


Bank Final Accounts

UNIT-V

Introduction


- The Banking Regulation Act, 1949, originally called the Banking Companies act, 1949, deals with the operational aspect of Banking business in India. Section 5 (b) of the act defines Banking as “ accepting for the purpose of lending or investment of deposits of money from the public, repayable on demand or otherwise, and with drawl by cheque, draft and order or otherwise.”
- Sec 5 (c) of the act defines a banking company as “any company which transacts the business of banking in India.”

- Banking companies , usually maintain the following 2 Books and 9 Ledgers:-
- **BOOKS:**
 - a. Receiving counter cash book
 - b. Paying counter cash book
- **LEDGERS:**
 - a. Fixed Deposit a/c Ledger
 - b. Current Deposit a/c Ledger
 - c. Savings Deposit a/c Ledger
 - d. Recurring Deposit a/c Ledger
 - e. Investment Ledger
 - f. Loan Ledger
 - g. Cash, Credit Ledger
 - h. Bill Discounted & Purchase Ledger
 - i. Customers Acceptance, Endorsements & Guarantee Ledger.

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- In addition to the cash book and general ledgers, the banking institution, maintains chief register and memorandum books such as demand draft register, bill for collection register, share security register, safe custody register, jewellery register, letter of credit register, safe deposit vault register, standing order register.

Accounting relating to Slip System of Posting


- Posting is made under Banking Institutions under this system. The slips are prepared by the organisation itself which have to be duly filled in by the customers. There is no original journal entry or subsidiary book maintained by the bank. The transactions are directly posted into ledger a/c with the help of these slips. So, this system is known as slip system of posting.



- The main slips used in Banking Companies are:-

1. Pay in slips
2. Withdrawal slips
3. Recurring deposit slips
4. Current a/c form
5. Demand draft form
6. Cheques etc.,

These slips serves as a base for entering into ledgers in general ledgers

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- The main reasons to accept or adopt this system of posting by the banks are:-
 1. The bank must have customers a/c updated immediately, for the customer may present a cheque or operate his ATM at any time. In other words to know the sufficient balance in the account.
 2. The number of transactions in a bank are large in number & the adoption of slip system helps in distribution of work of posting into ledger a/c among many persons. In other words, division of work is possible.
 3. It ensures smooth flow of work in updating of accounts.

Advantages of Slip System of Posting

1. Bank saves a lot of time of the clerical staff, as slips are duly filled in by the customers themselves.
2. Subsidiary books are avoided as posting is done from these slips directly into ledger accounts, i.e. the burden of bank employees is reduced
3. Entries can be recorded with minimum delay as slips can easily be passed from one hand to another

Disadvantages

1. The slips duly filled in by the customers may be lost , destroyed or misappropriated by the customers as they are loose sheets.

NOTE:-

- Under sec 8 of the Banking Regulation Act the revised and prescribed form given by the RBI with regard to preparation of P&L a/c & B/S with effect from 31/3/1992 should be strictly followed.
- In the prescribed format- Form A relates to Balance Sheet & Form B relates to Profit & Loss Account
- Any item is found to be missing in the problem should be recorded as per the Performa & in the amount column it should be mentioned as Nil.

Banker's Balance Sheet: Liabilities Side

Capital and Liabilities	Schedule No.	Current Year Amount	Previous Year Amount
1. Capital	1	XX	
2. Reserves and Surplus	2	XX	
3. Deposits	3	XX	
4. Borrowings	4	XX	
5. Other Liabilities and Provisions	5	XX	
Total (A)		----- -----	

Assets Side of Banker's Balance Sheet

Assets	Schedule No.	Current Year Amount	Previous Year Amount
1. Cash in Hand and Balance with RBI	6	XX	
2. Balances with other banks, Money at Call and at Short Notice	7	XX	
3. Investments			
4. Advances			
5. Fixed Assets	8	XX	
6. Other assets	9	XX	
	10	XX	
Total(B)	11	XX	

Contingent Liabilities		-----	
Bills for Collection			
	12	XX	
		XX	

Profit and Loss Account

Particulars	Schedule No.	Current Year Amount	Previous Year Amount
I. <u>Income:</u>			
Interest Earned	13	XX	
Other Income	14	XX	
Total (A)		-----	

II. <u>Expenditure:</u>			
Interest Expended			
Operating Expenses	15	XX	
Provisions and Contingencies	16	XX	
	-	XX	
Total (B)		-----	
III <u>Profit/Loss:</u>			
Net Profit for the Current Year (A-B)		-----	
Profit/Loss B/F from last year		XX	
		XX	
Total (C)		-----	
IV <u>Appropriations:</u>			
1. Transfer to Statutory Reserve (25% of CYNP)		-----	
2. Transfer to Other Reserve		XX	
3. Proposed Dividend		XX	
4. Balance C/F to Balance Sheet		XX	
		XX	
Total (D)		-----	

Schedule I-Capital

Particulars	Current Year Amount	Previous Year Amount
<u>Authorised Capital</u>		
-----Shares of Rs.....each	XX	-
<u>Issued & Subscribed Capital</u>		
.....Shares of Rs-----each	<u>XX</u>	-
<u>Called up & Paid up Capital</u>		
-----Shares of Rs.....each	XX	-
(-) Calls Unpaid/Calls in Arrears	(+)XX	-
(+) Shares Forfeited	(-) XX	-
	-----	-
Total	-----	

Schedule 2: Reserves & Surplus

Particulars	Current Year Amount	Previous Year Amount
I. Statutory Reserve	XX	-
II. Capital reserve	XX	-
III. Securities Premium Account	XX	-
IV. Revenue and other Reserves	XX	-
V. Credit balance in Profit & Loss A/c	XX	-
Total	<hr/> <hr/>	-

Schedule 3: Deposits

Particulars	Current Year Amount	Previous Year Amount
I. Demand Deposits:		
a. From Banks	XX	-
b. From Others	XX	-
II. Savings Bank Deposits	XX	-
III. Term Deposits	XX	-

Total	_____	-

Schedule 4: Borrowings

Particulars	Current Year Amount	Previous Year Amount
I. Borrowings in India:		-
a. RBI	XX	-
b. Other Banks	XX	-
c. Other Institutions	XX	-
II. Borrowings Outside India	XX	-
Total	<hr/> <hr/>	-

Schedule 5: Other Liabilities & Provisions

Particulars	Current Year Amount	Previous Year Amount
I. Bills Payable	XX	-
II. Inter-Office Adjustments	XX	-
III. Interest Accrued	XX	-
IV. Others (including Provisions)	<u>XX</u>	-
Total	<u> </u>	-

Schedule 6: Cash in Hand and with RBI

Particulars

Current Year
Amount

Previous Year
Amount

I. Cash in Hand (including foreign exchange)	XX	-
II. Balances with Reserve Bank of India		
(a) In current account	XX	-
(b) in other account	XX	-
	-----	---
Total	-----	---

Schedule 7: Balances with Banks and Money at Call & at Short Notice

Particulars	Current Year Amount	Previous Year Amount
I. In India:		
(a) Balances with Banks:		
1. Current Accounts	XX	-
2. Deposit accounts	XX	-
(b) Money at Call & at Short Notice		
1. With Banks	XX	-
2. With other Institutions	XX	-
II. Outside India		
1. Current Accounts	XX	-
2. Deposit Accounts	XX	-
3. Money at Call & at Short Notice	XX	-
Total	<hr/> <hr/>	-

Schedule 8: Investments

Particulars	Current Year Amount	Previous Year Amount
I. Investments in India		
1. Government Securities	XX	-
2. Other Approved Securities	XX	-
3. Shares	XX	-
4. Debentures and Bonds	XX	-
5. Investment in Subsidiaries	XX	-
6. Others	xx	-
II. Investments Outside India:	XX	-
1. Government Securities	XX	-
2. Investment in Subsidiaries/Joint Ventures	XX	-
3. Other Investments		
Total	<hr/> <hr/>	-

Schedule 9: Advances

Particulars	Current Year Amount	Previous Year Amount
(A)- Types		
1. Bills Purchased and Discounted	XX	-
2. Cash Credits, Overdrafts and Loans Repayable on Demand	XX	-
3. Term Loans:	<u>XX</u>	-
TOTAL (A)	<u>XX</u>	-
(B) - Security		
1. Secured by Tangible Assets	XX	-
2. Secured by Bank/Government Guarantees	XX	-
3. Unsecured	<u>XX</u>	-
TOTAL (B)	<u>XX</u>	-
(C)- Area		
1. Advances in India:		
a. Priority Sector	XX	-
b. Public Sector	XX	-
c. Banks	XX	-

Particulars		Current Year Amount	Previous Year Amount
I. Premises: Cost+additions /purchases-sales- depreciation		XX	-
II. Building under Construction		XX	-
III. Other Fixed Assets		XX	-
		XX	-
Total		<hr/>	-
		<hr/>	-

Schedule II: Other Assets

Particulars	Current Year Amount	Previous Year Amount
I. Inter-Office Adjustments	XX	-
II. Interest Accrued	XX	-
III. Tax Paid in Advance/TDS	XX	-
IV. Stationery and Stamps	XX	-
V. Non-Banking Assets acquired in satisfaction of claims	XX	-
VI. Others	XX	-
	<hr/>	
	Total	-
	<hr/>	

Schedule 12: Contingent Liabilities

Particulars	Current Year Amount	Previous Year Amount
I. Claims against the Bank not Acknowledged as Debt	XX	-
II. Liability for Partly Paid Investments	XX	-
III. Outstanding Forward Exchange Contracts	XX	-
IV. Guarantees Given on behalf of Customers	XX	-
V. Acceptances, Endorsement and other Obligations	XX	-
VI. Other Contingent Liabilities	XX	-
Total	<hr/> <hr/>	-

Schedule 13: Interest Earned

Particulars	Current Year Amount	Previous Year Amount
I. (A) Interest on Advances	XX	-
(B) Discount on Bills Discounted	XX	-
II. Income on Investment	XX	-
III. Interest on Balances with RBI/Other Banks	XX	-
IV. Others	XX	-
Total	<hr/> <hr/>	-

Schedule 14: Other Income

Particulars	Current Year Amount	Previous Year Amount
Commission, Exchange and Brokerage	XX	-
Profit on Sale of Investment (-) Loss	XX	-
. Profit on Revaluation of Investments (-) Loss	XX	-
% Profit on Sale of Land, Building and other Assets	XX	-
. Profit on Exchange Transactions (-) Loss	XX	-
l. Income Earned by way of Dividend	XX	-
ll. Miscellaneous Income	XX	-
	XX	-

Total	_____	-

Schedule 15: Interest Expended

Particulars	Current Year Amount	Previous Year Amount
I. Interest on Deposits	XX	-
II. Interest Paid to RBI and other Banks	XX	-
III. Others	XX	-
	-----	-
Total		-

Schedule 16: Operating Expenses

Particulars	Current Year Amount	Previous Year Amount
I. Staff and Employees 'Remuneration	XX	-
II. Rent, Taxes and Lighting	XX	-
III. Printing and Stationery	XX	-
IV. Advertisement and Publicity	XX	-
V. Depreciation on Fixed Assets	XX	-
VI. Directors' Fees, Allowances and Expenses	XX	-
VII. Auditors Fees and Expenses	XX	-
VIII. Law Charges	XX	-
IX. Postage, Telegrams, Telephone etc	XX	-
X. Repairs and Maintenance	XX	-
XI. Insurance	XX	-
XII. Other Expenditure	XX	-
Total	<hr/>	-

Provisions & Contingencies

Particulars	Current Year Amount	Previous Year Amount
1. Bad Debt	XX	-
2. Provision for Bad Debt	XX	-
3. Provision for Taxation	XX	-
4. Provision for Repairs & Renewals	XX	-
5. Provision for Diminution in the value of Investments	XX	-
Total	<hr/> <hr/>	-

NOTE:

- Previous year amount column, will remain blank from exam point of view, In Form A, B & schedules.
- In the P&L a/c , the total of III & IV will remain same
- Under other income, i.e. schedule 14, if the loss on sale of investment , loss on revaluation, loss on sale of fixed asset, loss on exchange transactions exceed the amount of concerned profit, then, it should be adjusted or deducted from the grand total of schedule 14.
- There is no schedule number for provisions & contingencies, but it has to be prepared similar to other schedules and the total/ net amount is recorded under II in form B, i.e P&L a/c , under the heading Expenditure.

Items Peculiar to Banker's Balance Sheet

- **Rebate on Bills Discounted:** The amount of discount pertaining to the unexpired period
- Treatment -As a Trial Balance Item: Should be shown on the liabilities side under the head, "Other Liabilities & Provisions" [Schedule 5]
- As an adjustment Item:
 - a. Deduct it from Discount included in "Interest Earned" in the Profit & Loss Account [Sch. 13]
 - b. Show it on the Liabilities side under the head "Other Liabilities & Provisions" [Schedule 5]

Inter-branch Adjustment

- Transactions between the branches arising out of remittances create inter-branch indebtedness
- It is shown as Inter-branch Adjustment
- It is shown on the Assets Side of the Balance Sheet, if it has a debit balance [Sch.No. 11-Other Assets]
- It is shown on the Liabilities side, if it has a credit balance [Sch.5-Other Liabilities]

Non-Banking Assets

- Assets acquired by a Bank in the process of lending i.e., selling off the tangible property of the borrowers in case of default in the payment of loan or interest
- Shown on the Assets side of the Balance Sheet [Sch.No.11-Other Assets]

Statutory Reserve

- Sec 17-At least 25% of the profits prior to declaration of dividend must be transferred to Reserve Fund
- It should be done even if the problem does not make any mention of it

(Hidden Mandatory Adjustment)

Bills Purchased and Discounted

- These are bills of exchange purchased by the Bank from the customers or discounted by it. For the Bank, these are assets. The Bank holds them as Holder for Value and not as agents of the customers
- They are part of Advances and hence shown under Schedule 9 on the Assets side of the balance Sheet

Travellers' Cheques

- Cheques issued to the Travelling Customers against payment of cash. Any person can pay the money and request the Bank to issue TC. He can encash it at other branches or other banks. They are treated as Bills Payable and shown under Schedule 5 [Other Liabilities and Provisions]
- TCs encashed given as adjustment should be treated as Deduction from Bills Payable on the Liabilities side and Cash in Hand on the Assets side

Letters of Credit

- Importers deposit money and get the LC issued to their name. On the basis of that, the customer can draw a Bill of Exchange and the Banker accepts it
- Like TC, this is Bills Payable and hence shown under Schedule 5 [Other Liabilities and Provisions] on the Liabilities side of the Balance Sheet

Bills for Collection

- These are Bills of Exchange received by the Bank from the customers as Agent for Collection. They are neither assets nor Liabilities
- Hence they are shown as Footnote to the Balance Sheet by way of information

Acceptances, Endorsements and Other Obligations

- The bank undertakes certain liabilities on behalf of the customers like accepting a Bill of Exchange or endorsing it. As long as the customer is solvent, there is no problem for the banker. If the customer becomes insolvent, it becomes a liability for the banker. Therefore, it is a Contingent Liability and shown below the Balance Sheet as an information

Payment of Dividend

- A bank can pay dividend only after it writes off all the capitalised expenses [as shown under the heading, 'Miscellaneous Expenditure' in case of a joint stock company] like Preliminary Expenses

Bad Debt and RBD

- They are treated in the same way as in the case of a joint stock company
- Bad Debt is shown under Provisions and Contingencies under Expenditure in Profit and Loss A/c. New RBD is to be added to Bad Debt and the old RBD is to be deducted.
- The New RBD is shown as a deduction from Advances on the Asset side of the Balance Sheet [Schedule 9]

Provision for Taxation

- New Provision for Taxation, given in the adjustment should be deducted from Interest and Discount in Schedule 13 in Profit and Loss Account and again shown under Other Liabilities and Provisions [Schedule 5]
- Income Tax Paid, Old Provision and New Provision should be adjusted to Interest and Discount under Schedule 13- The rule is
$$IT + \text{New Provision} - \text{Old Provision}$$
Positive balance should be deducted and negative balance is to be added

Advance Income Tax Paid

- This is to be treated as any prepaid expense. It is shown under Assets side under the heading, " Other Assets [Schedule No. I I]

Tax Deducted at Source

- TDS may have debit balance or credit balance
- The debit balance shows the deduction made by others while paying the interest or dividend. It is shown under Other Assets [Schedule II]
- The credit balance indicates Tax Deducted by the Bank while crediting or paying the interest to others. It is a liability and hence shown under the heading 'Other Liabilities and Provisions' [Schedule 5]



THANK YOU

Notes on company final accounts balance sheet

1. Share capital

Authorized Capital		<u>XXXXX</u>
Issued capital		<u>XXXXX</u>
Subscribe and Paid up capital	XXXXX	
(-) Calls in arrears	XXXX	
	<hr/>	
	XXXXX	
(+) Forfeited share a/c	XXXXX	
	<hr/>	XXXXX

2. Reserves and surplus

General reserve (opening)	XXXXX	
(+) addition during the year	XXXX	
	<hr/>	XXXXX
Securities/share premium	XXXXX	
(-) Prem. On redemption of Pref.shares	XXXXX	
	<hr/>	XXXXXX
Capital redemption reserve (CRR)		XXXXX
Capital reserve(CR)		XXXXX
Debenture redemption reserve (DRR)		XXXXX
Surplus: Profit /loss (opening)	XXXXXX	
(+) Profit for the current year	XXXXXX	
	<hr/>	XXXXX

Less: Appropriations

Transfer to general reserve	XXXXX	
Final dividends /Interim/proposed	XXXXX	
Corporate dividends tax @ 17%	XXXXX	
	<hr/>	XXXXX

4. Long term borrowing :

Debentures	XXXX	
Bonds	XXXX	
Term loans	XXXX	
Public deposits	XXXXX	
Other loans and advances	XXXXX	
	<hr/>	XXXXX

5. Deferred tax Liabilities(net)

Accounting Income	XXXXX	
Taxable Income	XXXXX	
	<hr/>	XXXXX

6. Other long term liabilities

Premium payable on pref. shares	XXXXX	
Premium payable on debenture	XXXXX	
	<hr/>	XXXXX

7. Long term Provisions:

Provisions for retirement benefits payable	
To employees	XXXXX
Provision for warranty claims	XXXXX

	XXXXX

8. Short terms borrowings:

Bank over draft	XXXXX
Cash credit from the banks	XXXXX
Short terms deposits	XXXXX
Loans from other parties'	XXXXX

	XXXXX

9. Trade payables

Trade creditors	XXXXX
Sundry creditors	XXXXX
Bills payables	XXXXX

	XXXXX

10. Other current liabilities

O/s Interest on loan	XXXXX
O/s Interest on Debentures	XXXXX
O/s Expenses	XXXXX
Unpaid dividends	XXXXX
Income received in advance	XXXXX

Calls in advance	XXXXX
PF payable	XXXXX
ESI payable	XXXXX
VAT Payable	XXXXX
Central tax/sales tax payable	XXXXX

	XXXXX

11. Short term Provision

Provision for tax	XXXXX
Proposed dividends	XXXXXX
Provision for expenses	XXXXX
Other provisions	XXXXXX

	XXXXXX

ASSETS

12. Tangible assests

Land and building	xxxxx	
(-) dep	<u>xxxx</u>	xxxxx
plant and machinery		xxxxx
furniture and fixture		xxxxx
vehicles		xxxxx
office equipments		xxxxx
vehicles		xxxx
others		xxxx
		<hr/>
		xxxxx
		<hr/>

13. Intangible assets

Goodwill		xxxxx
Trademarks		xxxxxxx
Computer software		xxxxxxx
Copyright and patents		xxxxxxx
License and franchise		<u>xxxxxxx</u>
		xxxxxxx

14. Capital work-in-progress		XXXX
15. Intangible assets under development		XXXX
16. <u>Non current investment</u>		
Shares, Debentures and bonds		xxxxx
Investment in property		xxxxxx
Mutual funds		xxxxx
Govt securities (long term)		xxxxxx
Investment in Pvt firms		xxxxx

		XXXXX

17. deferred tax assets (net)		XXXXX
18 . Long term loans and advances		XXXXX
19. Other non-current assets		XXXXX
20. Current investment		XXXXX
21. <u>Inventories</u>		
Closing stock of		
Raw material	xxxxx	
Work-in progress(WIP)	xxxxx	
Finished goods	<u>xxxxx</u>	XXXXX

Stores and spares		XXXXX
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Loose tools (net)		XXXXX
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Goods in transit		<u>XXXXX</u>
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		XXXX
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22. Trade receivable

Bills receivable		XXXXX
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Debtors	XXXXX	
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(-) Prov. For Bad debts	<u>XXXX</u>	<u>XXXX</u>
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		XXXX
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FORM OF BALANCE SHEET

Name of company Balance Sheet of As on

	Note no	Amount
I. EQUITY AND LIABILITIES		
Shareholders' funds		
(a) Share capital	1	XXXXXXXX
(b) Reserves and surplus	2	XXXXXXXX
(c) Money received against share warrants	3	XXXXXXXX
Non – current liabilities		
(a) Long – terms borrowing	4	XXXXXXX
(b) Deferred tax liabilities(net)	5	XXXXXXX
(c) Other long term liabilities	6	XXXXXXX
(d) Long term provision	7	XXXXXXX
Current liabilities		
(a) Short – term borrowing	8	XXXXXXX
(b) Trade payables	9	XXXXXXXX
(c) Other current liabilities	10	XXXXXXXX
(d) Short terms provisions	11	XXXXXXX
Total		XXXXXXX
II. ASSETS		
Non- current assets		
(a) Fixed assets		
Tangible assets	12	XXXXXX
Intangible assets	13	XXXXXX
Capital WIP	14	XXXXXXXX
Intangible assets under development	15	XXXXXXXX
(b) Non - current investments	16	XXXXXXXX
(c) Deferred tax assets(net)	17	XXXXXXX

(d) Long-term loan and advances	18	XXXXXXX
(e) Other non-current assets	19	XXXXXXX
Current assets		
(a) Current investment	20	XXXXXXX
(b) Inventories	21	XXXXXXX
(c) Trade receivables	22	XXXXXXX
(d) Cash and cash equivalents	23	XXXXXXX
(e) Short-terms loans and advances	24	XXXXXXX
(f) Other current assets	25	XXXXXXX
		<hr/>
		XXXXXXX
		<hr/>
Total		