

Bank Final Accounts

Introduction

- Section 5 of banking regulation act defines banking as “the accepting, for the purpose of lending or investment, of deposit of money from the public repayable on demand or otherwise and withdrawable by cheque, draft, order or otherwise.
- Banking Companies of India are governed by the Banking Regulation Act, 1949. However, provisions of the companies Act 1956, are also applicable to Banking Companies.

Preparation of Final Accounts

- Final Statements are given in ‘Vertical form’ instead of Horizontal form.
- Information is presented in summary form, the details being given in the schedules.
- Appropriation Account is now a part of Profit & Loss A/c.
- Various items of expenses in Profit & Loss A/c are clubbed under the heading ‘Operating Expenses.’

Format

The third schedule under section 29 of the Banking Regulation Act, 1949, regarding the format of Balance sheet and Profit and Loss Account has been amended in 1991. The new vertical forms of Balance Sheet and Profit And Loss Account should be followed w.e.f. 31st March 1992.

- The Balance Sheet is prepared in Form A
- The profit and Loss is prepared in Form B

Form A
Balance Sheet of Bank as on 31st March(year)

Particulars	Schedule No.	Amount As on 31/3/... (Current Year)	Amount As on 31/3/... (Previous Year)
Capital & Liabilities :			
Capital	1		
Reserve & Surplus	2		
Deposits	3		
Borrowings	4		
Other Liabilities and Provision	5		
Total			
Assets :			
Cash and Balances with Reserve Bank of India	6		
Balance with Banks and Money at call and Short Notices	7		
Investments	8		
Advances	9		
Fixed Assets	10		
Other Assets	11		
Total			
Contingent Liabilities	12		
Bills for Collection			

Form B

Profit and Loss Account for the year ended 31st March(year)

	Schedule No.	Amount As on 31/3/... (Current Year)	Amount As on 31/3/... (Previous Year)
I. Income	13		
Interest Earned	14		
Other Income			
Total			
II. Expenditure	15		
Interest Expended	16		
Operating Expenses			
Provisions & Contingencies			
Total			
III. Profit or Loss			
Net Profit or Loss for the year			
Profit Brought Forward			
Total			
IV. Appropriation			
Transfer to Statutory Reserves (20% of Net Profit)			
Transfer to Other Reserve			
Transfer to Gov. or Proposed Dividend			
Balance carried over to Balance Sheet			
Total			

Schedule No.1 Capital

Particulars	Amount
I. For Nationalised Banks Capital (Fully owned by Central Government) II. For Banks Incorporated outside India: III. For other Banks Authorised 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	
Total	

Schedule No. 2 Reserve & Surplus

Particulars	Amount
I. Statutory Reserves Opening Balance Add : Additions during the year Less : Deductions during the year II. Capital Reserves Opening Balance Add : Additions during the year Less : Deductions during the year III. Share Premium Opening Balance Add : Additions during the year Less : Deductions during the year IV. Revenue and Other Reserves	

Opening Balance	
Add : Additions during the year	
Less : Deductions during the year	
V. Balance in Profit and Loss Account	
Total (I, II, III, IV and V)	

Schedule No. 3 Deposits

Particulars	Amount
A. I. Demand Deposits	
i. From Banks	
ii. From others	
II. Savings Bank Deposits	
III. Term Deposits	
i. From Banks	
ii. From Others	
	Total (I,II and III)
B. i. Deposits of Branches in India	
ii. Deposits of Branches outside India	
	Total

Schedule No. 4 Borrowings

Particulars	Amount
I. Borrowings in India	
i. Reserve Bank of India	
ii. Other Banks	
iii. Other institutions and agencies	
II Borrowings outside India	
	Total

Schedule No. 5 Other Liabilities and Provisions

Particulars	Amount
I. Bills Payable	
II. Inter-office adjustments (net)	
III. Interest Accrued	
IV. Other (including provisions)	

Total	
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Schedule No. 6 Cash and Balance with Reserve Bank of India

Particulars	Amount
I. Cash in hand	
II. Balance with Reserve Bank of India	
i. In Current Accounts	
ii. In other Accounts	
Total	

Schedule No. 7 Balances with Banks and Money at call and Short Notice

Particulars	Amount
I. In India	
i. Balances with Banks	
ii. Money at call and Short Notice	
II. Outside India	
i. Balances with Banks	
ii. Money at call and Short Notice	
Total	

Schedule No.8 Investment

Particulars	Amount
I. Investment in India in	
i. Government Securities	
ii. Other Approved Securities	
iii. Shares	
iv. Debentures and Bonds	

v. Subsidiaries and or Joint Ventures vi. Others II. Investments Outside India in i. Government Securities ii. Subsidiaries and or Joint Ventures Abroad iii. Other Investments	
Total	

Schedule No. 9 Advances

Particulars	Amount
A. i. Bills Purchased and Discounted ii. Cash Credits, Overdrafts and Loans Repayable on demand B. i. Secured by Tangible Assets ii. Covered by Bank/ Govt. Guarantees iii. Unsecured C. I. Advances in India i. Priority Sectors ii. Public sectors iii. Bank iv. Others II. Advances outside India i. Due from Bank ii. Due from others (Bills purchased and discounted)	
Total	

Schedule No. 10 Fixed Assets

Particulars	Amount
I. Premises At Cost on 31 st March of the preceding year Add : Additions during the year Less : Deductions during the year Less : Depreciation to date II. Other Fixed Assets (Including Furniture and Fixtures) Add : Additions during the year	

Less : Deductions during the year	
Less : Depreciation to date	
Total (I and II)	

Schedule No. 11 Other Assets

Particulars	Amount
I. Inter – Office Adjustments (net)	
II. Interest Accrued	
III. Tax paid in Advance or Tax deducted at source	
IV. Stationery and Stamps	
V. Non – Banking Assets acquired in satisfaction of Claims	
VI. Others	
Total	

Schedule No. 12 Contingent Liabilities

Particulars	Amount
I. Claims against the Bank not acknowledged as Debts	
II. Liability for partly paid Investments	
III. Liability on account of outstanding Forward exchange Contracts	
IV. Guarantees given on behalf constituents	
V. Acceptances, Endorsements and Other Obligations	
VI. Other items for which the Bank is contingently liable	
Total	

Schedule No. 13 Interest Earned

Particulars	Amount
I. Interest or Discount on Advances or Bills	
II. Income on Investments	
III. Interest on Balances with Reserve Bank of India and Other Inter – Bank Funds	
IV. Others	
Total	

Schedule No. 14 Other Income

Particulars	Amount
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	
VI. Income earned by way of Dividend etc. from subsidiaries or Companies and /or Joint Ventures Abroad or in India	
VII. Miscellaneous Income	
Total	

Schedule No. 15 Interest Expended

Particulars	Amount

I. Interest on Deposits	
II. Interest on Reserve Bank of India / Inter – Bank Borrowings	
III. Others	
Total	

Schedule No. 16 Operating Expenses

Particulars	Amount
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. Director's fees, Allowances and Expenses	
VII. Auditor's fees and Expenses	
VIII. Law Charges	
IX. Postages, Telegrams, Telephones etc.	
X. Repairs and Maintenance	
XI. Insurance	
XII. Other Expenditure	
Total	

Provisions and Contingencies

Particulars	Amount
I. Provisions for Bad and Doubtful Debts	
II. Provision for Taxation	
III. Provision for diminution in the value of investments	
IV. Provision for contingencies	
V. Provision for Depreciation	
Total	

Important Terms

- **Statutory Reserve**

According to the provision of the section 17 of the Banking Companies Act, 20% of the profit must be transferred each year to the Statutory Reserve Fund before declaration of dividend.

- **Provision for Bad and Doubtful Debts**

It is to be debited to Profit and Loss A/c under the heading 'Provisions and contingencies' and to be shown by way of deduction from 'Advances' Schedule No. 9 i.e. Loans, Cash Credits and Overdrafts.

- **Depreciation**

It is deducted from 'Fixed Assets' schedule No. 10 and debited to Profit and Loss A/c under the heading 'Operating Expenses' Schedule No. 16.

- **Provision for Taxation**

It is debited to Profit and Loss A/c under the heading 'Provision and Contingencies' and shown on the liabilities side under the heading 'Other Liabilities and Provisions'. Schedule no. 5

- **Money at Call & Short Notices**

There are inter-bank transactions. Such loans are advanced by banks having surplus funds to the needy banks. Loans repayable within 24 hours are termed as 'Money at Call'. Loans repayable by a notice of seven days are termed as 'Money at Short Notice.'

- **Gold and Silver**

Investment in gold is shown under the heading 'Investment' and silver should be shown under the heading 'Other Assets' in Balance Sheet.

- **Interest Accrued but not due**

- (i) On deposits and borrowing are shown under 'Other Liabilities' and debited to Profit and Loss A/c under the heading 'Interest Expended'

(ii) On investments and advances are shown under 'Other Assets' and credited to Profit and Loss A/c under the heading 'Interest Earned'

- Inter-Office or Branch Adjustment A/c

If transactions between branches of the Bank and head office of the Bank remain unadjusted because non-receipt of advice, statement etc. till the year end.

All such unadjusted transactions or items at the close of the year are grouped under the heading "Branch Adjustment A/c." This Account may have Debit or Credit balance.

Debit balance is shown on the Asset side under the heading 'Other Assets' and credit balance is shown on the liabilities side under the heading 'other Liabilities.'

- Bills for Collection

These bills are received by the Bank from its clients to collect them in their due dates from the acceptors of the bills and credit the amount to the respective client's current Account.

These bills are recorded in a special book viz. 'Bills for Collection Register' and are not recorded in the books of accounts until they are realised.

They are shown as a separate item at the foot of the balance sheet.

On collection of cash the entry is passed :

Cash A/c	Dr.
To Customer's Current A/c	
To Commission A/c	

- Acceptance, Endorsements and other Obligations

A Bank may give advantage of its credit to its customers by accepting or endorsing Bills on their behalf. The bank incurs a secondary liability on behalf its clients either by accepting or by endorsing the bills.

The term 'Other obligations' includes letters of credit issued and guarantees given by the bank on behalf of its customers.

These are shown in the Balance Sheet as a part of Contingent Liabilities.

- Provisions and Contingencies

This items includes all provisions made for Bad and doubtful debts, provision for taxation, provision for diminution in the value of investments transfer to contingencies.

- Rebate on Bills Discounted or unexpired Discount

On demanding a bill by a bank an entry is passed in the books of the bank as under :

Bills purchased and discounted A/c	Dr.
To Client's current A/c	

To Discount A/c

The full amount of discount is credited to Discount A/c. But It is likely that the Bill may be maturing sometime during the next year. As such, full amount of discount received cannot be treated as income of the current year. The proportionate amount of discount relating to the period falling in the next year, forms income of the next year. Thus, this amount is 'discount received in advance' and hence it is carried forward as a liability and termed as 'Rebate on Bill Discounted or Unexpired Discount, or Discount received but not earned or Discount Received in advance.'

Treatment for Rebate on Bill Discount or Unexpired Discount

- If it is given in Trial Balance, it is shown only on the liabilities side under the heading 'Other Liabilities.'
- If an opening balance is given in the Trial Balance, it is only added to 'Interest and Discount' in the Profit and Loss A/c.
- If it is given for adjustment, it is deducted from 'Interest and Discount' in the Profit and Loss A/c and again shown as a liability in the Balance Sheet.

Suppose a Bill for Rs. 10,000 for five months is discounted on 1st February 2019 at a discount of Rs. 500.

Out of Rs. 500, Rs. 200 is related for February and March 2019 i.e. current year, whereas for 3 months i.e. April, May, June 2019 related to the next financial year. So Rs. 300 being discount received in advance which is transferred to 'Rebate on Bills Discounted A/c'