

UNIT-1

ACCOUNTS OF BANKING COMPANY

Meaning

SECTION 5 (b) of the banking regulation act 1949 defined banking as - "Accepting for the purpose of lending or investment, of deposits of money from the public repayable on demand or otherwise and withdrawal by cheque, or draft order or otherwise

Statutory Reserve

According to Section 17(1) of the banking regulation act every banking company incorporated in India must transfer at least 25% of its annual profit to statutory reserve

Form 'B'

Form of Profit and loss a/c

Profit and loss a/c for the year ended.....

Particulars	Schedule No.	Amount
I. Income		
Interest earned	13	xxx
Other income	14	xxx
Total		xxx
II. Expenditure		
Interest expended	15	xxx
Operating expenses	16	xxx
Provisions and contingencies		xxx
Total		xxx
III. Profit / loss		
Net Profit / loss for the year		xxx
Profit / loss brought forward		xxx
Total		xxx
IV. Appropriation		
Transfer to statutory reserve ^{Net profit} (25%)		xxx
✓ { Transfer to other reserve (if % is there)		xxx
Transfer to government / proposed dividend		xxx
Balance carried over to B/s		xxx
Total		xxx

6. From the following particulars prepare profit and loss a/c of Krishna bank company for the year ending 31/03/2017

Particulars	₹
Interest on loan	34,900
Interest on fixed deposit	36,500
Rebate on bill discounted	4,800
Commission charge on customer	910
Office expenses	15,500
Discount on bill discounted	19,400
Interest on cash credit	22,400
Balance on profit and loss a/c	1,200
Rent and taxes	1,800
Interest on overdraft	12,800
Directors remuneration	420
Interest on saving deposits account	6,900
Postal expenses	150
Printing and stationery	390
Other expenses	180

Particulars	₹
<u>Schedule - 13 :- Interest earned</u>	
Interest and discount	84,700
$[34,900 + 19,400 + 22,400 + 12,800 - 4,800]$	
Total	84,700
<u>Schedule - 14 :- Other income</u>	
Commission	910
Total	910

Schedule - 15: Interest expended

Interest on deposit
[36500 + 6900]

Total

43400

43400

Schedule - 16: Operating Expenses

Office Expenses

Rent and taxes

Directors remuneration

Postal expenses

Printing and stationery

Other Expenses

Total

15500

1800

420

150

390

180

18,440

Krishna Bank company

Profit and loss a/c for the year ended 31st March 2014

Particulars

Schedule
No

Amount

I. Income

Interest earned

Other Income

Total

13

14

15

84700

910

85610

II. Expenditure

Interest Expended

Operating Expenses

Total

15

16

17

43,400

18,440

61,840

III. Profit / loss

Net profit/loss for the year
(85610 - 61840)

Profit/loss brought forward

Total

23,770

1,200

24,970

IV. Appropriation

Transfer Statutory Reserve $[23770 \times 25\%]$	5943
Balance carried over to balance sheet	19027
Total	24,970

2] From the following particulars prepare the profit and loss a/c of SBI bank Ltd for the year ended 31.03.2017.

Particulars	₹
Interest on loan	2,59,000
Interest on fixed deposit	2,75,000
Rebate on bill discounted (Refund of amount)	49,000
Commission charge to customer	8,200
Establishment expenses bank	54,000
Discount on bill discounted	1,95,000
Interest on cash credit	2,23,000
Interest on current account ^{Expenditure}	42,000
Rent and taxes	18,000
Interest on overdraft	54,000
Directors and audit fees	4,200
Interest on saving bank deposit	68,000
Postage and telegram	1400
Printing and advertisement	2900
Sundry charges	1700

Particulars

Schedule:- 13 - Interest earned

Interest and discount
[2,59,000 + 1,95,000 + 2,23,000 + 54,000
- 49,000]

6,82,000

Total

6,82,000

Schedule:- 14 - Other Income

Commission

8,200

Total

8,200

Schedule:- 15 - Interest Expended

Interest on deposit

3,85,000

[2,75,000 + 42,000 + 68,000]

3

Total

3,85,000

Schedule:- 16 - Operating Expenses

Establishment expenses

54,000

Rent and taxes

18,000

Directors and audit fees

4,200

Postage and telegram

1,400

Printing and advertisement

2,900

Sundry charges

1,700

Total

82,200

SBI bank Ltd

Profit and loss a/c for the year ended 31st Mar 2017

Particulars	Schedule NO.	Amount
<u>I. Income</u>		
Interest earned	13	6,82,000
Other income	14	8,200
Total		6,90,200
<u>II. Expenditure</u>		
Interest expended	15	3,85,000
Operating Expenses	16	82,200
Total		4,67,200
<u>III. Profit / loss</u>		
Net profit / loss for the year		2,23,000
Profit / loss brought forward		-
Total		2,23,000
<u>IV. Appropriation</u>		
Transfer statutory Reserve (223000 × 25%)		55,750
Balance carried over to balance sheet		1,67,250
Total		2,23,000

From the following particulars prepare profit and loss a/c of Mysore bank Ltd for the year ended 31st March 2017.

Interest on loan	51,800
Interest on fixed deposit	55,000
Commission received	1,600
Salary and allowances	10,800

12	Discount on bill discounted	29,200
13(-)	Rebate on bill discounted	9,800
13	Interest on cash credit	44,600
15	Interest on current account	8,400
16	Rent and taxes	3,600
13	Interest on overdraft	30,800
16	Directors fees	600
16	Auditors fees	200
15	Interest on saving bank deposit	13,600
16	Postage and telegram	300
16	Printing and stationery	600
14	Lockers rent	200
14	Transfer fees	100
16	Depreciation on bank properties	1000
16	Sundry charges	400
<u>Other Information</u>		
	Provision for bad debts	8000
	Provision for income tax	30,000

Schedule - 13:- Interest earned		
Interest and discount		145,600
[51800 + 29,200 + 44600 - 9800] 30,800		
Total		146600

Schedule - 14:- Other income		
Commission		1600
Locker rent		200
Transfer fee		100
Total		1900

Schedule: 15:- Interest Expended

Interest on deposit	77000
[55000 + 13,600 + 8400]	
Total	77000

Schedule - 16:- Operating Expenses

Salaries and allowances	10,800
Rent and taxes	3,600
Directors fees	600
Auditors fees	200
Postage and telegram	300
Printing and stationery	600
Depreciation on bank properties	1,000
Sundry charges	400
Total	17,500

Mysore Bank Ltd

Profit and loss ac for the year ended 31st Mar 2017

Particulars

I. Income

Interest earned

Other income

Total

Schedule No. Amount

13

146600

14

1900

148500

II. Expenditure

Interest Expended

Operating Expenses

Provisions and contingencies

[30000 + 8000]

Total

15

77,000

16

17,500

38,000

1,32,500

III. Profit / loss

Net profit / loss for the year

Profit / loss brought forward

Total

16,000

16,000

IV. Appropriation

Transfer to statutory reserve

Balance carried over to balance sheet

Total

4,000

12,000

16,000

Form A

Form of Balance sheet

Particulars

Capital and Liabilities

Capital

Reserves & Surplus

Deposit

Borrowing

Other liabilities

Total

Sched
No.

Amount

1

xx

2

xx

3

xx

4

xx

5

xx

xx

Assets

Cash & balance with RBI

Money at call & short notice

Investment

Advance

Fixed assets

Other assets

Total

6

xx

7

xx

8

xx

9

xx

10

xx

11

xx

xx

Contingent liabilities

Bills for collection

12

xx

4] From the following information prepare profit and loss a/c of ABC bank Ltd for the year ended 31/3/2019

13	Interest on loan	25,90,000
15	Interest on fixed deposit	31,70,000
14	Commission	82,000
16	Payment to employees	5,40,000
13	Discount on bill discounted	10,60,000
13	Interest on cash credit	22,30,000
16	Rent, tax and lighting	1,80,000
13	Interest on overdraft	15,40,000
16	Directors fees, allowances & Expenses	30,000
16	Auditors fees and expenses	12,000
15	Interest on saving bank deposit	6,80,000
16	Postage, telegram and telephone	14,000
16	Printing and stationery	29,000
16	Sundry charges	17,000

Additional information

Provide for contingencies - ₹ 2,00,000

Transfer - ₹ 15,57,000 to - ₹ 15,57,000 reserve fund

Transfer - ₹ 2,00,000 to central government.

Schedule - 13 :- Interest earned	
Interest and discount	742,000
[25,90,000 + 10,60,000 + 22,30,000 + 15,40,000]	
Total	742,000

Schedule - 14 :- Other Income	
Commission	82,000
Total	82,000

Schedule - 15 :- Interest Expended	
Interest on deposit.	38,50,000
[31,70,000 + 6,80,000]	288,
	38,50,000

Schedule - 16 :- Operating Expenses	
Payment to employees	5,40,000
Rent, tax and lighting	1,80,000
Directors fees, allowances and Expenses	30,000
Auditors fees and expenses	12,000
Postage, telegram and telephone	14,000
Printing and stationery	29,000
Sundry charges	17,000
Total	8,22,000

ABC bank Ltd

Profit and loss a/c for the year ended 31st Mar 2017

Particulars	Schedule No.	Amount
I. Income		
Interest earned	13	74,20,000
Other income	14	82,000
Total		75,02,000
II. Expenditure		
Interest Expended	15	38,50,000
Operating Expenses	16	8,22,000
Provide for contingencies		2,00,000
Total		48,72,000
III. Profit/loss		
Net profit/loss for the year		26,30,000
Profit or loss brought forward		-
Total		26,30,000
IV. Appropriation		
Transfer to statutory Reserve		6,57,500
Transfer to other reserve		15,57,000
Transfer to government		2,00,000
Balance carried over to balance sheet		2,15,500
Total		26,30,000

7] From the following balance sheet of lucky bank Ltd as on 31/3/2017

11	Share capital		2,00,000
10	Premises (fixed asset)		1,00,000
5	Rebate on bill discounted	(liability) Exp for bank	5,000
5	Travellers cheque	(bcoz of adjustment) (-)	2,00,000
3	Deposits	F.D. R.D., S.B.	56,00,000
9	Loans	(amt for bank)	22,00,000
2	Reserves		3,00,000
6	Cash in hand (our account)		30,000
7	Cash with other banks		4,50,000
7	Money at call		9,00,000
2	Profit and loss a/c (cr)		45,000
8	Investment		7,00,000
9	Bills purchased		15,00,000
12	Acceptance for customers		5,00,000
	Bills for collection		4,00,000
10	Depreciation fund of premises (-)		10,000
6	Cash with RBI		5,20,000
5	Pension fund		40,000

The following were completely omitted while the above balance were calculated. These should be adjusted suitably

- (i) Travellers cheque paid ₹ 10,000
- (ii) Money at call recovered ₹ 20,000

Schedule-1: Capital

2000 shares of ₹ 100 each	2,00,000
Total	2,00,000

Schedule-2: Reserves & Surplus

Reserve	3,00,000
Profit / Loss a/c	45,000
Total	3,45,000

Schedule-3: Deposit

Deposit	56,00,000
Total	56,00,000

Schedule-4: Borrowings

Nil

Schedule-5: Other Liabilities

Rebate of bill discounted	5000
Travellers cheque	2,00,000
(-) Paid	10,000
Pension fund	40,000
Total	235,000

Schedule-6: Cash & balance with RBI

Money at call	20000
(-) Travellers cheque	10000
Cash in hand	30000
Cash with RBI	520000
Total	560000

Schedule-7: Balance with bank & money at call

Money at call	9,00,000	
(-) Paid (Recovered)	20,000	880,000
Balance with other bank		4,50,000
Total		13,30,000

Schedule-8: Investment

Investment

Total

7,00,000

7,00,000

Schedule-9: Advances

Loans

Bills purchased

Total

22,00,000

15,00,000

37,00,000

Schedule-10: Fixed asset

Premises

1,00,000

(-) Depreciation

10,000

90,000

Total

90,000

Schedule-11: Other asset

Nil

Schedule-12: Contingent liability

Acceptance for customers

5,00,000

Form A

Lucky Bank Ltd balance sheet as on 31/3/2017

Particulars	Schedule No.	Amount
Capital & Liability		
Capital	1	2,00,000
Reserve	2	3,45,000
Deposit	3	56,00,000
Borrowings	4	-
Other Liability	5	2,35,000
		<u>63,80,000</u>
Assets		
Cash with RBI	6	5,60,000
Cash with other bank	7	13,30,000
Investment	8	7,00,000
Advances	9	37,00,000
Fixed assets	10	90,000
Other assets	11	-
		<u>63,80,000</u>
Contingent Liability	12	5,00,000
Bills for collection		4,00,000

Note:- Contingent Liability.

This item will include letter of credit and bills accepted by the bank on behalf of customer. Guarantee given for Indians and outside India may be shown separately.

Travellers cheque - other liability

The interest accruing on all deposits, whether the payment is due or not, should be treated as liability.

27/10/17
2] Following is the trial balance of Dhanalaxmi bank Ltd. as on 31st March 2017.

1	50000 RS of ₹ 10 each	5,00,000
2	Reserve fund	2,50,000
7	Loan, cash credit and overdraft	2,85,000
10	Premises	50,000
8	Indian govt security	4,00,000
3	Current deposit	1,00,000
3	Fixed deposit	1,25,000
3	Saving bank deposit	50,000
16	Salary	28,000
16	General expenses	27,400
16	Rent, rate and taxes	2,300
16	Directors fee	1,800
Profit and loss a/c on 1/4/2014		16,000
13	Interest and discount	1,28,000
11	Stationery and stamp (stock)	8,500
9	Bills purchase and discounted	46,000
5	Interim dividend paid	17,000
13	Recurring deposit	20,000
8	Shares	50,000
6	Cash in hand and with RBI	1,93,000
7	Money at call and short notice	80,000
Additional information		
10	Provision for bad and doubtful debts required is ₹ 5,000 (P.B.D - 5) (Provision & contingency)	
13	Interest ^{income} accrued on investment 8,000	
13	Unexpired ^{Rebate} discount amounted to ₹ 380	
14	Interim dividend declared was 4% ^{Share Capital} actually	
16	₹ 10,000 were added to the premises during the year. Provide 10% depreciation on opening balance	

- 6) Endorsement made on behalf of customer totalled ₹1,15,000
- 7) Market value of Indian govt security was ₹3,90,000
- Prepare profit & loss ac and balance sheet for the year ended 31st March 2017.

Schedule - 13 :- Interest earned

Interest on discount $[128000 \div 380]$	127,620
Interest on investment	8000
Total	1,35,620

Schedule - 14 :- Other Income

-

Schedule - 15 :- Interest Expended

-

Schedule - 16 :- Operating Expenses

Salaries	28,000
Rent, rates and taxes	2300
Directors fees	1800
General Expenses	27,400
Depreciation $[50000 - 10,000 \times 10\%]$	4000
Total	63,500

Dhanalaxmi bank Ltd

Profit and loss a/c for the year ended 31/3/17

Particulars	Schedule No.	Amount
I. Income		
Interest earned	13	1,35,620
Other Income	14	-
Total		<u>1,35,620</u>
II. Expenditure		
Interest expended	15	-
Operating Expenses	16	63,500
Provision		5000
Total		<u>68,500</u>
III. Profit / loss		
Net Profit for the year		67,120
Profit / loss brought forward		16,000
Total		<u>83,120</u>
IV. Appropriation		
Transfer to Statutory Reserve [67120 x 25%]		16,780
Transfer to govt/proposed dividend (5,00,000 x 4%)		20,000
Balance carried over to balance sheet		46,340
Total		<u>83,120</u>

Schedule-1:- Capital

Share capital	5,00,000
	<u>5,00,000</u>

Schedule-2:- Reserve & Surplus

Reserve fund	2,50,000
Statutory reserve	16,780
Profit and loss bal c/d	46,340
	<u>3,13,120</u>

Schedule-3:- Deposit

Current deposit	1,00,000
Fixed deposit	1,25,000
Saving bank deposit	50,000
Recurring deposit	20,000
	<u>2,95,000</u>

Schedule-4:- Borrowings

-

Schedule-5:- Other Liabilities

Proposed dividend [20000-17000]	3000
Provision for doubtful debts	5000
Rebate on bill discounted	380
	<u>8380</u>

Schedule-6:- Cash in hand & with RBI

Cash in hand & with RBI	1,93,000
	<u>1,93,000</u>

Schedule - 7:- Money @ call & short notice
 Money at call and short notice

80,000

80,000

Schedule - 8:- Investments

Government security
 shares

4,00,000

50,000

4,50,000

Schedule - 9:- Advances

Bills discounted

46,000

loan, cash credit and overdraft

2,85,000

3,31,000

Schedule - 10:- Fixed assets

Premises [50000 - 4000]

46,000

46,000

Schedule - 11:- Other assets

Interest accrued on investment

8000

stationery and stamp

8500

16,500

Schedule - 12:- Contingent liability

Endorsement on behalf of customers

1,15,000

1,15,000

Dhanalaxmi bank Ltd

Balance sheet as on 31st March 2017.

Particulars	Schedule No	Amount
Capital and Liabilities		
Capital	1	5,00,000
Reserves & surplus	2	3,13,120
Deposit	3	2,95,000
Borrowings	4	- 8,280
Other liabilities	5	8,380
Total		11,16,500

Assets

Cash in hand & with RBI	6	1,93,000
Money at call & short notice	7	80,000
Investments	8	4,50,000
Advances	9	3,31,000
Fixed assets	10	46,000
Other assets	11	16,500
Total		11,16,500

Contingent liability

Bills for collection

Note:-

According to schedule-8 the government securities including state and central and government treasury bills. The securities should be shown at the book value. However the difference b/w the book value & the market value should be given in the note of the balance sheet.

According to schedule-5 other liabilities

proposed dividend are transferred to govt, other liabilities which are not disclosed under any of the major head such as unclaimed dividend, provision and funds kept for specific purpose. Outstanding charges like unexpired discount, rent etc certain types of deposits like staff security

3] India bank Ltd presents its ledger balance as on 31st March 2017.

Loan	4,00,000
Cash credit	1,00,000
Overdraft	70,000
Premises	1,00,000
Investment	8,00,000
Salary	56,000
General Expenses	54,800
Rent, rates & taxes	46,000
Directors fee	3,600
Stock & stationery	17,000
Bills purchased	92,000
Cash in hand	2,00,000
Cash with RBI	1,86,000
Money at call	1,60,000
Share Capital	10,00,000
Reserve fund	5,00,000
Current a/c	2,00,000
Fixed deposit	2,50,000
Saving deposit	50,000
Cash certificates	50,000
Profit & loss a/c 1/4/2014 (Cr)	32,000
Interest and discount	2,56,000

5	Interim dividend	34000
8	Share in company	1,00,000
3	Recurring deposit	40,000
<u>Other information:-</u>		

- 1) Provide for doubtful debts - ₹10,000
 - 2) Interest receivable on investment - ₹16,000
 - 3) Unexpired discount - ₹760
 - 4) Interim dividend declared was 4% actually
 - 5) Endorsement and guarantee ₹2,00,000
 - 6) Addition made to premises during the year ₹20,000, depreciation of premises at 5% on opening balance
- Prepare profit & loss a/c and balance sheet.

Schedule-13:- Interest earned		
Interest and discount [256000 + 760]		255240
Interest on investment		16000
Total		271240

Schedule-14:- Other income	-
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Schedule-15:- Interest expended	-
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Schedule-16:- Operating expenses		
Salary		56000
General expenses		54800
Rent, rates & taxes		4600
Directors fees		3600
Depreciation [1,00,000 - 20000 x 5%]		4000
		123000

India bank Ltd

Profit and loss a/c for the year ended 31st March 2019

Particulars	Schedule NO	Amount
I. Income		
Interest earned	13	271240
Other income	14	-
Total		271240

II. Expenditure		
Interest expended	15	-
Operating expenses	16	123000
Provisions & contingencies		10000
Total		133000

III. Profit / loss		
Net profit for the year		138240
Profit / loss brought forward		32000
Total		170240

IV. Appropriation		
Transfer to statutory reserve		34560
Transfer to government / proposed dividend		40000
Balance carried over to balance sheet		95680
Total		170240

Schedule-1:- Capital
Share capital

10,00,000
10,00,000

Schedule-2:- Reserves & surplus

Reserve fund
statutory reserve
Profit and loss bal c/d

5,00,000
34,560
95680
6,30,240

Schedule-3:- Deposit

Current ac
Fixed deposit
Saving deposit
Cash certificates
Recurring deposit

200000
250,000
50,000
50,000
40,000
5,90,000

Schedule-4:- Borrowings

Schedule-5:- Other liabilities

Proposed Interim dividend (40000 - 34000)
Provision for doubtful debts
Bill discounted

6000
10000
760
16760

Schedule-6:- Cash with RBI

Cash in hand
Cash with RBI

2,00,000
1,86,000
3,86,000

Schedule-7:- Money at call & short notice

Money at call

1,60,000

1,60,000

Schedule-8:- Investment

Investment

share in company

8,00,000

1,00,000

9,00,000

Schedule-9:- Advances

Loan

Cash credit

Overdraft

Bills purchased

4,00,000

1,00,000

70,000

92,000

6,62,000

Schedule-10:- Fixed assets

Premises [1,00,000 - 4000]

96,000

96,000

Schedule-11:- Other assets

Stock & Stationery

Interest on investment

17,000

16,000

33,000

Schedule

Schedule-12:- Contingent liability

Endorsement & Guarantee

2,00,000

Form A

India bank ltd balance sheet as on 31/3/2017.

Particulars

Capital and Liabilities

Capital

Schedule
No.

Amount

1

10,00,000

Reserve

2

6,30,240

Deposit

3

5,90,000

Borrowing

4

-

Other liability

5

16,760

Total

22,37,000

Assets

Cash in hand with RBI

6

3,86,000

Money at call & short notice

7

1,60,000

Investment

8

9,00,000

Advances

9

6,62,000

Fixed assets

10

96,000

Other assets

11

33,000

Total

22,37,000

Contingent liability

12

2,00,000

4 The following is the trial balance of Modern bank Ltd as on 31st March 2017. Prepare bank financial account

10	Premises	2,10,000
2	Money at call and short notice	2,50,000
10	Furniture	25,000
6	Cash in hand	2,50,000
7	Cash at bank (other bank)	3,00,000
8	Investment	1,50,000
9	Loan & cash credit	11,23,500
15	Interest on deposit	1,50,000
16	Audit fees	5000
16	Salary	40,000
16	Directors fees	2,500
16	Printing & stationery	2,500
16	Depreciation	5,000
11	Non-banking asset	25,000
16	Other expenditure	1500
13	Interest and discount	2,50,000
1	Share capital	5,00,000
2	Reserve fund	2,50,000
3	Deposit	7,50,000
	Telegraphic transfer (G)	2,50,000
	Travellers letter of credit (G)	2,50,000
	Pay order & gift cheque (G)	50,000
	Pension fund	75,000
	Borrowings from bank	50,000
5	Unclaimed dividend	30,000
	Rent, locker rent	10,000
	Commission received	40,000
	Profit & loss a/c (G)	30,000

5 Bills payable

Adjustment

Provide 22500 for rebate on bill discounting

Liabilities on bill re-discounted 25000

Bills for collection amounted to 21,50,000

Provide 2500 for bad debts

Provide for income tax 2000.

Directors proposed 5% dividend on share capital.

Liabilities outstanding on forward exchange

contract 22,500

Schedule - 13 Interest earned

Interest & discount

[250000 - 2500]

247500

247500

Schedule - 14: Other income

Locker rent

Commission received

10000

40000

50000

Schedule - 15: Interest expended

Interest on deposit

1,50,000

1,50,000

Schedule - 16: Operating Expenses

Audit fees

Salary

Directors fees

Printing & stationery

Depreciation

Other Expenditure

5000

40000

2500

2500

5000

1500

56,500

Modern bank Ltd

Profit and loss a/c for the year ended 31/3/17

Particulars

Schedule
No

Amount

I. Income

Interest earned
other income

14/13 247500

14 50000

297500

II. Expenditure

Interest expended
Operating expenses
Provisions & contingencies
(500+2000)

15 1,50,000

16 56,500

2500

209000

III. Profit / loss

Net profit for the year
Profit / loss brought forward

88500

30000

118500

IV. Appropriation

Transfer to statutory reserve
Transfer to govt/proposed dividend
Balance carried over to balance sheet

22125

25000

71375

118500

<u>Schedule-1:- Capital</u>	
Share capital	5,00,000
	<u>5,00,000</u>

<u>Schedule-2:- Reserve</u>	
Reserve	2,50,000
Statutory reserve	22,125
Profit & loss balance	71,375
	<u>3,43,500</u>

<u>Schedule-3:- Deposit</u>	
Deposit	7,50,000
	<u>7,50,000</u>

<u>Schedule-4:- Borrowings from bank</u>	50,000
	<u>50,000</u>

<u>Schedule-5:- Other liabilities</u>	
Bills payable [250,000 + 250,000 + 50,000 + 50,000]	555,000
Pension fund	75,000
Unclaimed dividend	30,000
Provision of bill discounted	2,500
Provision for bad debts	500
Provision for income tax	2,000
5% Proposed dividend	25,000
	<u>6,90,000</u>

<u>Schedule-6:- Cash with RBI</u>	
Cash in hand	2,50,000
	<u>2,50,000</u>

Schedule-7 :- Cash with bank & Money at call & short notice

Money at call and short notice	2,50,000
Cash at bank	3,00,000
	<u>5,50,000</u>

Schedule-8 :- Investments

Investment	1,50,000
	<u>1,50,000</u>

Schedule-9 :- Advances

loan & cash credit	11,23,500
	<u>11,23,500</u>

Schedule-10 :- Fixed assets

Premises	2,10,000
Furniture	25,000
	<u>2,35,000</u>

Schedule-11 :- Other asset

Non-banking asset	25,000
	<u>25,000</u>

Schedule-12 :- Contingent liability

Bill re-discounted	5000
Exchange contract	2500
	<u>7500</u>

Form A

Modern bank Ltd balance sheet as on 31/3/2017.

Particulars	Schedule No	Amount
<u>Capital & Liabilities</u>		
Capital	1	5,00,000
Reserve & Surplus	2	3,43,500
Deposit	3	7,50,000
Borrowings	4	50,000
Other liabilities	5	6,90,000
Total		23,33,500
<u>Assets</u>		
Cash with BoB. RBI	6	2,50,000
Cash with bank & Money at call and short notice	7	5,50,000
Investment	8	1,50,000
Advances	9	11,23,500
Fixed assets	10	2,35,000
Other assets	11	25,000
Total		23,33,500
Contingent liabilities	12	7,500
Bills for collection		-

From the following trial balance of Canara bank	
ltd as on 31st Mar 2017	
13 Interest & discount	2,60,000
1 Share capital	6,00,000
2 Reserve fund	3,00,000
3 Deposits	8,00,000
5 Telegraphic transfer	2,00,000
7 Travellers letter of credit	3,00,000
Gift cheque	60,000
5 Pension fund	1,00,000
4 Borrowings from bank	75,000
5 Unclaimed dividend	25,000
14 Rent (cr)	20,000
14 Commission received	50,000
Profit & loss ac on 1st April 2014	40,000
5 Bills payable	10,000
10 Buildings	2,50,000
7 Money @ call on short notice	2,75,000
10 Furniture	40,000
6 Cash in hand	2,75,000
7 Cash at bank	3,25,000
8 Investments	1,75,000
9 loan & cash credit & overdraft	11,40,000
15 Interest on deposits	1,75,000
16 Audit fees	10,000
16 Salaries	50,000
16 Directors fees	5,000
16 Printing & stationery	5,000
16 Depreciation	7,500
11 Non-banking assets	1,00,000
16 Other Expenditure	7,500

Adjustments

- (1) Provide ₹5000 for rebate on bill discounted
- (2) Bills for collection amounted to ₹10,500
- (3) Provide ₹1250 for bad debts
- (4) Provide ₹2500 for income tax
- (5) Liabilities of on bill re-discounted ₹7500
- (6) Liabilities outstanding for forward exchange contract ₹3000
- (7) Directors proposed 5% dividend on share capital

Schedule - 13: Interest earned

Interest & discount

(260000 - 5000)

255000

255000

Schedule - 14: Other Income

Commission received

20,000

50,000

70,000

Schedule - 15: Interest expended

Interest on deposits

1,75,000

1,75,000

Schedule - 16: Operating Expenses

Rent

20,000

Audit fees

10,000

Salaries

50,000

Directors fees

5000

Printing & stationery

5000

Depreciation

7500

Other Expenditure

7500

85,000

Canara bank Ltd

Profit & loss a/c for the year ended 31/3/2019

Particulars

I. Income

Interest earned

Other income

Total

255000

70000

325000

II. Expenditure

Interest expended

Operating Expenses

Provisions & contingencies

Total

1,75,000

85000

3750

263750

III Profit / loss

Net profit for the year

Profit / loss brought forward

Total

61250

40000

101250

IV. Appropriation

Transfer to statutory reserved

Transfer to govt / proposed

dividend

Balance carried over to balance sheet

15313

30000

8

55937

101250

<u>Schedule-1:- Capital</u>	
Share capital	6,00,000
	6,00,000

<u>Schedule-2:- Reserve fund</u>	
Reserve fund	3,00,000
Statutory reserve	15313
Profit / loss balcd	55937
	371250

<u>Schedule-3:- Deposit</u>	
Deposits	8,00,000
	8,00,000

<u>Schedule-4:- Borrowings</u>	
Borrowings from bank	75000
	75000

<u>Schedule-5:- Other Liabilities</u>	
Bills payable [2,00,000 + 30,000 + 60,000 + 10,000]	570000
Pension fund	1,00,000
Unclaimed dividend	25,000
Provision for rebate on bill discounted	5000
Provision for bad debts	1250
Provision for income tax	2500
5% proposed dividend	30000
	7,33,750

Schedule-6:- Cash with RBI
Cash in hand

2,75,000
2,75,000

Schedule-7:- Money at call & short notice
Money at call & short notice
Cash at bank

2,75,000
3,25,000
6,00,000

Schedule-8:- Investments
Investments

1,75,000
1,75,000

Schedule-9:- Advances

loan, cash credit & overdraft

11,40,000
11,40,000

Schedule-10:- Fixed assets

Buildings

Furniture

2,50,000
40,000
2,90,000

Schedule-11:- other assets

Non-banking assets

1,00,000
1,00,000

Schedule-12:- Contingent liability

Bill re-discounted

Forward exchange contract

7500
3000
10500

Form A

Balance sheet of Canara bank Ltd as on 31/3/2017

Particulars	sl. No	Amount
<u>Capital & Liabilities</u>		
Capital	1	6,00,000
Reserve fund	2	3,71,250
Deposit	3	8,00,000
Borrowings	4	75,000
Other Liabilities	5	7,33,750
Total		25,80,000

Assets

Cash with RBI	6	2,75,000
Money at call & short notice	7	6,00,000
Investments	8	1,75,000
Advances	9	11,40,000
Fixed assets	10	2,90,000
Other assets	11	1,00,000
Total		25,80,000

Contingent Liabilities	12	10500
Bills for collection		10500

8/08

Special provisions in preparing final accounts of banking companies

* Rebate on bill discounting
when bills are discounted, if the discount earned includes discount of future period the following entry will be passed
Discount a/c Dr
To rebate on bill discounting

At the beginning of next year, a reversal entry will be passed since the rebate on bill discount would be discount earned for the year so the entry will be

Rebate on bill discount a/c Dr
To discount a/c

when bills are discounted, instead of crediting discount account with entry amount and debiting the account for rebate on bill discount the following entry can be passed.

Bill discounted a/c Dr [full value of the bill]
To customers a/c [discount value of the bill]
To discount a/c [discount earned for the accounting year]
To rebate on discounted a/c [discount of the next year]

- 1] PQR bank Ltd discounted a bill of the face value 8,00,000 for ₹ 7,80,000 on Jan 23rd 2017 of the discount ₹ 2000 was of the year 2017-18. Pass journal entry at the time of discounting the bill & opening entry for the next year.

Date	Particulars	lf	Debit	Credit
23/01/17	Bill discount a/c... Dr		8,00,000	
	To customer a/c			7,80,000
	To discount a/c [20000 - 3200]			16800
	To rebate on bill discounted			3200
	[Being bill discounted recorded]			
01/04/17	Rebate on bill discounted a/c... Dr		3200	
	To discount a/c			3200
	[Being transfer entry]			

- 2] On 31st Mar 2018 Unnaitan bank Ltd had a balance of ₹ 9 crore in rebate on bill discounted account. During the year ended 31st Mar 2018, Unnaitan bank Ltd discount bills of exchange ₹ 4000 crore charging interest at 18% p.a., the average period of discount being for 73 days. Of these, bills of exchange of ₹ 600 crores were due for realisation from the acceptor after 31st Mar 2018, the average period outstanding after 31st Mar 2018 being 36.5 days. Unnaitan bank Ltd ask you to pass journal entry and show the ledger account pertaining to
- a) Discounting of BOE c) Rebate on bill discounted

Journal entry

Date	Particulars	lf	Debit	
1/4/2018	Rebate on bill discount a/c - Dr To Discount of bill a/c [Being transfer to opening bal]		9.00	9.00
31/3/18	Bills purchased & discount a/c - Dr To discount on bill a/c [$40000 \times 18/100 \times 93/365$] To client a/c [Being discount on bill during the year]		4000	144 3856
31/3/18	Discount of bill a/c - Dr [$6000 \times 18/100 \times 365/365$] To rebate on bill discount a/c [Being the unexpired portion of the discount in respect of the discounted bill of Exchange carry forward]		10.80	10.80
31/3/18	Discount of bill discount a/c - Dr To P&L a/c [Being the amount of income for the year from discounting of BOE transferred to P&L a/c]		142.20	142.20

Discount on bill a/c				
Particulars	₹	Date	Particulars	₹
To rebate on bills discount	10.80	1/4/19	By rebate on bill discounted	9.00
To P/L a/c	142.80		By bills purchased & discount	144
	153.00			153.00