



Module-B Unit-6

JAIIB PAPER-3

Accounting & Financial Management for Bankers(AFM)



JAIIB AFM Module B Unit 6 - Final Accounts of Banking Companies

Introduction

- A banking company is generally governed by the provisions of the Companies Act, 2013 and specifically by the Banking Regulation Act.
- The Banking Regulation Act of 1949 came into force on 16th March, 1949 as a result of the long-felt need to regulate the banking business in India and protect the interests of number of depositors

The major institutions carrying on banking business, in India, include:

- Nationalised banks
- State Bank of India
- Foreign banks having branches in India
- Co-operative banks
- Regional Rural banks
- Private sector banks
- Small Finance Banks (h)
- Payments Banks

Definition and Functions of a Bank

- Section 5 of the Banking Regulation Act and means: accepting of deposits of money from the public, for the purpose of lending or investment and the deposits are repayable on demand or otherwise by cheque, draft, order or otherwise.

Requirements Of Banking Companies As To Accounts And Audit

Preparation of Financial Statements and Accounting Date (Section 29)

- A Company registered under the Companies Act, 2013 is required to present its financial statements, i.e. balance sheet and profit and loss account in the formats laid down in the Schedule III annexed to the Companies Act. Similarly, banking company, (since it is a company) is also required to prepare and submit its accounts in a specified format.

Signatures

- Section 29 of the Act requires that the financial statements of banking companies incorporated in India should be signed by the manager or principal officer of the banking company and by at least three directors (or all the directors in case the number is less than three).
- The financial statements of a foreign banking company are to be signed by the manager or agent of the principal office in India. The provisions of section 29 are

also applicable to nationalised banks, State Bank of India, regional rural banks, private sector banks, small finance banks and payments banks.

Audit (Section 30)

- Accounts must be audited by a person, duly qualified under any law, for the time being in force, to be an auditor of companies. However, every banking company is, before appointing, reappointing or removing any auditor, required to obtain the prior approval of the Reserve Bank of India.

Submission of Accounts (Secs 31 and 32)

- **Three copies of the balance sheet and profit and loss account prepared under Section 29 together with auditors' report under Section 30** must be submitted to the Reserve Bank of India within three months from the end of the period to which they refer. However, it can be extended up to a further period of three months by RBI (Section 31).
- Section 32 of the Act requires a banking company (but not other types of banks) to furnish three copies of its annual accounts and auditor's report thereon to the Registrar of Companies at the same time when it furnishes these documents to the RBI.

Publication of Accounts

- Rule 15 of the Banking Regulating (Companies) Rules, 1949 prescribes that accounts and auditors' report shall be published in a newspaper circulating in a place where a banking company has its principal office, **within six months from the end of the period to which they relate.**

Significant Features Of Accounting Systems Of Banks

- System of recording, classifying and summarising the transactions in a bank is in substance no different from that followed in other entities having similar volume of operations.
- However, in the case of banks, the need for the ledger accounts, especially those of customers, being accurate and up-to-date is much stronger than in most other types of enterprises.
- In the case of banks, relatively lesser emphasis is placed on books of prime entry such as cash books or journals.
- This is unlike most other types of enterprises where books of prime entry are generally kept up-to-date while ledgers, including the general ledger and subsidiary ledgers for debtors, creditors, etc. are written up afterwards.
- Banks follow the accounting procedure of '**voucher posting**'.

Bankers' Books

- According to Section 2 (3) of the Bankers' Books Evidence Act, 'Bankers' Books' include ledgers, day book, cash books, account books and all other books used in the ordinary business of a bank.
- Generally, the following books are maintained by a bank to keep up-to-date records of its customers.

Cash Book

- All cash receipts and payments are recorded in the receiving cashier's cash book and paying cashier's cash book respectively.
- After this, on the basis of pay-in slips received by the receiving cashier and cheques and withdrawals slips by the paying cashier, these transactions are entered first in the accounts of customers and after that Day Books are written. This is called the 'Slip System' of posting.

Ledger Book

General Ledger contains the total accounts of each ledger. Besides the GL, the following ledger books are maintained:

- Current Accounts Ledger
- FD Accounts Ledger
- RD Accounts Ledger
- Loan Ledger
- Investment Ledger
- Bills discounted and purchased Ledger

Other Books

- Clearing Register
- Securities Register
- Draft Register
- Bills for collection Register
- Safe deposit vault Register
- Dishonoured cheques Register
- Letter of credit Register

Principal Books of Account

The principal books of account, subsidiary books and statistical records generally maintained by banks are described in the following paragraphs.

General Ledger

- Contains the control accounts of all personal ledgers, the profit and loss account and different assets and liabilities accounts.
- There are certain additional accounts also (known as contra accounts) which are kept with a view to keeping control over transactions which have no direct effect

on the assets and liabilities of the bank and represent the agency business handled by the bank on which it earns service charges, e.g. letters of credit opened, bills received or sent for collection, guarantees given, etc.

Profit and Loss Ledger

- Some banks maintain a profit and loss account in the general ledger and maintain separate books for each revenue or expense head/sub-head.
- Some banks maintain columnar books having separate columns for each revenue and expense head/sub-head, while others maintain separate books for revenue and expense heads/sub-heads.
- These books are prepared from vouchers.
- The totals of debits and credits each day are posted to the profit and loss account in the general ledger from voucher summary sheets.
- In some banks, the revenue accounts too are maintained in the general ledger itself,
- while in others, broad revenue heads are kept in the general ledger and their details are kept in subsidiary ledgers
- For example, there are separate accounts for basic salary, dearness allowance and various other allowances, which are grouped together in the published accounts.
- Similarly, various accounts comprising general charges, interest paid, interest received, etc. are maintained separately in the profit and loss ledgers.

Subsidiary Books

Personal Ledgers

Each control account in the general ledger is supported by a subsidiary ledger (or more than one subsidiary ledger if the number of accounts is large).

Thus, in respect of control accounts relating to accounts of customers, subsidiary ledgers are maintained for:

- Various types of deposit accounts (savings bank, current account, recurring deposits, etc.) which contain accounts of individual customers. Each account holder is allotted a separate folio in the ledger;
- Various types of loan and related accounts (cash credit, term loans, demand loans, bills purchased and discounted, letters of credit, bank guarantees issued etc.) wherein the liability of each customer is reflected. Generally, there is no separate ledger for overdraft accounts which are granted in a current account.
- Banks generally do not allot separate folios to each customer. The register is divided into various sections, each section for a particular period of deposit and/or the rate of interest payable on deposits.
- The voucher summary sheets are prepared in the department which originates the transactions, by persons other than those who write the ledgers.

- They are subsequently checked with the vouchers by persons generally unconnected with the writing of ledgers/registers or the voucher summary sheets.

Bills Registers

- Details of different types of bills are kept in separate registers which have suitable columns.
- For example, bills purchased, inward bills for collection, outward bills for collection etc. are entered serially on a daily basis in separate registers.
- In the case of bills purchased or discounted, party-wise details are also kept in a normal ledger form. This is done to ensure that the sanctioned limits of parties are not exceeded.
- Entries in these registers are made by reference to the original documents.
- A voucher for the total amount of the transactions of each day is prepared in respect of each register. This voucher is entered in the day book.
- When a bill is realised or returned, its original entry in the register is marked off.
- A daily summary of such realisations or returns is prepared in separate registers whose totals are taken to vouchers which are posted in the day book.
- In respect of bills for collection, contra vouchers reflecting both sides of the transaction are prepared at the time of the original entry, and this entry is reversed on realisation.
- Outstanding entries are summarised at stipulated intervals and their totals agreed with the balances of the respective control accounts in the general ledger.

Other Registers/Records

There are different registers/records to record detailed particulars of various types of transactions.

These registers/records do not form part of the books of account but support the entries/balances in the various accounts. Some of the important registers/records relate to the following:

a) Drafts issued (separate registers may be maintained for drafts issued by the branch on other branches of the same bank and those on the branches of its correspondents in India or abroad

b) Drafts paid

c) Issue and payment of:

- Remittances
- Bankers cheques/Pay orders/Traveller's cheques/Gift cheques
- Letters of credit

- Letters of guarantee Entries in these registers

Preparation And Presentation of Financial Statements Of Banks

A banking company is required to prepare financial statements in accordance with Schedule III of the Companies Act, 2013.

Banking Regulation Act has prescribed Form A, the format of a balance sheet and form B, the format of a profit and loss account.

Preparation of Balance Sheet

Third Schedule: Form 'A' Form of Balance Sheet Balance Sheet as on 31st March,...

<i>Capital and Liabilities.</i>	<i>Schedule No.</i>	<i>₹</i>
Capital	1	....
Reserves and Surplus	2	....
Minorities Interest	2A	....
Deposits	3	....
Borrowings	4	....
Other Liabilities and Provisions	5	....
Total		

<i>Assets</i>	<i>Schedule No.</i>	<i>₹</i>
Cash and Balance with RBI	6	....
Balances with Banks and Money at Call and Short Notice	7	....
Investments	8	....
Advances	9	....
Fixed Assets	10	....
Other Assets	11	....
Goodwill on consolidation ¹		
Debit balance of Profit and Loss account		
Total		....
Contingent Liabilities	12	....
Bills for collection		

Schedule 1: Capital

i) For Nationalised banks: Capital

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 kept with RBI under Section 11(2) of the Banking Regulation Act, 1949

Total**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	....

Schedule 2: Reserves and Surplus**Rs.****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) Share premium

Opening balance	....
Addition during the year	....
Deduction during the year	....

(IV) Foreign Currency Translation reserve

Opening balance	....
Additions during the year	....
Deductions during the year	....

(V) Investment reserve

Opening balance	....
Additions during the year	....
Deductions during the year	....

(VI) Special Reserve Under Income Tax Act

Opening balance	....
Additions during the year	....
Deductions during the year	....	....

(VII) Revenue and other reserves

Opening balance	....
Additions during the year	....
Deductions during the year	....	....

(VIII) Capital Reserve on consolidation

Opening Balance	....
Additions during the year	....
Deductions during the year	....	....

(IX) Balance in profit and loss account**Total (I + II + III + IV + V+VI+VII+VIII+IX)**

- Opening balances, additions and deductions since the last consolidated balance sheet shall be shown under each of the specified heads.
- Where there is more than one subsidiary aggregation results in goodwill in some cases and Capital Reserves in other cases, net effect to be shown in Schedule 2 or Assets side after giving separate notes.

Schedule 2A: Minorities Interest **Rs.**

Minority interest at the date on which the parent subsidiary relationship came into existence	....
Subsequent increase/ decrease	....
Minority interest on the date of balance sheet	....

Schedule 3: Deposits **Rs.**

(a)(I) Demand deposits		
▪ From banks	....
▪ From others	....	....
(II) Savings bank deposits:		
	
(III) Term deposits		
▪ From banks	....
▪ From others	....	....
Total (I, II and III)		

B. (i) Deposits of branches in India

(ii) Deposits of branches outside India

- Includes deposits of Indian branches of subsidiaries
- Includes deposits of foreign branches of subsidiaries

Schedule 4: Borrowings

Rs.

Borrowings in India

- Reserve Bank of India
- Other banks
- Other institutions and agencies

(II) Borrowings outside India

- Total (I and II)
- Secured borrowings in I and II above:

Schedule 5: Other Liabilities and Provisions

Rs.

- Bills payable
- Inter-office adjustments (net)
- Interest accrued
- Deferred Tax Liabilities
- Others (including provisions):
- Total:-----

Schedule 6: Cash and Balances with RBI

Rs.

Cash in hand (including foreign currency notes)

Balances with RBI in:

- Current account
- Other accounts
- Total (I and II)

Schedule 7: Balance with Banks and

Rs

Money at Call and Short Notice

In India

Balance with banks:

- In Current accounts
- In other deposit accounts

(ii) Money at call and short notice:

- With banks

(b) With other institutions

- Total (I and II)

(II) Outside India

- In current accounts
- In other deposit accounts
- Money at call and short notice
- Total (i, ii and iii)

Grand Total (I and II)....

Schedule 8: Investments**Rs.****(i) Investments in India in**

- Govt. securities
- Other approved securities
- Shares
- Debentures and bonds
- Subsidiaries and/or joint ventures
- Others (to be specified)

Total:

.....

(ii) Investment outside India in

- Govt. Securities (incl. local authorities)
- Subsidiaries and/or joint ventures abroad
- Other investment (to be specified)

Total

.....

Grand Total (I and II)

(iii) Investment in India

- Gross value of Investments
- Aggregate of Provisions for Depreciation
- Net Investment

(IV) Investments outside India

- Gross value of investments
- Aggregate of Provisions for Depreciation
- Other investments (to be specified)

Schedule 9: Advances**Rs.**

- 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/Govt. guarantees		....
(iii) Unsecured			....
Total:	....	

C. (I) Advances in India:

▪ Priority sectors		....
▪ Public sector			....
▪ Banks			....
▪ Others			....

Total:-----**(II) Advances outside India:**

Due from banks		....
Due from others:			
▪ Bills purchased and discounted		....
▪ Syndicated loans			....
▪ Others		....	....
Total....			

Grand Total (C.I and C.II)....

Schedule 10: Fixed Assets

Rs.

(i) Premises

At cost as on 31st March of the preceding year

Additions during the year		....
Deductions during the year		....
Depreciation to date		....	....

(IA) Premises under construction**(II) Other fixed assets (incl. furniture and fixture)**

At cost on 31st March of the preceding year		....
Additions during the year		....
Deductions during the year		....
Depreciation to Date		....	....

(IIA) Leased Assets

At cost as on 31st March of the preceding year	....	
Additions during the year including adjustments	....	
Deductions during the year including provisions	....	
Depreciation to date	....	....
Total (I and II)			....
(IIIA) Capital-Work-in progress (Leased Assets) net of Provisions			....
Total (I, IA, II, IIA & III)		....

Schedule 11: Other Assets**Rs.**

(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) Deferred Tax Assets	....	
(VII) Others*	....	
Total:			

* In case there is any unadjusted balance of loss (i.e. when the loss exceeds the aggregate of capital, reserves and surplus), the same may be shown under this item under appropriate footnote.

Schedule 12: Contingent Liabilities**Rs.**

(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 of constituents:			
▪ In India	....	....
▪ Outside India	....		....
(V) Acceptances, endorsements and other obligations	....	
(VI) Other items for which the bank is contingently liable	....	

Total:

.....

Accounting Treatment Of Specific Items

Accounting treatment of some specific items in the profit and loss account and balance sheet are being explained

Bad Debts and Provisions for Doubtful Debts

- Charged under the heading 'Provision and Contingencies' in the Profit and Loss account.
- In the Balance Sheet, the advances are shown after deducting both bad debts and provision for bad debts.
- The Schedule of Advances to be filled in by the branches contains a separate column regarding doubtful debts in respect of 'bills purchased and discounted', cash-credits and overdrafts, and unsecured loans.
- However, while consolidating the Schedule of Advances at the head office level, for balance sheet purposes, the advances are shown net of any bad or doubtful debts.

Provision for Taxation

- Charged to the Profit and Loss Account under the heading 'Provisions and Contingencies', in the Balance Sheet, it will be shown under the heading 'Other Liabilities and Provisions', on the Liabilities side.

Rebate on Bills Discounted

- This refers to unexpired discount. A banking company charges discount in advance for the full period of the bill of exchange or promissory note discounted with it.

The accounting entry made is as follows:

- Bills discounted and purchased a/c Dr.
- To Customers' a/c
- To Discount a/c Customer's account is credited with the net amount remaining after deducting the amount of discount.
- The amount credited to the discount account represents the earning of the bank.
- However, it may be possible that the bills discounted may mature after the close of the financial year. It will not be appropriate to take to the credit of the Profit and Loss account, that part of the discount charged, which relates to next year. An accounting entry is, therefore, passed for unearned discount in the following manner:

Discount a/c Dr. To Rebate on Bills Discounted a/c (with the amount of unearned discount relating to the next period)

- Rebate on bills discounted, if already appearing in the trial balance, is taken to the balance sheet on the 'liabilities side'.
- However, if an adjustment has to be done after the preparation of the trial balance, in respect of rebate on bills discounted, the amount of such rebate (i.e. the unearned discount) will be deducted from the total discount in the profit and loss account and will also appear as a liability in the balance sheet.

Preparation Of Profit and Loss Account

- Form 'B' Third Schedule
- Form of Profit and Loss Account
- Profit and Loss Account for the Year Ended 31st March, 20.....



	Schedule Number	Year Ended (₹)
I. Income:		
Interest Earned	13	.....
Other Income	14	.....
II. Expenditure:		
Interest Expended	15	.....
Operating Expenses	16	.....
Provisions and Contingencies	...	.....
Total		.....
III. Profit/Loss:		
Net Profit/(Loss) of the Year		.....
Profit/(Loss) brought forward		.....
Share of earnings/loss in Associates		.....
Consolidated Net profit/(loss) for the year before deducting Minorities' Interest	17	.....
Less: Minorities' Interest		.....
Consolidated profit/(loss) for the year attributable to the group		.....
Add: Brought forward consolidated profit/(loss) attributable to the group		.....
Total		.....
IV. Appropriations:		
Transfer to Statutory Reserves		.....
Transfer to other Reserves		.....
Transfer to Government/Proposed Dividend		.....
Balance Carried over to Balance Sheet		.....
Total		.....
Earnings per Share ¹		.....
Basic earnings per equity share		.....
Diluted earnings per equity share		.....

Schedule 13: Interest Earned

Rs.

- | | |
|--|-------|
| ▪ Interest/Discount on Advances/Bills | ..... |
| ▪ Income on Investments | ..... |
| ▪ Interest on balances with RBI and other Inter-bank funds | ..... |
| ▪ Others | ..... |
| ▪ Total | ..... |

Schedule 14: Other Incomes

Rs.

- | | |
|--|-------|
| (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/Building and other Assets	.....
Less: Loss on Sale of Land, Building 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) (a) Lease finance income	.....
(b) Lease management fee	.....
(c) Overdue charges	.....
(d) Interest on lease rent receivables	.....
(VIII) Misc. Income	.....
Total		.....

Note: Under Items II to V loss figures be shown in brackets.

Schedule 15: Interest Expended Rs.

▪ Interest on Deposits	.....
▪ Interest on RBI/Inter-Bank Borrowings	.....
▪ Others	.....
Total	.....

Schedule 16: Operating Expenses Rs.

▪ Payments to and Provisions for Employees	.....
▪ Rent, Taxes and Lighting	.....
▪ Printing and Stationery	.....
▪ Advertisement and Publicity	.....
(a) Depreciation on Bank's Property other than leased assets	.....
(b) Depreciation on leased assets	.....
▪ Depreciation on Bank's Property	.....
▪ Directors' Fees, Allowances and Expenses	.....
▪ Auditors' Fees and Expenses (Including Branch Auditors)	.....
▪ Law Charges	.....
▪ Postages, Telegrams, Telephones, etc.	.....

▪ Repairs and Maintenance	.....
▪ Insurance	.....
▪ Amortisation of Goodwill, if any	.....
▪ Other Expenditure	.....
Total	.....

Disclosure Requirements Of Banks To Be Added As Notes To Accounts

- In order to encourage market discipline, Reserve Bank has over the years developed a set of disclosure requirements which allow the market participants to assess key pieces of information on capital adequacy, risk exposures, risk assessment processes and key business parameters which provide a consistent and understandable disclosure framework that enhances comparability.
- Banks are also required to comply with the Accounting Standard 1 (AS 1) on Disclosure of Accounting Policies issued by the Institute of Chartered Accountants of India (ICAI).
- In addition to the 16 detailed prescribed schedules to the balance sheet, banks are required to furnish the information in the “Notes to Accounts”, a gist of which is given below.

Summary of Significant Accounting Policies'

- Summary of Significant Accounting Policies' and 'Notes to Accounts' are to be shown under Schedule 17 and Schedule 18 respectively, to maintain uniformity.
- The details are given in RBI Master Circular of July 1, 2015 on “Disclosure in Financial Statements –Notes to Accounts” Summary of Significant Accounting Policies Banks should disclose the accounting policies regarding key areas of operations at one place (under Schedule 17)

Gist of information to be disclosed in 'Notes to Accounts' (Schedule 18)

- Capital
- Investments
- Derivatives
- Asset Quality
- Business Ratios
- Asset Liability Management
- Exposures (To real estate sector, capital market, country exposure, single/group borrower limit exceeded by bank, unsecured advances)
- Disclosure of penalties imposed by RBI
- Disclosure Requirements as per Accounting Standards where RBI has issued guidelines in respect of disclosure items for Notes to Accounts
- Provisions and Contingencies

- Floating Provisions
- Draw Down from Reserves
- Disclosure of complaints
- Disclosure of Letters of Comfort (LoCs) issued by banks
- Provisioning Coverage Ratio (PCR)
- Bancassurance Business
- Concentration of Deposits, Advances, Exposures and NPAs
- Sector-wise NPAs
- Movement of NPAs
- Overseas Assets, NPAs and Revenue
- Off-balance Sheet SPVs sponsored
- Unamortised Pension and Gratuity Liabilities
- Disclosures on Remuneration
- Disclosures relating to Securitisation
- Credit Default Swaps
- Transfers to Depositor Education and Awareness Fund (DEAF)
- Unhedged Foreign Currency Exposure

Illustration 1 From the following particulars, prepare the profit and loss account of ABC Bank Ltd., for the year ended 31st March, 2022.

<i>Income/Expenses</i>	₹	<i>Income/Expenses</i>	₹
Commission charged	7,000	Interest on overdrafts	60,000
Discount on bills discounted	1,65,000	Interest on savings bank accounts	72,000
Audit fees	5,000	Postage telegram	2,000
Establishment expenses	60,000	Printing and stationery	3,000
Interest on loan	2,80,000	Unexpired discount on bills discounted	55,000
Interest on fixed deposits	2,98,000	Rent and taxes	22,000
Interest on cash credits	2,40,000	Sundry expenses	2,000

Make a provision of Rs. 30,000 for doubtful debts

ABC Bank Ltd. Profit & Loss Account for the year ended 31st March, 2022

Dr.	Schedule No.	Cr.
		₹
I. Income		
Interest Earned	13	6,90,000
Other Income	14	7,000
Total		6,97,000
II. Expenditure		
Interest Expended	15	3,70,000
Operating Expenses	16	94,000
Provision for Contingencies		30,000
Total		4,94,000
III. Profit:		
Net profit for the year		2,03,000

Schedule 13: Interest Earned

▪ Discount on Bills discounted	1,65,000
▪ Interest on:	
<input type="checkbox"/> Loans	2,80,000
<input type="checkbox"/> Cash Credits	2,40,000
<input type="checkbox"/> Overdrafts	60,000
	5,80,000
Less: Unexpired Discount on Bills Discounted	55,000
	6,90,000

Schedule 14: Other Income

Commission Charged	7,000
--------------------	-------

Schedule 15: Interest Expended

Interest paid on:

<input type="checkbox"/> Fixed Deposits	2,98,000
<input type="checkbox"/> Savings Bank Accounts	72,000
	3,70,000

Schedule 16: Operating Expenses

▪ Establishment Expenses	60,000
▪ Audit Fees	5,000
▪ Rent and Taxes	22,000
▪ Postage and Telegrams	2,000

▪ Printing and Stationery	3,000
▪ Sundry Expenses	2,000
	94,000

Illustration 2 Prepare the Profit and Loss account of Modern Bank Ltd. for the year ended 31st March, 2022, from the following:

the following.

	₹
Interest on Fixed Deposits	1,62,410
Rebate on Bills discounted	29,000
Interest on Loans	45,000
Commission Charged to Customers	62,500
Establishment	15,000
Discount on Bills Discounted	89,000
Interest on Cash Credit	24,000
Amount Charged against Current Accounts	71,500
Directors' Fees	10,000
Audit Fees	20,000
Postage and Telegram	2,000
Printing and Stationery	4,000
Rent and Taxes	22,500
Interest on Overdrafts	71,000
Sundry Charges	1,500
Interest on Savings Bank Deposits	57,780

Schedule 13: Interest Earned

▪ Interest on:	
❑ Loan	45,000
❑ Cash Credit	24,000
❑ Overdrafts	71,000
	1,40,000
Discount on Bills discounted	89,000
Less: Rebate on Bill Discounted	29,000
	60,000
Amount charged against current accounts	71,500
	2,71,500

Schedule 14: Other Income

Commission charged to customers 62,500

Schedule 15: Interest Expended

- Interest paid on:
 - ❑ Fixed Deposits 1,62,410
 - ❑ Savings Bank Deposits 57,780
- 2,20,190

Schedule 16: Operating Expenses

- Establishment Expenses 15,000
 - Director's Fees 10,000
 - Audit Fees 20,000
 - Rent and Taxes 22,500
 - Postage and Telegrams 2,000
 - Printing and Stationery 4,000
 - Sundry Expenses 1,500
- 75,000

Modern Bank Ltd. Profit & Loss Account for the year ended 31st March, 2022

	Schedule No.	₹
I. Income: Interest		
Earned	13	2,71,500
Other Income	14	62,500
Total		3,34,000
II. Expenditure: Interest		
Expended	15	
Operating Expenses	16	2,20,190
Provision for Contingencies		75,000
Total		2,95,190
III. Profit:		38,810
Net Profit for the year		

Illustration 3

The following are details of advances of Punjab Bank Ltd.,

- Bills Purchased and Discounted 15,00,000
- Cash Credits, Overdrafts and Loans Repayable on Demand 20,00,000
- Term Loans 5,00,000
- The following are the other details of the above advances:
 - Secured by Tangible Assets 30,00,000

- | | |
|---|----------|
| ▪ Covered by Bank, Government and ECGC Guarantees | 6,00,000 |
| ▪ Unsecured | 2,00,000 |
| Doubtful Debts | 2,00,000 |
| ▪ Show how these items will appear in the Bank's Final Accounts | |

Schedule 9: Advances**Rs,**

A)1. Bills Purchased and Discounted	15,00,000
2. Cash Credits, Overdrafts and Loans Repayable on Demand	18,00,000
3. Term loans	5,00,000
Total (1, 2 and 3)	38,00,000
B)1. Secured by Tangible Assets	30,00,000
2. Covered by Bank Guarantee and ECGC Guarantee	6,00,000
3. Unsecured	2,00,000
Total (1, 2 and 3)	38,00,000

Profit & Loss Account as on

I. Income	
II. Expenditure	
III. Provision and Contingencies	2,00,000

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