaries / joint ventures Investment in subsidiary / joint ventures (including R. R. Bs) should be included here.
- vi) Others Includes general investments, if any, like gold, commercial paper and other instruments in the nature of shares / debentures / bonds.

II. Investment outside India

- i) Government securities (including local authorities) All foreign Government securities including securities issued by local authorities may be classified under this head.
- ii) Subsidiaries and / or joint ventures abroad All investments made in the share capital of subsidiaries, floated outside India and / or joint

		ventures abroad, should be classified under this head.
	iii) Others	All other investments outside India may be shown under this head.
Advances	9	
	A. i) Bills purchased and discounted	In classification under Section 'A', all outstanding – in India as well as outside – less provisions made, will be classified under three heads as indicated, and both secured and unsecured advances will be included under these heads including overdue installments.
	ii) Cash credits, overdrafts and loans repayable on demand	
	iii) Terms loans	
	B. i) Secured by tangible assets	All advances or part of advances which are secured by tangible assets may be shown here. The item will include advances in India and outside India.
	ii) Covered by Bank / Government Guarantee	Advances in India and outside India to the extent they are covered by guarantees of Indian and foreign governments and Indian and foreign banks and DICGC & ECGC are to be included.
	iii) Unsecured	All advances not classified under (i) and (ii) will be included here. Total of 'A' should tally with the total of 'B'.
	C.I. Advances in India	Advances should be broadly classified into 'Advances in India' and 'Advances outside India'. Advances in India will be
	i) Priority sectors	

- ii) Public sector further classified on the sartorial basis as indicated.
- iii) Banks
- iv) Others

C.II.
Advances outside India

- i) Due from banks
- ii) Due from others
 - a) Bills purchased and discounted
 - b) Syndicated loans
 - c) Others

Advances to sectors which for the time being are classified as priority sectors according to the instructions of the Reserve Bank are to be classified under the head 'Priority sectors'. Such advances should be excluded from the item (ii) i.e., advance to public sector. Advances to Central and State Government and other Government undertakings including Government companies and corporations, which are, according to the statutes, to be treated as Public sectors companies, are to be included in the category 'Public sector'. All advances to the banking sector including co-operative banks, will come under the head 'Banks'. All the remaining advances will be included under the head 'Others' and typically this category will include non-priority advances to the private, joint and co-operative sectors

Note: General

- i) The gross amount of advances including refinance and rediscounts but excluding provisions made to the satisfaction of auditors should be shown as advances.

ii) Term loans will be loans not repayable on demand.

iii) Consortium advances would be shown net of share from other participating banks / institutions.

Fixed Assets **10**

I. Premises

i) At cost as on 31st March of the preceding year

ii) Addition during the year

iii) Deductions during the year

iv) Depreciation to due

Premises wholly or partly owned by the banking company for the purpose of business, including residential premises should be shown against 'premises'. In the case of premises and other fixed assets, the previous balance, additions there to, deductions there from, during the year, and also the total depreciation written-off should be shown. Where sums have been written off on reduction of capital and revaluation of assets, every Balances Sheet after the first Balance Sheet, subsequent to the reduction or revaluation should show the revised figures for a period of five years, with the date and amount of revision made.

II. Other Fixed Assets (including furniture and fixtures)

i) At cost on 31st March of the preceding year

Motor vehicles and all other fixed assets other than premises but including furniture and fixtures should be shown under this head.

ii) Additions during the year

iii) deductions during the year

iv) Depreciation to date

Other Assets **11**

I. Inter-office Adjustments (net)

The inter-office adjustment balance, if in debit, should be shown under this head. Only net position of inter-office accounts, inland as well as foreign, should be shown here. For arriving at the net balance of inter-office adjustment accounts, all connected inter-office accounts should be aggregated and the net balance, if in debit, only should be shown, representing monthly items in transit and unadjusted items.

II. Interest Accrued

Interest accrued but not due or investments and, advance and interest due but not collected on investment, will be the main components of this item. As banks normally debit the borrowers account with the interest due on the Balance Sheet date, usually there may not be any amount of interest due on advances. Only such interest as can be realized in the ordinary course should be shown under this head.

- III. Tax paid in advance / tax deducted at source** The amount of tax deducted at source on securities, advance tax paid etc. to the extent that these items are not set off against relative tax provisions should be shown against this item.
- IV. Stationery and Stamps** Only exceptional items of expenditure on stationery like bulk purchase of security paper, loose leaf or other ledgers, etc. which are shown as quasi-asset to be written-off over a period of time, should be shown here. The value should be on a realistic basis and cost escalation should not be taken into account, as these items are for internal use.
- V. Non-banking assets acquired in satisfaction of claims** Immovable properties / tangible assets acquired in satisfaction of claims are to be shown under this head.
- VI. Others** This will include items like claims which have not been met, for instance, clearing items, debit items representing addition to assets or reduction in liabilities, which have not been adjusted for technical reasons, want of particulars, etc., advances given to staff by a bank as an employer and not as a banker, etc. Items which are in the nature of expenses, which are pending

adjustments, should be provided for and the provision netted against this item, so that only realizable value is shown under this head. Accrued income other than interest may also be included here.

Contingent Liabilities 12

I. Claims against the bank not acknowledged as debts

Liabilities on partly paid shares, debentures, etc., will be included in this head.

II. Liabilities for partly paid investments

III. Liabilities on account of outstanding forward exchange contracts

Outstanding forward exchange contracts may be included here

IV. Guarantees given on behalf of constituents

Guarantees given for constituents in India and outside India may be shown separately.

i) in India

ii) outside India

V) Acceptances, endorsement and other obligations

This item will include letters of credit and bills accepted by the bank on behalf of customers.

VI. Other items for which the Bank is contingently liable Arrears of cumulative dividends, bills rediscounted under under-writing contracts, estimated amount of contracts remaining to be executed on Capital Account and not provided for, etc., are to be included here.

Bills for Collection

Bills and other items in the course of collection and not adjusted will be shown against this item in summary version only, a separate schedule is proposed.

Profit and Loss Account

Interest earned

13

I. Interest / discount on advance / bills

Includes interest and discount on all types of loans and advances, cash credit, demand loans, overdrafts, export loans, term loans, domestic and foreign bills purchased and discounted (including those rediscounted), over interest and also interest subsidy, if any, relating to advances / bills

II. Income on investments

Includes all income derived from the investment portfolio by way of interest and dividend.

III. Interest on balances with the Reserve Bank of India and other inter-bank funds

Includes interest on balances with Reserve Bank and other banks, call loans, money market placements etc.

		IV. Others	Includes any other interest / discount income not included in the above heads.
Other Income	14	I. Commission, exchange and brokerage	Includes all remuneration on services such as commission on collections, commission / exchanges on remittances and transfers, commission on letters of credit, letting out of lockers and guarantees, commission on Government business, commission on other permitted agency business including consultancy and other services, brokerage, etc., on securities. It does not include foreign exchange income.
		II. Profit on sale of investments, Less: Loss on sale of investments.	Includes profit / loss on sale of securities, furniture, land and buildings, motor vehicle, gold, silver, etc. Only the net position should be shown. If the net position is a loss, the amount should be shown as a deduction. The net profit / loss on revaluation of assets may also be shown under this item.
		III. Profit on revaluation of investments. Less: Loss on revaluation of investments.	
		IV. Profit on sale of land, buildings and other assets. Less: Loss on sale of land, buildings and other assets.	

		V. Profit on exchange transactions.	Includes profit / loss on dealing in foreign exchange, all income earned by way of foreign exchange, commission and charges on foreign exchange transactions excluding interest which will be shown under interest. Only the net position should be shown. If the net position is a loss, it is to be shown as a deduction.
		Less: Loss on exchange transaction	
		VI. Income earned by way of dividends etc. from subsidiaries, companies, joint ventures abroad / in India.	
		VII. Miscellaneous income.	Includes recoveries from constituents for godown rents, income from bank's properties, security charges, insurance etc., and any other miscellaneous income. In case, any item under this head exceeds one percentage of the total income, particulars may be given in the notes.
Interest Expended	15	I. Interest on deposits	Includes interest paid on all types of deposits including deposits from banks and other institutions.
		II. Interest on Reserve Bank of India / inter-bank borrowings	Includes discount / interest on all borrowings and refinance from the Reserve Bank of India and other banks.
		III. Others	Includes discount / interest on all borrowings / refinance from financial institutions. All other payments like interest on participation certificates, penal interest paid, etc. may also be included here.

Operating Expenses	16	I. Payments to and provisions for employees	Includes staff salaries / wages, allowances, bonus, and other staff benefits, like provident fund, pension, gratuity, liveries to staff, leave fare concessions, staff welfare, medical allowance to staff, etc.
		II. Rent, taxes and lighting	Includes rent paid by the banks on buildings and municipal and other taxes paid (excluding income-tax and interest tax) electricity and other similar charges and levies. House rent allowance and other similar payments to staff should appear under the head 'Payments to and Provisions for Employees'.
		III. Printing and Stationery	Includes books and forms, and stationery used by the bank and other printing charges, which are not incurred by way of publicity expenditure.
		IV. Advertisement and Publicity	Includes expenditure incurred by the bank of advertisement and publicity purposes including printing charges of publicity matter.
		V. Depreciation on bank's property	Includes depreciation on bank's own property, motor cars and other vehicles, furniture, electric fittings, vaults, lifts, leasehold properties, non-banking assets, etc.
		VI. Director's fees, allowances and expenses	Includes sitting fees and all other items of expenditure incurred on behalf of the directors. The daily

allowance, hotel charges, conveyance charges, etc. which though in the nature of reimbursement of expenses incurred, may be included under this head. Similar expenses of Local Committee members may also be included under this head.

- VII. Auditor's fees and expenses (including branch auditor's fees and expenses)** Includes the fees paid to the statutory auditors and branch auditors for the professional services rendered and also all expenses for performing their duties, even though they may be in the nature of reimbursement of expenses. If external auditors have been appointed by the banks themselves for internal inspections and audits and other services, the expenses incurred in that context including fees may not be included under this head but should be shown under 'other expenditure'.
- VIII. Law charges** All legal expenses and reimbursement of expenses incurred in connection with legal services are to be included here.
- IX. Postage, telegraphs, telephones, etc.** Includes all postal charges like stamps, telegrams, telephones, teleprinter etc.
- X Repairs and maintenance** Includes repairs to bank's property, their maintenance charges, etc.

XI. Insurance	Includes insurance charges on bank's property, insurance premia paid to Deposit Insurance and Credit Guarantee Corporation, etc. to the extent they are not recovered from the concerned parties.
XII. Other expenditure	All expenses other than those not included in any of the other heads, like, licence fees, donations, subscriptions to papers, periodicals, entertainment expenses, travel expenses, etc., may be included under this head. In case, any particular item under this head exceeds one percentage of the total income, the particulars may be given in the notes.
Provisions and contingencies	Includes all provisions made for bad and doubtful debts, provisions for taxation, provisions for diminution in the value of investments, transfers to contingencies and other similar items.

Disclosure of Accounting Policies

In order that the financial position of banks represent a true and fair view, the Reserve Bank of India has directed the banks to disclose the accounting policies regarding the key areas of operations along with the notes of account in their financial statements for the accounting year ending 31.3.1991 and onwards, on a regular basis. The accounting policies disclosed may contain the following aspects subject to modification by individual banks:

1) General

The accompanying financial statements have been prepared on the historical cost and conform to the statutory provisions and practices prevailing in the country.

2) Transactions involving Foreign Exchange

- a) Monetary assets and liabilities have been translated at the exchange rates, prevailing at the close of the year. Non-monetary assets have been carried in the books at the historical cost.
- b) Income and expenditure items in respect of Indian branches have been translated at the exchange rates, ruling on the date of the transaction and in respect of overseas branches at the exchange rates prevailing at the close of the year.
- c) Profit or losses on pending forward contracts have been accounted for.

3) Investments

- a) Investments in Governments and other approved securities in India are valued at the lower of cost or market value.
- b) Investments in subsidiary companies and associate companies (i.e., companies in which the bank holds at least 25 percent of the share capital) have been accounted for on the historical cost basis.
- c) All other investments are valued at the lower of cost or market value.

4) Advances

- a) Provisions for doubtful advances have been made to the satisfaction of the auditors:
 - i) In respect of identified advances, based on a periodic review of advances and after taking into account the portion of advance guaranteed by the Deposit Insurance and Credit Guarantee Corporation, the Export Credit and Guarantee Corporation and similar statutory bodies;
 - ii) In respect of general advances, as a percentage of total advances taking into account the guidelines issued by the Government of India and the Reserve Bank of India.
- b) Provisions in respect of doubtful advances have been deducted from the advances to the extent necessary and the excess have been included under "Other Liabilities and Provisions".
- c) Provisions have been made on a gross basis. Tax relief, which will be available when the advance is written-off, will be accounted for in the year of write-off.

5) Fixed Assets

- a) Premises and other fixed assets have been accounted for at their historical cost. Premises which have been revalued are

accounted for the value determined on the basis of such revaluation made by the professional values; profit arising on revaluation has been credited to Capital Reserve.

b) Depreciation has been provided for on the straight line/diminishing balance method.

c) In respect of revalued assets, depreciation is provided for on the revalued figures and an amount equal to the additional depreciation consequent of revaluation is transferred annually from the Capital Reserve to the General Reserve / Profit and Loss Account.

6) Staff Benefits

Provisions for gratuity / pension benefits to staff have been made on an accrual / casual basis. Separate funds for gratuity / pension have been created.

7) Net Profit

a) The net profit disclosed in the Profit and Loss Account is after:

i) provisions for taxes on income, in accordance with the statutory requirements.

ii) provisions for doubtful advances.

iii) adjustments to the value of "current investments" in Government and other approved securities in India, valued at lower of cost or market value.

iv) transfers to contingency funds.

v) other usual or necessary provisions.

b) Contingency funds have been grouped in the Balance Sheet under the head "Other Liabilities and Provisions".

2.6. SOME IMPORTANT TRANSACTIONS

2.6.1 Rebate on Bills Discounted:

Rebate on Bills Discounted is the Discount income not earned by the bank of discounting off the Bill of the Bill as it gets mature after the closing date of its accounting year.

Journal entries :

- i) On discounting of Bill
 Bills Discounted and purchased A/c Dr (with its full value)
 To Customer's Account (with the proceeds value)
 To Discount A/c (with the amount of Discount earned during the year)

To Rebate on Bills Discounted (with the amount of unearned Discount)

'Rebate on Bills Discounted' appears on Liabilities side of Balance sheet under – “other liabilities and provisions” (schedule-5) as it is the income received in advance.

- ii) At the beginning of Accounting year entry will be Rebate on Bills Discounted A/c Dr.

To Discount A/c (with the amount of unearned Discount)

Illustration 1:

On 1st January 2008 Ajmer Bank Ltd. Discounted a bill of Rs. 3,00,000 @ 10 percent p.a. The Bills falls due on 31st May 2008 and bank closes its account on 31st March every year. Pass necessary journal entry.

Journal Entry

Solution:

1 Jan, 08	Bills discounted and purchased A/c Dr To Customers' A/c To Discount A/c To Rebate on bills discounted (Being the bills discounted)	3,00,000	2,87,500 7,500 5,000
1 April, 08	Rebate on bills discounted A/c Dr. To Discount A/c (Being in next accounting year Rebate on bills discounted transferred to discount A/c)	5,000	5,000

$$\text{Note : Discount for 3 months} = 3,00,000 \times \frac{10}{100} \times \frac{3}{12} = 7,500$$

$$\text{Rebate on bills for 2 months} = 3,00,000 \times \frac{10}{100} \times \frac{2}{12} = 5,000$$

Illustration 2:

Following are the details of bills discounted by UCO Bank Ltd. During the year ended 31/3/08

Date of Bill 2009	Amount (Rs).	Term (Months)	Rate of Discount p.a. (%)	Discount (Rs.)
Jan 15	1,00,000	4	12	4,000
March 5	1,50,000	3	15	5,625
Feb. 6	80,000	5	18	6,000
Total	3,30,000			15,625

Calculate Rebate on bills discounted and show the necessary Journal entry.

Date of Bill 2009	Date of maturity	No. of days outstanding after 31/3/2008	Amount (Rs.)	Discount (%)	Total amount of discount (Rs.)	Portion of Discount o/s after 31/3/2008 (Rs.)
Jan 15	May 18	(30 + 18) 48	1,00,000	12	12,000	1,578.08
March 05	June 08	(30+31+8) 69	1,50,000	15	22,500	4,253.42
Feb 06	July 09	(30+31+30+9) 100	80,000	18	14,400	3,945.21
Total						9,776.71

Journal Entry:

Bills discounted and purchased A/c Dr. 3, 30,000

To Customer A/c (3, 30,000 – 5,848.29-9776.71)

To Discount A/c (15625-9776.71) 5848.29

To Rebate on bills discounted 9776.71

2.6.2 Acceptance Endorsement and other obligations

The Bank accepts or encloses a bill on behalf of its customers who has raised loan or made purchases on credit basis and a customer deposit equal amount of security into the bank. On maturity bank pays amount to the party on behalf of its customer and at the same time claims same amount from its customer. It is shown under the heading 'contingent Liabilities' (Schedule -12)

2.6.3 Bills for collection

Many bank customers usually handover bills receivables to the bank for the purpose of its collection on maturity when the bills get mature, bank credit the amount to the respective client's account. The 'Bills for collection' is shown at the foot of the Balance sheet.

2.6.4 Provisions and contingencies

There is no separate schedule given by the Banking Regulation Act, 1949 regarding provisions and contingencies but it is shown in the profit and loss account under the heading 'Provisions and contingencies'. It includes provisions for bad and doubtful debts, Provision for income tax provisions for Rebate on bills discounted and such other required provisions and contingencies. It is included in schedule – 5 'other liabilities and provisions' with sub-heading – IV – others".

2.7 SOLVED PROBLEMS

Illustration 1

A Smruti Bank Ltd. Provides you the following balances as on 31st March 2009.

Particulars	Amount (Rs.)
Share capital (Issued and subscribed)	39,000
Current account	8,58,000
Money at call and short notices	9,885
Rebate on bills discounted	22,500
Commission exchange and brokerage	27,000
Interest on loans	77,700
Interest on fixed deposit	82,500
Commission Received	2,400
Salaries and allowances	31,500
Reserve for building	39,000
Unclaimed discount	936
Unexpired discount	1,950
Investment of cost: Central and State Government	
- Securities	3,90,000
- Debentures	15,600
- Bullion	93,600
Reserve fund	62,400
Fixed deposit	1,56,000
Directors fees and allowances	3,600
Rent and taxes paid	16,200
Postage and telegram	6,000
Rent received	9,000
Interest on balances with RBI	60,825
Profit on sale of Investment	
Loans, advances, overdraft and cash credit	3,90,000
Bills payable	78,000
Borrowings from banks in India	9,750
Branch adjustment	2,25,966
Furniture and fixtures	1,23,900
Non banking assets acquired	2,730
Interest accrued on investment	10,140
Dividend fluctuation fund	23,400

Profit and loss A/c (Credit balance)	7,800
Locker rent	3,000
Transfer fees	1,500
Interest on saving bank deposits	20,400
Interest on cash credit	66,900
Premises at cost	3,90,000
Additions to premises	78,000
Advance payment of tax	4,290
Silver bullion	7,800
Saving Bank deposit	2,34,000
Cash balances with RBI	1,32,600
Cash balances with other banks	46,800
Depreciation Fund on premises	3,12,000

Other Information:

- 1) There was a claim of rupees 7,800 against bank but not acknowledge as debt.
- 2) Bank transfer reserve for building to depreciation fund of premises
- 3) Directors decided to declare 10 percent dividend
- 4) Provide rupees 1, 05,000 for income tax and rupees 15,000 for doubtful debts.
- 5) Transfer 20 percent of profit to statutory reserve. Prepare final accounts of the bank.

Solution:

Smruti Bank Ltd.
Balance Sheet as on 31st March 2009

	Schedule No.	As on 31 st March 2009
<u>Capital and Liabilities</u>		
Capital	1	39,000
Reserves and surplus	2	1,01,625
Deposits	3	12,48,000
Borrowings	4	9,750
Other Liabilities and provisions	5	5,58,036
Total		19,56,411

<u>Assets</u>	6	1,32,600
Cash and balances with Reserve Bank of India	7	56,685
Balances with banks and money at call and short notice	8	4,99,200
Investments	9	4,25,100
Advances	10	5,91,900
Fixed Assets	11	2,50,926
Other Assets		19,56,411
Total	12	
Contingent liabilities		7,800
Bills for collection		

Profit and Loss account for the year ended 31st March 2009

	Schedule No.	As on 31 st March 2009
<u>I. Income</u>		
Interest earned	13	2,49,225
Other income	14	42,900
Total		2,92,125
<u>II. Expenditure</u>		
Interest expended	15	1,02,900
Operating expenses	16	57,300
Provisions and contingencies		1,20,000
Total		2,80,200
<u>III. Profit / Loss</u>		
Net profit / Loss (-) for the year		11,925
Profit / Loss (-) brought forward		7,800
Total		19,725
<u>IV. Appropriations</u>		
Transfer to statutory reserves		2,385
Transfer to other reserves		3,900
Transfer to Government / proposed dividend		13,440
Balance carried over to Balance sheet		19,725
Total		19,725

Schedule 1 – Capital

	As on 31 st March 2009
Authorized Capital	39,000
Issued and subscribed	39,000
Total	39,000

Schedule 2 - Reserves and surplus

		As on 31 st March 2009
I. Statutory Reserves		
Opening Balance	62,400	
Additions during the year	2,385	64,785
II. Revenue and other Reserves		
Dividend fluctuation fund		23,400
III. Balance in profit and loss Account		13,440
Total (I + II + III)		1,01,625

Schedule 3 – Deposits

		As on 31 st March 2009
A. I. Demand Deposits : From banks		8,58,000
II. Saving Bank Deposits		2,34,000
III. Term Deposits : Fixed Deposits		1,56,000
Total (I + II + III)		12,48,000
B. I. Deposits of branches in India		12,48,000
II. Deposits of branches outside India		--
Total		12,48,000

Schedule 4 – Borrowings

		As on 31 st March 2009
I. Borrowings in India: other banks		9,750
Total		9,750

Schedule 5–other liabilities and provision

		As on 31 st March 2009
I. Bills payable		78,000
II. Others : Rebate for bills discount		2,250
Provision for tax and doubtful debts		1,20,000
Unclaimed Discount		936
Unexpired Discount		1,950
Depreciation fund on premises		3,51,000
Proposed dividend		3,900
Total (I + II)		5,58,036

Note : Depreciation fund on premises = 3,12,000 + 39,000
= 3, 51,000

Schedule 6 – Cash and Balances with RBI

	As on 31 st March 2009
I. Balances with RBI	1,32,600
Total	1,32,600

Schedule 7 – Balances with Banks and money at calls & short notice

	As on 31 st March 2009
I. Balances with other banks in India	46,800
II. Money at call & short notice	9,885
Total (I + II)	56,685

Schedule 8 – Investments

	As on 31 st March 2009
I. Investment in Government securities	3,90,000
Debentures	15,600
Bullion	93,600
Total	4,99,200

Schedule 9 – Advances

	As on 31 st March 2009
I. Bills purchased and discounted	35,100
II. Cash credits, overdrafts and loans repayable on demand	3,90,000
Total	4,25,100

Schedule 10 – Fixed Assets

	As on 31 st March 2009
I. Premises	3,90,000
Opening Balance	78,000
Additions during the year	4,68,000
II. Other Fixed Assets	1,23,900
Total (I + II)	5,91,900

Schedule 11 – Other Assets

	As on 31 st March 2009
I. Inter office adjustments	2,25,966
II. Interest accrued on investment	10,140
III. Advance payment of tax	4,290
IV. Non banking Assets acquired in satisfaction of claims	2,730
V. Other : Silver bullion	7,800
Total	2,50,926

Schedule 12 – Contingent Liabilities

	As on 31 st March 2009
I. Claims against the bank not acknowledged as debt	7,800
Total	7,800

Schedule 13 – Interest earned

	As on 31 st March 2009
I. Interest / discount on Advances / bills:	
Interest on loans	7,77,000
Interest on cash credits	66,900
II. Interest on balances with Reserve Bank of India and other inter-bank funds	60,825
III. Others: Discount on bills discounted	43,800
Total	2,49,225

Schedule 14- Other income

	As on 31 st March 2009
I. Commission exchange and brokerage	27,000
II. Profit on sale of investment	28,500
III. Miscellaneous income: Rent Received	9,000
Locker rent	3,000
Transfer fees	1,500
Commission received	2,400
Total	42,900

Schedule 15 – Interest expanded

	As on 31 st March 2009
I. Interest on Fixed deposits	82,500
II. Interest on saving bank deposit	20,400
Total	1,02,900

Schedule 16 – Operating Expenses

	As on 31 st March 2009
I. Rent and Taxes paid	16,200
II. Directors fees, allowances and expenses	3,600
III. Postage and telegram	6,000
IV. Other expenditure	31,500
Total	57,300

Illustration 2:

On 31st March 2010 the following trial balance was extracted from Amin Bank Ltd. You are required to prepare profit and loss account for the year ended 31st March 2010 and also the balance sheet as on that date.

Debit Balances	Amount (Rs.)
Insurance charges on bank property	2,899
Depreciation on banks property	3,523
Fees paid to statutory auditor	21,944
Staff salaries and medical allowances	1,45,366
Rent on building and municipal taxes	9,035
Interest due but not collected on investment	33,280
Land and building at cost	4,693
Other fixed Assets	24,570
Loss on sale of other fixed Assets	2,795
Repairs and maintenance	1,508
Legal charges	221
Tax deducted at source	93,873
Cash in hand	27,482
Balances with RBI: Current A/c	9,75,026
Other Accounts	12,805
Printing and stationary	2,418
Printing charges of publicity matters	520
Stationary and stamp	1,846
Term loans	9,11,599
Licence fee	12,155
Directors sitting fees	4,524
Other expenditure	9,295
Balance with other bank: In current A/c	7,139
In other deposit A/c	3,560
Money call and short notices with bank	325
Cash credit and overdraft	12,96,984
Investment:	
Government treasury bills	12,78,576
Other approved securities	4,91,452
Joint ventures	16,380
Debentures and bonds of companies	19,721
Non banking Assets acquired in satisfaction of claims	6,500
Interest on RBI borrowings	5,785
Bills purchased and discounted	2,84,089
Interest paid on deposit: From banks	59,280
Other institution	2,37,159
Inter-office adjustment (net)	16,562

Credit Balances	Amount (Rs.)
Issued, subscribed and paid up share capital: 3250 shares of Rs. 10 each	32,500
Interest on debentures and bonds	1,86,706
Rebate on bills discounted	42,939
Depreciation on building to date	1,417
Statutory Reserve	97,591
Revenue Reserves	71,500
Depreciation on other fixed assets to date	12,610
Demand deposits : From banks	13,39,050
From others	10,9,540
Saving bank deposits	15,41,865
Term deposits	19,04,760
Commission on remittances and transfer	53,582
Letting out lockers	5,920
Interest on balances with RBI and other	44,811
Inter-bank funds	
Income earned by way of dividend from joint venture	2,274
Interest on advances, cash credit and overdraft	4,04,859
Interest accrued	16,328
Profit on sale of investment	2,275
Bills payable	71,162
Borrowings from RBI	37,700
Profit and loss account	45,500

Adjustments:

1. The authorized capital of bank is rupees 65,000 divided into 6,500 shares of Rupees 10 each, 50 percent of it is issued and subscribed.
2. The provision for income tax to be made @ 45 percent
3. All advances are in India and they are classified as follows:
priority sectors 12, 46,336; public sector 4, 98,534; banks 3, 94,198; others 3, 53,604. Advances secured by tangible assets Rs. 11, 21,702; covered by bank/ Government guarantees Rs. 8, 72,435 and remaining are unsecured 4, 98,535.
4. Bank Transfer 20 percent of profit to statutory reserve and 15 percent to revenue reserves.
5. contingent liabilities:
 - i) Claim against the bank not acknowledged as debt Rs. 2,150.
 - ii) Liability on account of outstanding forward exchange contracts Rs. 640.
 - iii) Acceptance, endorsement and other obligations 4542.

Solution 2:

Amin Bank Ltd.
Balance Sheet as on 31st March 2010

	Schedule No.	As on 31 st March 2010
Capital & Liabilities		
Capital	1	32,500
Reserves & Surplus	2	3,14,691
Deposits	3	48,95,215
Borrowings	4	37,700
Other Liabilities and provisions	5	2,12,329
Total		54,92,435
Assets		
Cash and balances with Reserve Bank of India	6	10,15,313
Balances with banks and money at call and short notice	7	11,024
Investments	8	18,06,129
Advances	9	24,92,672
Fixed Assets	10	15,236
Other assets	11	1,52,061
Total		54,92,435
Contingent Liabilities		7,332

PROFIT & LOSS A/C FOR THE YEAR ENDED ON
31ST MARCH, 2010

	Schedule No.	As on 31-3-10
I. Income: Interest earned	13	6,36,376
Other Income	14	61,256
Total		6,97,632
II. Expenditure: Interest expended	15	3,02,224
Operating expenses	16	2,13,408
Provisions and contingencies		81,900
Total		5,97,532
III. Profit / Loss:		
Net Profit / Loss (-) for the year		1,00,100
Profit / Loss (-) brought forward		45,500
Total		1,45,600
IV. appropriations:		
Transfer to statutory reserves		29,120
Transfer to other reserves		21,840
Transfer to Government/proposed dividend		
Balance carried over to Balance Sheet		94,640
Total		1,45,600

Schedule 1 – Capital

	As on 31 st March 2010
For other banks	
Authorized capital 6500 shares of Rs. 10 each	65,000
Issue capital 3250 shares of Rs. 10 each	32,500
Subscribed capital: 3250 shares of Rs. 10 each	32,500
Called-up capital: 3250 shares of Rs. 10 each	32,500
	32,500

Schedule 2 – Reserves and surplus

	As on 31 st March 2010
I. Statutory reserves:	
Opening balance	97,591
Additions during the year	29,120
	1,26,711
II. Revenue and other reserves	
Opening balance	71,500
Additions during the year	21,840
	93,340
III. Balance in profit and loss A/c	94,640
Total (I + II + III)	3,14,691

Schedule 3 – Deposits

	As on 31 st March, 2010
I. Demand deposits: From banks	13,39,050
From others	1,09,540
II. Savings bank deposits	15,41,865
III. Term deposits	19,04,760
Total (I + II + III)	48,95,215

Schedule 4 – Borrowings

	As on 31 st March, 2010
I. Borrowings in India : Reserve bank of India	37,700
Total	37,700

Schedule 5– Other Liabilities and provisions

	As on 31st March, 2010
Bills payable	71,162
Interest accrued	16,328
Others: Rebate on bills discounted	42,939
Provision for income tax	81,900
Total	2,12,329

Schedule 6 – Cash and balances with RBI

	As on 31st March, 2010
I. Cash in hand	27,482
II. Balances with RBI:	
In current A/c	9,75,026
In other A/c	12,805
Total	10,15,313

Schedule 7 – Balances with banks & money at call & short notice

	As on 31st March, 2010
I. Balances with banks:	
In current A/c	7,139
In other deposit A/c	3,560
II. Money at call & short notice	325
Total (I + II)	11,024

Schedule 8 – Investment

	As on 31st March, 2010
Investments in:	
Government treasury bills	12,78,576
Other approved securities	4,91,452
Debentures and bonds of companies	19,721
Subsidiaries and joint venture	16,380
Total	18,06,129

Schedule 9 – Advances

	As on 31st March, 2010
A)	
i) Bills purchased and discounted	2,84,089
ii) Cash credit, overdraft and loans repayable on demand	12,96,984
iii) Terms loans	9,11,599
Total	24,92,672

B)	
i) Secured by tangible assets	11,21,702
ii) Covered by bank / Government guarantees	8,72,435
iii) Unsecured	4,98,535
Total	24,92,672
C)	
I) Advances in India :	
i) Priority sectors	12,46,336
ii) Public sector	4,98,534
iii) Banks	3,94,198
iv) Others	3,53,604
Total	24,92,672
II) Advances outside India	--

Schedule 10 – Fixed Assets

	As on 31 st March, 2010
I) Premises: At cost	4,693
Depreciation to date	(1,417)
	3,276
II) Other fixed assets (including Furniture and fixtures):	
At cost	24,570
Depreciation to date	(12,610)
	11,960
Total (I + II)	15,236

Schedule 11 – Other Assets

	As on 31 st March, 2010
Inter office adjustments	16,562
Interest due on investment but not collected	33,280
Tax deducted at source	93,873
Stationary and stamps	1,846
Non banking assets acquired in satisfaction of claims	6,500
Total	1,52,061

Schedule 12 – Contingent Liabilities

	As on 31st March, 2010
Claim against the bank not acknowledge as debts	2,150
Liability on account of outstanding forward exchange contracts	640
Acceptance, endorsement and other obligations	4,542
Total	7,332

Schedule 13 – Interest earned

	As on 31st March, 2010
Interest on advances, cash credit and overdraft	4,04,859
Interest on debentures and bonds	1,86,706
Interest on balances with RBI and other inter bank funds	44,811
Total	6,36,376

Schedule 14 – Other income

	As on 31st March, 2010
Commission on remittances and transfer	53,582
Profit on sale of investment	2,275
Loss on sale of other fixed assets	(2,795)
Income earned by way of dividend, etc Form subsidiaries / companies	2,274
Miscellaneous income: Letting out lockers	5,920
Total	61,256

Schedule 15 – Interest expanded

	As on 31st March, 2010
Interest on deposits:	
From banks	59,280
From other Institution	2,37,159
Interest on RBI / inter bank borrowings	5,785
Total	3,02,224

Schedule 16 – Operating Expenses

	As on 31 st March, 2010
Staff salaries and medical allowances	1,45,366
Rent on building and municipal taxes	9,035
Printing and stationery	2,418
Printing charges of publicity matters	520
Depreciation on banks property	3,523
Directors fees, allowances and expenses	4,524
Fees paid to statutory auditor	21,944
Law charges	221
Repairs and maintenance	1,508
Insurance charges on bank property	2,899
Other expenditure: license fee	12,155
Other expenses	9,295
Total	2,13,408

Illustration 3

From the following information, prepare final accounts of Jetty Bank Ltd. as on 31st March, 2010

Debit Balances	Amount (Rs.)
Inter-office Adjustments (Net)	135
Interest on investment not collected but accrued	365
Stationery and stamp	410
Interest on deposits	2,100
Interest on RBI and Inter-Bank borrowings	820
Investment: <u>In India</u>	
Government securities	2,215
Other approved securities	1,600
Subsidiaries and Joint Ventures	310
Mutual fund	225
Commercial paper	60
Unit Trust of India	365
<u>Outside India</u>	
Foreign Government securities (Issued by local authorities)	665
Subsidiaries and Joint Ventures	234
Rent, Taxes, lighting	500
Printing and stationery	775
Depreciation on land and Building	400

Directors Fees, allowances and expenses	663
Law charges	220
Non-banking assets acquired in satisfaction of claims	900
Tax paid in advance	516
Land and Building at cost	1,295
Other fixed assets	615
Bills purchased and discounted	785
Cash credit, overdrafts and loans	1,315
Terms loans	771
Balance with RBI	1,710
Balance with other Banks	644
Money at call and short notices	224
	20,837

Credit Balances	Amount (Rs.)
Authorised, issued and subscribed capital	2,000
Deposits Repayable on demand	225
Certificates of deposits from non-bank sectors	311
Saving Bank deposits	1,775
Term Deposits: From Banks	1,100
Cumulative and Recurring deposits	1,322
Interest on Balances with other banks	775
Interest / discount on advances / bills	1,120
Income on investment	1,335
Commission, exchange and brokerage	330
Profit on sale of land and building	1,000
Income earned by way of dividend from subsidiaries	925
Statutory Reserves	885
Capital Reserves	700
Revenue and other Reserves	435
Borrowings in India : RBI	1,100
Other banks	375
Borrowings outside India	446
Profit on sale of investment (Net)	1,135
Profit on exchange transactions (Net)	531
Bills Payable	411
Inter-office Adjustment (Net)	225
Interest accrued	800
Other provisions	665
Interest on call loans	911
	20,837

Adjustments:

1. Advances amounting Rs. 1,439 are secured by tangible assets; Rs. 1,210 covered by guarantees of Indian and foreign governments and banks; and remaining are unsecured.
2. Advances are made both in India and outside India:
 Advances in India on sectoral basis – priority sector Rs. 860; public sector Rs. 574; Banks Rs. 287 and other Rs. 193
 Advances outside India – Due from Banks Rs. 623 and due from others Rs. 334
3. Provision is to be made for income tax at the rate of 30%.
4. Dividend is proposed at the rate of 15 percent.
5. The contingent liabilities appears as on 31st March 2010 as follows.
 - i) Acceptance, endorsement and other obligations Rs. 310.
 - ii) Claims against bank not acknowledged as debt Rs. 620.
6. Out of total deposits, Rs. 1,317 are deposits of branches outside India.

Solution:**Balance Sheet of Jetty Bank Ltd. as on 31-03-10**

	Schedule No.	As on 31 st March 2010
Capital & Liabilities		
Capital	1	2,000
Reserves & Surplus	2	3,528.8
Deposits	3	4,733
Borrowings	4	1,921
Other Liabilities and provisions	5	3,176.2
Total		15,359
Assets		
Cash and balances with RBI	6	1,710
Balances with banks and money at call and short notice	7	868
Investments	8	5,674
Advances	9	2,871
Fixed Assets	10	1,910
Other assets	11	2,326
Total		15,359
Contingent Liabilities	12	930
Bills for collection	--	--

**PROFIT & LOSS A/C FOR THE YEAR ENDED ON
31ST MARCH, 2010**

	Schedule No.	As on 31-3-10
I. Income:		
Interest earned	13	4,141
Other Income	14	3,921
Total		8,062
II. Expenditure:		
Interest expended	15	2,920
Operating expenses	16	2,558
Provisions and contingencies		775.2
Total		6253.2
III. Profit / Loss:		
Net Profit for the year		1808.8
IV. Appropriations:		
Transfer to statutory reserves		361.76
Transfer to other reserves		--
Transfer to proposed dividend		300
Balance carried over to Balance Sheet		1147.04
Total		1,808.8

Schedule 1 – Capital

	As on 31 st March 2010
Authorized, Issue, Subscribed capital:	2,000
	2,000

Schedule 2 – Reserves and surplus

	As on 31 st March 2010
I. Statutory reserves:	
Opening balance	885
Additions during the year	361.76
	1246.76
II. Capital reserve	700
III. Revenue and other reserves	435
IV. Balance in profit and loss A/c	1147.04
Total	3,528.8

Schedule 3 – Deposits

	As on 31st March, 2010
A) I. Demand deposits:	
Bank deposits repayable on demand	225
Certificate of deposits from non bank	311
II. Savings bank deposits	1,775
III. Term deposits	1,100
Cumulative and recurring deposits	1,322
Total (I + II + III)	4,733
B)	
I) Deposits of branches in India	3,416
II) Deposits of branches outside India	1,317
Total (I +II)	4,733

Schedule 4 – Borrowings

	As on 31st March, 2010
I. Borrowings in India : RBI	1,100
Other Banks	375
II. Borrowings outside India	446
Total (I + II)	1,921

Schedule 5 – Other Liabilities and provisions

	As on 31st March, 2010
I) Bills payable	411
II) Inter office adjustment	225
III) Interest accrued	800
IV) Others: Provision for tax	775.2
Dividend	300
Total (I + II + III + IV)	3176.2

Schedule 6 – Cash and balances with RBI

	As on 31st March, 2010
I. Cash in hand	--
II. Balances with RBI:	1,710
Total	1,710

**Schedule 7 – Balances with banks & money at call
& short notice**

	As on 31st March, 2010
I. In India: Balances with banks:	644
Money at call & short notice	224
Total	868
II. Outside India	--
Total (I + II)	868

Schedule 8 – Investment

	As on 31st March, 2010
I. Investments in India in:	
Government securities	2,215
Other approved securities	1,600
Subsidiaries and joint ventures	310
Others: mutual fund	225
Commercial papers	60
UTI	365
Total	4,775
II. Investment outside India in:	
Government securities (including local authorities)	665
Subsidiaries and joint ventures abroad	234
Total	899
Grand Total (I + II)	5,674

Schedule 9 – Advances

	As on 31st March, 2010
A)	
i) Bills purchased and discounted	785
ii) Cash credit, overdraft and loans repayable on demand	1,315
iii) Terms loans	771
Total	2,871
B)	
i) Secured by tangible assets	1,439
ii) Covered by bank / Government guarantees	1,210
iii) Unsecured	222
Total	2,871

C)	
I) Advances in India :	
i) Priority sectors	860
ii) Public sector	574
iii) Banks	287
iv) Others	193
Total	1,914
II) Advances outside India	
i) Due from banks	623
ii) Due from others	334
Total	957
Grand Total (C. I + C. II)	2,871

Schedule 10 – Fixed Assets

	As on 31st March, 2010
I) Premises: At cost	1,295
II) Other fixed assets (including Furniture and fixtures)	615
Total (I + II)	1,910

Schedule 11 – Other Assets

	As on 31st March, 2010
i) Inter office adjustments	135
ii) Interest accrued	365
iii) Tax paid in advance	516
iv) Stationary and stamps	410
v) Non banking assets acquired in satisfaction of claims	900
Total	2,326

Schedule 12 – Contingent Liabilities

	As on 31st March, 2010
i) Claim against the bank not acknowledge as debts	620
ii) Acceptance, endorsement and other obligations	310
Total	930

Schedule 13 – Interest earned

	As on 31st March, 2010
I) Interest / discount on advances / bills (911 + 1120)	2,031
II) Income on investment	1,335
III) Interest on balances with other bank	775
Total	4,141

Schedule 14 – Other income

	As on 31st March, 2010
I) Commission, exchange and brokerage	330
II) Profit on sale of investments	1,135
III) Profit on sale of land, buildings and other assets	1,000
IV) Profit on exchange transactions	531
V) Income earned by way of dividend etc, from subsidiaries / companies	925
Total	3,921

Schedule 15 – Interest expanded

	As on 31st March, 2010
I) Interest on deposits:	2,100
II) Interest on RBI / inter bank borrowings	820
Total	2,920

Schedule 16 – Operating Expenses

	As on 31st March, 2010
I) Rent, taxes and lighting	500
II) Printing and stationery	775
III) Depreciation on banks property	400
IV) Directors fees, allowances and expenses	663
V) Law charges	220
Total	2,558

Illustration 4

The following are the balances of merchant Bank Ltd. for the year ended 31st March, 2008. Prepare profit and loss account for the year ended 31st March, 2008 and also balance sheet as on that date.

Debit Balances	Amount (Rs.)
Balance with RBI	1,500
Premises at cost	860
Additions during the year	900
Other fixed assets	1,300
Balances with other banks in current account	3,300
Balances with banks in other deposit A/c	1,000
Money at call and short notices	3,000
Inter-office adjustment	800
Interest accrued	800
Stationary and stamps	1,750
Tax paid in advance	380
Non banking assets acquired in satisfaction of claims	240
Medical allowances	410
Allowances to employees	525
Staff provident fund	230
Other provisions for employees	333
Expenses on books and forms	125
Insurance charges	400
Telephone and stamp	360
Subscription to periodicals	250
Rent and taxes	155
Audit fees and expenses	600
Interest on deposits	930
Interest on inter bank borrowings	630
Bills purchased and discounted	1,830
Cash credit, overdraft and loans	2,070
Term loans	1,330
Investment: In Government securities	3,450
Shares	3,000
Debentures and bonds	782
Subsidiaries	2,200
Total	32,470

Credit Balances	(Rs. In' 000) Amount (Rs.)
Issued, subscribed and called up capital:	
30,000 shares of Rs. 100 each	3,000
Rent received	310
Miscellaneous income	400
Income earned from subsidiaries	830
Commission on remittances and transfer	730
Interest on balance with RBI	840
Dividend on shares	350
Profit on sale of investment	650
Depreciation to date (Premises)	350
Depreciation to date (other assets)	210
Revenue reserves	910
Profit on sale of other assets	1,100
Borrowings: From NABARD	1,200
From RBI	1,100
From Co-operative Banks	980
Capital reserves	1,400
Statutory reserves	1,000
Share premium	590
Bills payable	2,000
Inter office adjustment	900
Interest on loans and advances	1,940
Discount on bills purchased	960
Balances in profit and loss A/c	2,220
Interest accrued	1,500
Interest on debentures and bonds	500
Demand deposits: From banks	2,790
From others	1,210
Fixed deposit	1,050
Saving bank deposit	1,450
Total	32,470

Other Information:

- 1) On 31st March, 2008 advances appears as follows:

(Rs. In '000)

	Bills purchased and discounted	Cash credit, overdraft, loans	Term loan
Standard assets	1,030	985	475
Sub-standard assets	800	300	200
Doubtful assets:			
- upto 1 year	--	100	360
- 1 year to 3 year	--	360	140
- more than 3 years	--	255	110
Loss assets	--	70	45
Total	1,830	2,070	1,330

The provision is yet to be made on above advances.

- 2) Depreciation to be charged on premises Rs. 1, 53,000 and other assets Rs. 1, 10,000.
- 3) Directors declare interim dividend @ 10 Percent
- 4) Claims against the bank not acknowledged as debt Rs. 7, 80,000. Liability for partly paid investment Rs. 5, 95,000.

Solution:

MERCHANT BANK LTD.
Balance Sheet as on 31-3-2008

	Schedule No.	As on 31 st March 2010 (Rs. In '000)
Capital & Liabilities		
Capital	1	3,000
Reserves & Surplus	2	8,299.5
Deposits	3	6,500
Borrowings	4	3,280
Other Liabilities and provisions	5	4,950
Total		26029.5
Assets		
Cash and balances with RBI	6	1,500
Balances with banks and money at call and short notice	7	4,330
Investments	8	9,432
Advances	9	4560.5
Fixed Assets	10	2,237
Other assets	11	3,970
Total		26,029.5
Contingent Liabilities	12	1,695
Bills for collection	--	--

**PROFIT & LOSS A/C FOR THE YEAR ENDED ON
31ST MARCH, 2008**

	Schedule No.	As on 31-3-10 (Rs. In '000)
I. Income: Interest earned	13	4,590
Other Income	14	4,020
Total		8,610
II. Expenditure: Interest expended	15	1,560
Operating expenses	16	3,651
Provisions and contingencies		919.5
Total		6,130.5
III. Profit / Loss:		
Net Profit / Loss (-) for the year		2,479.5
Profit / Loss (-) brought forward		2,220
Total		4,699.5
IV. Appropriations:		
Transfer to statutory reserves		495.9
Transfer to other reserves		
Transfer to Government / proposed dividend		300
Balance carried over to Balance Sheet		3,903.6
Total		4,699.5

Schedule 1 – Capital

	As on 31 ST March 2008
Authorized capital 30,000 shares of Rs. 100 each	3,000
Issue capital 30,000 shares of Rs. 100 each	3,000
Subscribed capital: 30,000 shares of Rs. 100 each	3,000
Called-up capital: 30,000 shares of Rs. 100 each	3,000

Schedule 2 – Reserves and surplus

	As on 31st March 2008
I. Statutory reserves:	1,000
Additions during the year	495.9
	1,495.9
II. Capital reserve	1,400
III. Shares Premium	590
IV. Revenue and other Reserves	910
V. Balance in profit and loss account	3,903.6
Total (I + II +III +IV + V)	8,299.5

Schedule 3 – Deposits

	As on 31st March, 2008
I. Demand deposits:	
i) From banks	2,790
ii) From others	1,210
II. Savings bank deposits	1,450
III. Term deposits	1,050
Total (I + II + III)	6,500

Schedule 4 – Borrowings

	As on 31st March, 2008
I. Borrowings in India :	
Reserve Bank of India	1,100
Other Banks: From NABARD	1,200
From Co-operative banks	980
Total	3,280

Schedule 5 – Other Liabilities and provisions

	As on 31st March, 2008
I) Bills payable	2,000
II) Inter office adjustment (Net)	900
III) Interest accrued	1,500
IV) Others: Interim Dividend	300
Provision on tax	250
Total	4,950

Schedule 6 – Cash and balances with RBI

	As on 31st March, 2008
I. Balances with RBI	1,500
Total	1,500

**Schedule 7 – Balances with banks & money at call
& short notice**

	As on 31st March, 2008
In India:	
i) Balances with banks:	
a) In current Accounts	330
b) In other deposit accounts	1,000
ii) Money at call & short notice	3,000
Total	4,330

Schedule 8 – Investment

	As on 31st March, 2008
I. Investments in India:	
i) Government securities	3,450
ii) Shares	3,000
iii) Debentures and bonds	782
iv) Subsidiaries and / or joint ventures	2,200
Total	9,432

Schedule 9 – Advances

	As on 31st March, 2008
i) Bills purchased and discounted	1,750
ii) Cash credit, overdraft and loans repayable on demand	1,714.5
iii) Terms loans	1,096
Total	4,560.5

Schedule 10 – Fixed Assets

	As on 31st March, 2008
I) Premises: At cost	860
Additions during the year	900
Depreciation to date (350+153)	(503)
II) Other fixed assets (including Furniture and fixtures) at cost	1,300
Depreciation to date (210 + 110)	(320)
Total (I + II)	2,237

Schedule 11 – Other Assets

	As on 31st March, 2008
i) Inter office adjustments (net)	800
ii) Interest accrued	800
iii) Tax paid in advance / tax deducted at source	380
iv) Stationary and stamps	1,750
v) Non banking assets acquired in satisfaction of claims	240
Total	3,970

Schedule 12 – Contingent Liabilities

	As on 31st March, 2008
i) Claim against the bank not acknowledge as debts	780
ii) Liability for partly paid investments	595
ii) Acceptance, endorsement and other obligations	320
Total	1,695

Schedule 13 – Interest earned

	As on 31st March, 2008
I) Interest / discount on advances / bills	
Discount on bills purchased	960
Interest on loans and advances	1,940
II) Income on investment	
Interest on debentures and bonds	500
Dividend on shares	350
III) Interest on balances with RBI and other inter bank Funds	840
Total	4,590

Schedule 14 – Other income

	As on 31st March, 2008
I) Commission on remittance and transfer.	730
II) Profit on sale of investments	650
III) Profit on sale of land, buildings and other assets	1,100
IV) Income earned by way of dividend etc, from subsidiaries / companies	830
V) Miscellaneous income:	
Rent received	310
Other miscellaneous income	400
Total	4,020

Schedule 15 – Interest expanded

	As on 31st March, 2008
I) Interest on deposits:	930
II) Interest on RBI / inter bank borrowings	630
Total	1,560

Schedule 16 – Operating Expenses

	As on 31st March, 2008
I. Allowances to employees	525
II. Medical allowances	410
III. Staff providend fund	230
IV. Other provision for employees	333
V. Rent, taxes and lighting	155
VI. Expenses on books and forms	125
VII. Depreciation on banks property (153 + 110)	263
VIII. Audit fees and expenses	600
IX. Postage and telephones	360
X. Insurance	400
XI. Other expenditure:	
Subscription to periodicals	250
Total	3,651

I. Provisions on Advances:**(Rs. In '000)**

Assets	Bills Purchased & Discounted	Cash Cr., Overdraft, loans	Term loans	% of provision	Bills Purchased & Discounted	Cash Cr., Overdraft, loans	Term loans
Standard Assets	1,030	985	475	--	--	--	--
Sub-standard Assets	800	300	200	10%	80	30	20
<u>Doubtful assets:</u>							
- upto 1 year	--	100	360	20%	--	20	72
- 1 to 3 years	--	360	140	30%	--	108	42
- More than 3 years	--	255	110	50%	--	127.5	55
Loss Assets	--	70	45	100%	--	70	45
	1,830	2,070	1,330		80	355.5	234

Total Provision on Advances = Rs. 669.5

$$\text{II Interim dividend } 30,00,000 \times \frac{10}{100} = 3,00,000$$

III Provision on Tax = 2, 50,000

Illustration – 5

Kranti Bank Ltd. provides you the following balances as on 31st March, 2007. Prepare profit and loss account and balance sheet from the given balances and other information.

Particulars	Amount
Annuity deposit	18,81,630
Matured time deposits	13,85,980
Pay slips and bankers cheques	46,000
Bills purchased and discounted	6,80,110
Borrowings from: PNB bank of India	46,000
Rajgrih co-operative bank	69,000
Statutory reserve fund	32,200
Profit and loss A/c (Credit)	23,000
Deposits repayable within 15 days notice (in India)	23,460
Deposits with Wilson Financial agency (in India)	5,29,000
Capital reserve	92,000
Saving bank deposits	9,30,580
Term loans	32,75,200
Prepaid Insurance	161
Non banking assets acquired in satisfaction of claims	691
Remuneration for consultancy and other services	46,000
Land and building (cost Rs. 1,38,000)	94,300
Furniture and Fixtures (Cost Rs. 23,920)	16,790
Interest paid on deposits	28,750

Cash balance	1,93,200
Balances with RBI	1,84,000
Share premium	5,000
Contingency fund	27,600
Repairs and maintenance of buildings	19,320
Directors fees, allowances and expenses	4,600
Payment to and provision for employees	2,990
Fees paid to statutory auditor	2,990
Traveling allowances	3,910
Postage and telephone	1,380
Advertisement and publicity	1,380
Other expenditure	690
Profit on exchange transaction	4,600
Income on investment	1,20,750
Investment in India: share capital of subsidiaries	2,34,600
Government bonds	2,31,380
Branch adjustment – A/c (Credit)	17,940
Share capital	8,00,000

Other Adjustments:

1. Authorized capital in equity shares of Rs. 100 each, Rs. 16, 00,000. Issued, sub scribed and called up capital Rs. 50 per share.
2. Bills accepted by bank of behalf of customer amounting Rs. 33,000.
3. Depreciation on Land & building Rs. 3,680 and furniture Rs. 1,610 is to be provided.
4. Transfer 20% of net profit to statutory reserve.

**Kranti Bank Ltd.
Balance Sheet as on 31st March 2007**

	Schedule No.	As on 31-3-07
Capital & Liabilities		
Capital	1	8,00,000
Reserves & Surplus	2	2,52,250
Deposits	3	41,98,190
Borrowings	4	1,15,000
Other Liabilities and provisions	5	91,540
Total		54,56,980

Assets		
Cash and balances with RBI	6	3,77,200
Balances with banks and money at call and short notice	7	5,52,460
Investments	8	4,65,980
Advances	9	39,55,310
Fixed Assets	10	1,05,800
Other assets	11	230
Total		54,56,980
Contingent Liabilities		33,000
Bills for collection	12	

**PROFIT & LOSS A/C FOR THE YEAR ENDED ON
31ST MARCH, 2007**

	Schedule No.	Year ended 31.03.07
I. Income:		
Interest earned	13	1,20,750
Other Income	14	50,600
Total		1,71,350
II. Expenditure:		
Interest expended	15	28,750
Operating expenses	16	42,550
Provisions and contingencies		
Total		71,300
III. Profit / Loss:		
Net Profit / Loss (-) for the year		1,00,050
Profit / Loss (-) brought forward		23,000
Total		1,23,050
IV. Appropriations:		
Transfer to statutory reserves		20,010
Transfer to other reserves		--
Transfer to Government / proposed dividend		--
Balance carried over to Balance Sheet		1,03,040

Schedule 1 – Capital

	As on 31 ST March 2007
Authorized capital	
16,000 shares of Rs. 100 each	16,000,00
Issue capital	
16,000 shares of Rs. 50 each	8,00,000
Subscribed capital:	
16,000 shares of Rs. 50 each	8,00,000
Called-up capital:	
16,000 shares of Rs. 50 each	8,00,000

Schedule 2 – Reserves and surplus

	As on 31st March 2007
I. Statutory reserves:	32,200
Additions during the year	20,010
Total	52,210
II. Capital reserve	92,000
Opening balance	
III. Shares Premium	
Opening balance	5,000
IV. Revenue and other Reserves	
V. Balance in profit and loss account	1,03,040
Total	2,52,250

Schedule 3 – Deposits

	As on 31st March, 2007
I. Demand deposits: matured time deposit	13,85,980
II. Savings bank deposits	9,30,580
III. Term deposits: Annuity deposit	18,81,630
Total	41,98,190

Schedule 4 – Borrowings

	As on 31st March, 2007
I. Borrowings in India :	
i) RBI	
ii) Other Banks: PNB Bank of India	46,000
Rajgrih Co-operative Bank	69,000
Total	1,15,000

Schedule 5 – Other Liabilities and provisions

	As on 31st March, 2007
I) Bills payable: Pay slips and bankers' cheques	46,000
II) Inter office adjustment	17,940
III) Others (including provisions) - Contingency Fund	27,600
Total	91,540

Schedule 6 – Cash and balances with RBI

	As on 31st March, 2007
I. Cash in hand	1,93,200
II. Balances with RBI	1,84,000
Total	3,77,200

Schedule 7 – Balances with banks & money at call & short notice

	As on 31st March, 2007
In India:	
i) Balances with banks:	
ii) Money at call & short notice:	
Deposits repayable within 15 days notice	23,460
Deposits with Wilson financial agency	5,29,000
Total	5,52,460

Schedule 8 – Investment

	As on 31st March, 2007
Investments in India:	
Government bonds	2,31,380
Share capital of subsidiaries	2,34,600
Total	4,65,980

Schedule 9 – Advances

	As on 31st March, 2007
Bills purchased and discounted	6,80,110
Terms loans	32,75,200
Total	39,55,310

Schedule 10 – Fixed Assets

	As on 31st March, 2007
I) Premises: At cost	1,38,000
Depreciation to date (43,700 + 3,680)	(47,380)
	90,620
II) Other fixed assets (including Furniture and fixtures) At cost as on 31 st March of the preceding year.	23,920
Depreciation to date (7,130 + 1,610)	8,740
	15,180
Total (I + II)	1,05,800

Schedule 11 – Other Assets

	As on 31st March, 2007
Non banking assets acquired in satisfaction of claims.	69
Prepaid Insurance	161
Total	230

Schedule 12 – Contingent Liabilities

	As on 31st March, 2007
Bills accepted on behalf of customer	33,000

Schedule 13 – Interest earned

	As on 31st March, 2007
Income on investment	1,20,750
Total	1,20,750

Schedule 14 – Other income

	As on 31st March, 2007
I. Commission brokerage and exchange:	
Remuneration for consultancy and other services	46,000
II. Profit on exchange transactions	4,600
Total	50,600

Schedule 15 – Interest expanded

	As on 31st March, 2007
I) Interest paid on deposits:	28,750
Total	28,750

Schedule 16 – Operating Expenses

	As on 31 st March, 2007
Payment to and provision for employees	2,990
Advertisement and publicity	1,380
Depreciation on bank's property (3,680 + 1,610)	5,290
Director's fees, allowances and expenses	4,600
Fees paid to statutory auditor	2,990
Traveling expenses	3,910
Postage and telephone	1,380
Repairs and maintenance of building	19,320
Other expenditure	690
Total	39,859

Summary:

A bank is a commercial institution, which accepts deposits and repay on demand; lend; transfer and invest the money. Banking companies are governed by Banking Regulation Act, 1949 and also subject to the companies Act, 1956.

Section 6 of the Banking Regulation Act prescribes various business of banking companies which includes borrowing, raising or taking up of money, acting as on agent for any government or local authority or any other person; contracting, guaranteeing and so on. Also the banks are restricted to deal in buying, selling or bartering of goods and also not allowed to engage in any trade related to bills of exchange received for collection or negotiation or such of its business.

The various accounting provisions regarding minimum capital and reserves; restriction on commission, brokerage, discount on sale of shares, restrictions on payment of dividend, statutory reserves, cash reserves and restrictions on loans and advances given under various sections of Banking Regulation Act, 1949.

The banks keep subsidiary and principal books of accounts to minimize the errors in maintaining records of voluminous transactions.

The recommendation of Narsimham Committee report on Non-performing Assets was accepted by RBI and accordingly issued directives to all the banks regarding income recognition, assets classification and loan provisioning. The assets have been

classified as standard assets, sub-standard assets, doubtful assets and loss assets and provisioning norms for each category is given.

The final accounts of banking companies are prepared as per the formats given under form 'A' for balance sheet and form 'B' for profit and loss account. Out of 16 schedules, form A contains 12 schedules and form B contains the remaining 4 schedules.

2.8 EXERCISES:

Q.1 State whether the followings are True or False:

- 1) All nationalized Banks are governed by the Banking Regulation Act.
- 2) Section 6 of the Banking Regulation Act, 1949 prescribes requirements of minimum paid-up capital and reserves to be maintained by banking companies.
- 3) It is voluntary for all Banking companies to publish their Balance Sheet in newspapers.
- 4) The assets and liabilities of Banking Companies are shown vertically along with the figures of last year.
- 5) The commission, exchange and brokerage are shown in Schedule 15 of the Bank's Profit and loss account.
- 6) Every bank needs to create a reserve fund by transferring 20 percent of its annual profit after the declaration of dividend.
- 7) Money at call is refundable at 24 hours' notice and money at short notice is refundable at 7 days notice.
- 8) The income from non-performing assets should not be taken into profit and loss account unless income had been realized.
- 9) A credit facility is classified as non-performing if interest and / or installment of principal have remained unpaid for two quarters after it has become past due.
- 10) The assets which do not yield positive returns become non-performing assets.

Answer: **True** - 1; 4; 7; 8; 9; 10;
 False - 2; 3; 5; 6;

Q.2 Multiple choice Question

- 1) For internal purpose, banks may close their accounts on _____.
 i) 31st December

- ii) 30th June
 - iii) 31st March
 - iv) 30th September
- 2) The principal books of a banking company that gives the summary of the receiving cashier's counter cash books and the paying cashiers counter cash book.
- i) General Ledger
 - ii) Saving Bank accounts ledger
 - iii) Cash book
 - iv) Investment Ledger
- 3) The _____ of section 29 of the Banking Regulation Act, 1949 prescribes formats of Balance sheet and profit and loss account of banking companies.
- i) Third schedule
 - ii) Second schedule
 - iii) Sixth schedule
 - iv) Fourth schedule
- 4) It is the last item to appear under 'Capital and liabilities of the Balance Sheet of a bank.
- i) Reserves and surplus
 - ii) Deposits
 - iii) Borrowings
 - iv) Other liabilities and provision.
- 5) It is shown by way of a footnote and details are given in schedule 12.
- i) Contingent Liabilities
 - ii) Other Assets
 - iii) Investments
 - iv) Other liabilities and provisions.
- 6) Bills purchased and discounted are shown in _____ on the Balance sheet of a Bank.
- i) Schedule 10
 - ii) Schedule 8
 - iii) Schedule 9
 - iv) Schedule 12

- 7) Every Bank needs to maintain a cash reserves of at least _____ of the total of its demand and time liabilities.
- 3 percent
 - 5 percent
 - 7 percent
 - 20 percent
- 8) In respect of sub-standard assets, a general provision of _____ of the total outstanding should be created.
- 20 percent
 - 10 percent
 - 30 percent
 - None of the above
- 9) The assets which does not disclose any problems and which does not carry more than normal risk attached to the business.
- Standard assets
 - Sub-standard assets
 - Doubtful assets
 - Loss assets
- 10) Section 20 of the Banking Regulation Act, 1949 deals with _____.
- Cash Reserves
 - Restrictions on loans and advances
 - Statutory Reserves
 - Final account

**Answers: 1 – iv; 2 – iii; 3 – I; 4 – iv; 5 – I; 6 – iii; 7 – I; 8 – ii;
9 – I; 10 – ii.**

Q.3 Match the following

A)

- | | |
|---------------------------|-----------------------------------|
| 1) Principal Books | a) Personal ledger |
| 2) Contingent liabilities | b) Schedule 11 |
| 3) Share Premium | c) Cash book and General ledger |
| 4) Subsidiary Books | d) Reserves and surplus |
| | e) Schedule 12 |
| | f) Bills purchased and discounted |

Answer: 1-c; 2-e; 3-d; 4-a

B)

- 1) Income on investment a) Schedule 8
- 2) Stationery and stamp b) Schedule 2
- 3) Balance of profit c) Schedule 5
- 4) Bills payable d) Schedule 11
 e) Schedule 13
 f) Schedule 16

Answer: 1-e; 2-d; 3-b; 4-c.

Q.4 Define Banking Companies and write a note on 'Business of banking companies.

Q.5 Explain the provisions given by Banking Regulation Act, 1949 with regard to following –

- i) Statutory Reserve
- ii) Minimum capital and Reserves
- iii) Restrictions on Payment of Dividend

Q.6 Explain in brief the classification of assets and provisioning of NPA.

Q.7 Explain the following terms:

- 1) Non-banking assets
- 2) Doubtful assets and loss assets
- 3) Rebate on bills discounted
- 4) Bills for collection
- 5) Provisions and contingencies

Q.8 The asset of the Bank is bifurcated as performing and non-performing assets and accordingly income to be recognized.

	Interest Earned	Interest Received
<u>Performing Assets</u>		
Cash credit and overdraft	10,50,000	8,68,000
Bills purchased and discounted	2,10,000	2,10,000
Term loans	1,68,000	1,12,000
<u>Non-performing Assets</u>		
Cash credit and overdraft	2,10,000	16,800
Bills purchased and discounted	1,40,000	28,000
Term loans	1,05,000	7,000

Answer: Income Recognized – Rs. 14, 79,800.

Q.9 The following are the balances of Armo Bank Ltd. for the year ended 31st March, 2008.

Debit Balances	Amount (Rs.)
Money at call and short notices	1,82,000
Constituents, Liability for acceptance & endorsement	3,95,500
Non-banking assets acquired in satisfaction of claims	14,000
Land and Building	35,000
Furniture and fixtures	4,55,000
Advances	14,00,000
Investment in Government bonds	13,60,590
Gold bullion	1,05,910
Other investment	10,89,410
Balances with RBI	2,16,300
Cash in hand	1,08,150
Interest accrued on investment	1,72,340
Interest on deposits	55,650
Bills receivable being bills for collection	3,04,500
Law charges	35,000
Loss on sale of building	7,000
Printing and stationery	350
Rent, taxes and lighting	1,48,400
Repairs and maintenance	8,400
Bills discounted and purchased	87,500
Directors Remuneration	84,000
Branch adjustment	1,40,000
Loss on sale of investment	2,10,000
Deposits with other Banks	5,25,000
Total	71,40,000

Credit Balances	Amount (Rs.)
Term deposits from banks	51,940
Demand deposits	1,61,350
Share capital	20,00,000
Provision for depreciation on furniture & fixtures	1,40,000
Security deposits of employee	1,05,000
Statutory Reserves	9,80,000
Share Premium account	7,30,000
Borrowings from institutions and agencies	5,40,610
Profit and loss account	45,500
Rent received	4,200
Profit on bullion	8,400
Acceptance and endorsement	3,95,500

Bills for collection	3,04,500
Commission, exchange and brokerage	1,77,100
Discount on advances	2,94,000
Other miscellaneous income	18,900
Current ledger control account	6,79,000
Interest on balances with RBI	5,04,000
Total	71,40,000

Adjustment:

- 1) Depreciation on Furniture and Fixtures for the year amounted to Rs. 35,000 and proposed dividend is 8 percent.
- 2) Transfer 20 percent to statutory Reserve from the profit earned during the year.
- 3) Rebate on bills discounted Rs. 35,000.
- 4) Current account ledger depicts credit balance Rs. 8, 54,000 after the overdrawn to the extent of Rs. 1, 75,000.
- 5) Liability for partly paid investment Rs. 80,000.

Answer: Current year profit Rs. 1, 50,240

Balance sheet Total Rs. 58, 91,200

Q.10 On 31st March, 2009 the following balances was extracted from Oasis Bank Ltd. You are required to prepared profit and loss account for the year ended 31st March 2009 and also the balance sheet as on that date.

Particulars	Amount (Rs.)
Capital Reserve	1,50,000
Interest accrued on Government Bonds	26,125
Bills for collection	9,95,500
Investment in Government Bonds	55,000
Investment in Gold bullion	1,32,000
Current Deposits	25,02,500
Reserve Fund	6,87,500
Interest and discount received	3,19,000
Profit and loss account (Credit Balance)	46,860
Brokerage, exchange and commission received	96,525
Capital	4,00,000
Loans and advances	22,93,500
Saving account	9,08,600
Cumulative and recurring deposits	19,34,900
Sundry creditors	25,025
Debts due to banks (secured)	6,71,000
Branch adjustments (Credit)	2,50,525
Balances : Cash and hand	71,885

Cash with other banks	3,30,000
Liabilities for partly paid investment	8,34,240
Furniture and office equipment	27,500
Depreciation on assets	27,500
Interest paid on Inter-Bank borrowings	66,000
Brokerage, exchange and commission paid	5,500
Rebate on bills discounted	825
Non-banking assets	2,750
Customer's liability for acceptance	8,34,240
Investments in shares	8,74,500
Payment to employees	1,32,000
Auditor's fees	5,500
Repairs and maintenance	22,000
Advertisement and publicity	16,500
Premises	1,87,000
Current a/c balance with other Banks	49,500
Short notices with other institutions and Agencies	33,000

Additional Information:

- 1) The authorized capital of the bank is Rs. 800,000 divided into 16,000 shares of Rs. 50 each. Out of this 8,000 shares issued, subscribed and paid-up.
- 2) Current account includes Rs. 4, 67,500 debit balances being overdraft. One of the accounts for Rs. 5,500 including interest Rs. 550 is doubtful.
- 3) During the year, a property was acquired in satisfaction of a claim amounting to Rs. 2,750 and was sold Rs. 1,980. The loss resulting there from remained unadjusted in the books.
- 4) Bank guaranteed Rs. 1, 00,000 on behalf of its constituents.
- 5) Provision for taxation is Rs. 55,000.

Answers: Provisions and contingencies – Rs. 59,950
Profit for the current year – Rs. 63,404
Balance sheet total – Rs. 81,79,490

Q.11 Yashoda Bank Ltd. provides you the following balances you are asked to prepare Profit and Loss account and Balance Sheet.

Particulars	Amount (Rs.)
Share capital	3,40,000
Statutory Reserves	1,04,000
Other Reserves	1,00,000
Term Loans	17,00,000

Cash credit	37,62,100
Bills purchased	27,89,700
Rebate on bills discounted	81,600
Deposits from other Banks	14,87,500
Current deposits	23,23,900
Saving account	29,44,400
Legal charges	62,500
Repairs	2,62,000
Insurance on bank property	95,500
Entertainment expenses	71,100
Directors sitting fees	1,51,000
Printing charges	67,000
Rent and Taxes	35,000
Bonus and other staff benefits	2,30,000
Profit and loss account (credit Balances)	13,94,000
Interest paid on deposits	12,71,600
Discount on domestic Bills purchased	7,59,900
Commission received on letter of credit	4,98,100
Bank property	81,600
Cash with RBI	39,100
Interest received on loans and advances	21,86,200
Investments	2,58,100
Stationery and stamps	1,38,000
Cash with Exe Bank Ltd.	4,84,500
Income on investments	13,600

Other Information

- 1) The Bank provided depreciation on its property at the rate of 12 percent p.a.
- 2) Tax to be provided at 40 percent.
- 3) Directors declared dividend at 10 percent.
- 4) Liabilities on partly paid investment Rs. 81,600

Answer: Profit for current year Rs. 22, 51,344
Balance sheet total Rs. 98, 89,580

