

**9. FINANCIAL STATEMENTS OF BANKING COMPANIES**

NO. OF PROBLEMS IN 40e OF CA INTER: CLASSROOM - 10, ASSIGNMENT - 24

NO. OF PROBLEMS IN 41e OF CA INTER: CLASSROOM - 10, ASSIGNMENT - 24

NO. OF PROBLEMS IN 42e OF CA INTER: CLASSROOM - 11, ASSIGNMENT - 26

**MODEL WISE ANALYSIS OF PAST EXAM PAPERS OF IPCC & CA INTER**

MODEL NO.	N-11	M-12	N-12	M-13	N-13	M-14	N-14	M-15	N-15	M-16	N-16	M-17	N-17	M-18(O)	M-18(N)	N-18(O)	N-18(N)
Model - 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Model - 2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Model - 3	8	5	5	8	4	4	4	4	4	-	8	6	6	4	-	-	5
Model - 4	-	-	8	-	-	-	-	-	-	-	10	-	-	-	8	10	-
Model - 5	-	8	-	-	-	-	8	12	-	-	-	-	-	-	10	-	-

Model - 1 : Basics of Banking

Model - 2 : Books of Accounts, Returns and Forms of Banking

Model - 3 : Income Recognition, Classification of Assets &amp; Provisions

Model - 4 : Preparation of Financial Statements (Balance sheet and Profit &amp; Loss A/c)

Model - 5 : Capital Adequacy Norms

**SIGNIFICANCE OF EACH PROBLEM COVERED IN THIS MATERIAL**

Problem No. in this material	Problem No. in NEW SM	Problem No. in OLD SM	Problem No. in OLD PM	RTP	MTP	Previous Exams	Remarks
CR 1	ILL - 2 (Unit - 4.1)	ILL - 2	Ex - 2	-	-	-	-
CR 2	-	-	-	-	-	-	-
CR 3	ILL - 7 (Unit - 4)	ILL - 7	-	-	-	-	-
CR 4	PQ - 3	-	10	-	-	-	-
CR 5	ILL - 5 (Unit - 4.3)	ILL - 5	-	-	-	M18 (O) -4M	-
CR 6	ILL - 1 (Unit - 5)	ILL - 1	-	N17	M19 (O), N18	N17-6M	-
CR 7	ILL - 7 (Unit - 5)	ILL - 7	-	-	-	M15-12M	-
CR 8	ILL - 3 (Unit - 6)	ILL - 3	-	-	N17	-	-
CR 9	PQ - 5 (Unit - 6)	PQ - 5	-	-	-	-	-
CR 10	ILL - 2 (Unit - 6)	ILL - 2	-	M19 (N&O)	-	-	-
CR 11	ILL - 4 (Unit - 6)	ILL - 4	-	-	-	-	-
ASG 1	ILL - 1 (Unit - 3)	ILL - 1	-	-	-	M18 (N)-10M	-
ASG 2	ILL - 1 (Unit - 4.1)	ILL - 1	-	-	-	-	-
ASG 3	ILL - 2 (Unit - 4.3)	ILL - 2	-	-	-	-	-
ASG 4	ILL - 3 (Unit - 4.3)	ILL - 3	-	-	-	-	-

ASG 5	-	-	15	-	-	M12-5M	-
ASG 6	ILL - 6 (Unit - 4)	ILL - 6	-	-	-	-	-
ASG 7	ILL - 1 (Unit - 4.3)	ILL - 1	-	-	-	-	-
ASG 8	ILL - 4 (Unit - 4.3)	ILL - 4	-	-	-	-	-
ASG 9	-	-	8	-	-	-	-
ASG 10	-	-	7	-	-	-	-
ASG 11	PQ - 1	-	6	-	-	-	-
ASG 12	ILL - 3 (Unit - 5)	ILL - 3	-	-	M18 (O)	N18 (N) - 5M	-
ASG 13	ILL - 4 (Unit - 5)	ILL - 4	-	M17	-	-	-
ASG 14	ILL - 5 (Unit - 5)	ILL - 5	-	-	-	-	-
ASG 15	ILL - 6 (Unit - 5)	ILL - 6	-	-	-	-	-
ASG 16	PQ - 4	-	26	-	-	-	-
ASG 17	ILL - 2 (Unit - 5)	ILL - 2	-	-	-	-	-
ASG 18	-	-	21	-	-	-	-
ASG 19	-	-	27	-	M19 (N)	-	-
ASG 20	-	-	33	-	-	-	-
ASG 21	-	-	34	-	M17	-	-
ASG 22	-	-	31	N09	-	-	-
ASG 23	-	-	32	-	-	-	-
ASG 24	PQ - 6	-	36	M18 (N&O)	N18 (N&O)	M18(O)-8M	-
ASG 25	ILL - 1 (Unit - 6)	ILL - 1	-	-	-	-	-
ASG 26	-	-	28	-	-	M17-6M	-

## THEORY

### **PART 1: BASICS OF BANKING**

#### **Introduction:**

- ✓ Banks are vital to the prosperity and well-being of any society or country.
- ✓ Banks enable a society to create the platform for the satisfaction of wants of its people by managing and maintaining the flow of money to carry out transactions.
- ✓ The role of banks may be likened to the heart in a human being, circulating and managing money through the economy, thereby playing a crucial role for its good health.

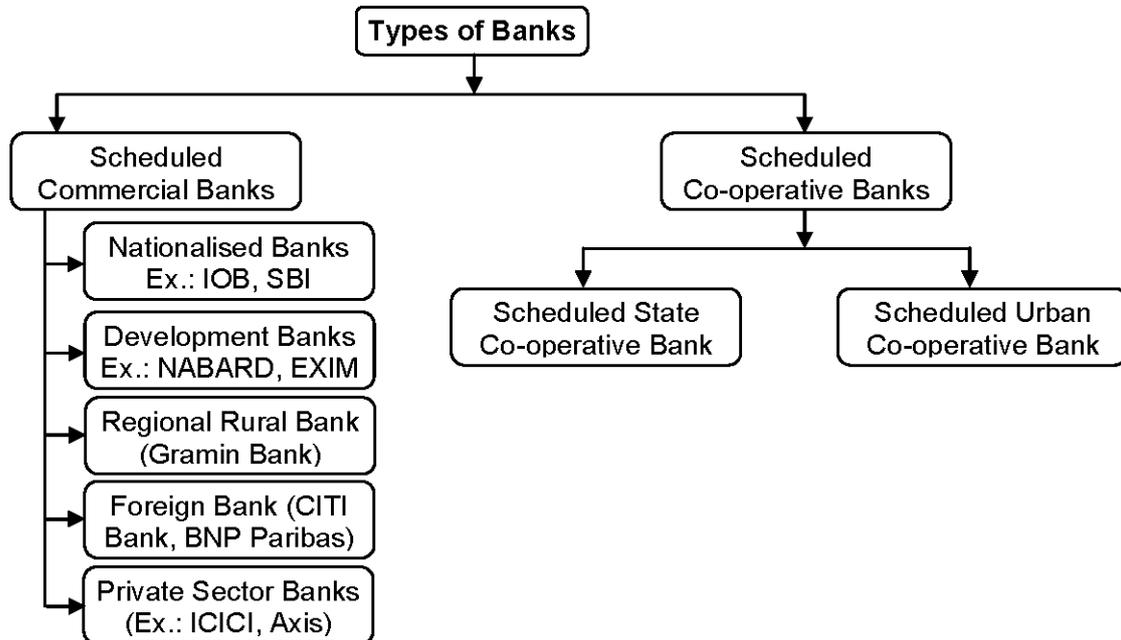
**Note:** Banks in India are regulated by the Banking Regulation Act, 1949. RBI as the Central Bank is the 'Bank of Last Resort'.

**Definition:** As per Banking Regulation Act, 1949 "Banking" means **Accepting deposits** of money from public for the purpose of lending or investing and repayable on demand or can be **withdrawn** by cheque, draft or otherwise.

**Types of banks:** There are two main categories of Commercial Bank in India namely:-

1. Scheduled Commercial Bank
2. Scheduled Co-operative Bank

Scheduled Commercial Banks are again divided into five types and the Scheduled Co-operative Banks into two as given in the following chart.



### Functions of a Commercial Bank:

Some of the main functions of modern commercial banks are:

- a) Receiving of money on deposit and providing facilities to constituents for payments by cheque.
- b) Dealing in securities on its own account and on account of customers.
- c) Lending of money by -
  - i) Making loans and advances,
  - ii) Purchasing or discounting of bills.
- d) Transferring money from place to place by -
  - i) The issue of demand drafts, telegraphic transfers, traveller's cheques, etc.,
  - ii) Collection of bills.
- e) Issuing letters of credit.
- f) Safe custody of securities and valuables.
- g) Issuing guarantees.
- h) Buying, selling and dealing in foreign exchange.
- i) Acting as managers for issue of capital by companies and performing functions incidental thereto.

## **PART 2: BOOKS OF ACCOUNTS, RETURNS AND FORMS OF BANKING**

### **A. Bank's Book-keeping system:**

Under bank's Book-keeping system, every transaction particularly concerning the customers is entered in the personal ledger directly from vouchers as soon as it takes place.

The objective of the system is

- a) to keep up-to-date detailed ledgers,
- b) to balance the trial balance every day.
- c) to keep all control accounts in agreement with the detailed ledgers.

### **B. Main Characteristics of a Bank's Book-Keeping System:**

The main characteristics of a bank's system of book-keeping are as follows:

Voucher Posting	Entries in the personal ledger are made directly from vouchers instead of being posted from the books of prime entry.
Voucher Summary Sheets	The vouchers entered into different personal ledgers each day are summarised on summary sheets, totals of which are posted to the control accounts in the general ledger.
Daily Trial Balance	The general ledger trial balance is extracted and agreed everyday.
Continuous Checks	All entries in the detailed personal ledgers and summary sheets are checked by persons other than those who have made the entries. A considerable force of such check is employed, with the general result that most clerical mistakes are detected before another day begins.
Control Accounts	A trial balance of the detailed personal ledgers is prepared periodically, usually every two weeks, agreed with general ledger control accounts.
Double Voucher System	Two vouchers are prepared for every transaction not involving cash-one debit voucher and another credit voucher.
Slip System of Posting	Under this system, entries in the personal ledgers are made directly from vouchers like Pay-in-slips, cheques etc. which are mostly filled by the customers and it saves a lot of time and labour of the bank staff. The vouchers entered into different personal ledgers are summarised on summary sheets every day, total of which are posted to the different control accounts which are maintained in the General Ledger.

### C. Books of Accounts:

#### Principal Books of Accounts

1. General Ledger	The General Ledger contains: a) Control Accounts of all personal ledgers. b) Profit and Loss Account. c) Asset's Accounts d) Contra Accounts. <b>Usefulness:</b> It facilitates the preparation of Balance Sheet.
2. Profit and Loss Ledger	The Profit and Loss Ledger contains: a) Detailed Accounts of Revenue Items. b) Detailed Account of Expense items. <b>Usefulness:</b> It facilitates the preparation of Profit and Loss Account.

#### Subsidiary Books

Personal Ledgers	a) Current Accounts Ledger. b) Saving Bank Accounts Ledgers. c) Fixed Deposits (Often further classified by length of period of deposit) Ledgers. d) Loan Ledger. e) Overdraft Ledger. f) Cash Credit Ledger. g) Customers' Acceptances, Endorsements and Guarantee Ledgers.
Bill Registers	a) Inward Bills for Collection b) Outward Bills for Collection c) Bills Discounted and Purchased Register

## **PART 3: INCOME RECOGNITION, CLASSIFICATION OF ADVANCES AND PROVISIONING NORMS**

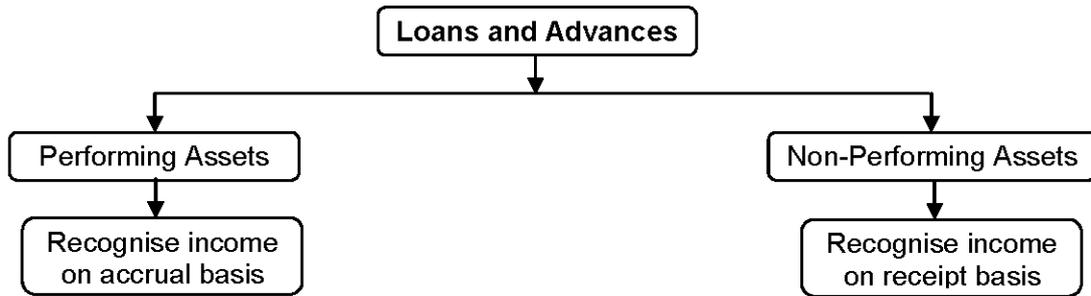
### **Introduction:**

Bulk of a banks' income is from two sources:

1. Interest earned on Loans & Advances extended to its customers.
2. Discount and commission earned on handling Bills of Exchange, Letter of Credit (LC), Letter of Guarantee (LG) etc.

### **I. Income Recognition:**

For the purpose of recognising income of interest earned, bank has to classify its loans & advances:



**Performing Asset:** A banking Asset which is not a Non-performing Asset i.e. An asset which generates the income properly for the bank.

**Non-Performing Asset:** The Reserve Bank of India has issued detailed guidelines to banks regarding the classification of advances between performing and non-performing assets which are revised from time to time. The latest guidelines for identifying an NPA's are:

1. **Bills purchased and discounted** become NPA if interest and / or instalment of principal remain overdue for a period exceeding 90 days.
2. **Term Loans:** become NPA if their amount (interest or principal) remain overdue wholly or partly for a period exceeding 90 days.
3. **Cash Credits and overdrafts:** A cash credit overdraft account is treated as NPA if it remains out of order. An account is treated as 'out of order' if any of the following conditions is satisfied:
  - a) The outstanding balance remains continuously in excess of the sanctioned limit / drawing power for a continuous period of 90 days prior to the balance sheet date.
  - b) Though the outstanding balance is less than the sanctioned limit/drawing power -
    - i) There are no credits continuously for more than 90 days as on the date of balance sheet; (or)
    - ii) Credits during the aforesaid period are not enough to cover the interest debited during the same period.

Further any amount due to the bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the bank.

**Example of OUT OF ORDER:**

Sanctioned limit	Rs. 60,00,000
Drawing power	Rs. 55,00,000
Amount outstanding continuously from 30.12.2005 to 31.03.2006	Rs. 47,00,000
Total interest debited	Rs. 3,42,000
Total credits	Rs. 1,25,000

**Category-Sub-standard:** Since the credit in the account is not sufficient to cover the interest debited during the period account will be said as NPA.

4. **Agricultural Advances:** Advances granted for agricultural purposes become NPA

If interest and/or installment of principal remains overdue for

- Two crop seasons in case of loan granted for short duration crops and
- One crop season in case of long duration crops.

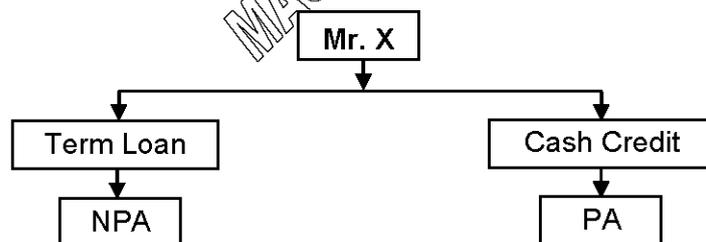
"Long duration crops would be crops with crop season longer than one year".

5. **Securitisation transactions:** Such transactions become NPA when the amount of liquidity facility remains overdue for more than 90 days.
6. **Derivative transactions:** Such transactions become NPA when the overdue receivables representing positive mark to market value of a derivative contract remain unpaid for a period of 90 days from the specified due date for payment.

7. **Government guaranteed advances:** The credit facilities backed by guarantee of the Central Government though overdue may be treated as NPA only when the Government repudiates its guarantee when invoked. With effect from the year ending 31 March 2006 State Government guaranteed advances and investments in State Government guaranteed securities would attract asset classification and provisioning norms if interest and/or principal or any other amount due to the bank remains overdue for more than 90 days.
8. **Advances to Staff:** in respect of housing loans or similar advances granted to staff members where interest is payable after recovery of principal, the overdue status (in respect of payment of interest) should be reckoned from the date when there is default in payment of interest or repayment of installment of principal on due date of payment.
9. **Advances Guaranteed by EXIM Bank:** In the case of advances covered under the guarantee-cum-refinance programme of EXIM Bank, to the extent payment has been received by the bank from the EXIM Bank, the advance may not be treated as NPA. The balance should, however, be treated as NPA (if the conditions for treating it as NPA are satisfied).
10. **Consortium Advances:** Two (or) more banks come together by forming an association/consortium for lending loans to customers out of which one will be lead bank and others are member banks. Asset classification of accounts under consortium should be based on the record of recovery of the individual member banks and other aspects having a bearing on the recoverability of the advances.
11. **Advances Secured Against Certain Instruments:** Advances secured against term deposits, national savings certificates, Indira Vikas Patras, Kisan Vikas Patras and life insurance policies have been exempted from the above guidelines. Thus, interest on such advances may be taken to income account on due dates provided adequate margin is available in the respective accounts. Advances against gold ornaments, government securities and all other securities are not covered by this exemption.

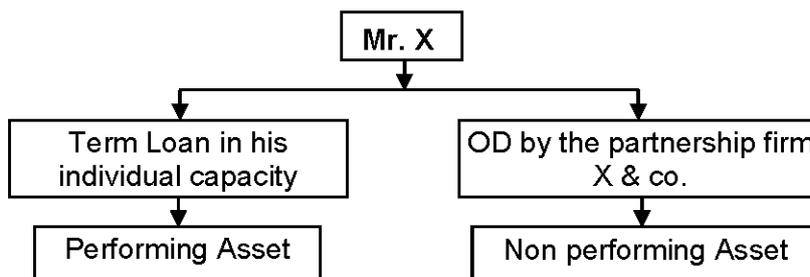
**Determination of NPAs-Borrower-wise, Not Facility-wise:** If any of the credit facilities granted to a borrower becomes non-performing, all the facilities granted to the borrower will have to be treated as NPA without having any regard to performing status of other facilities.

Ex: 1



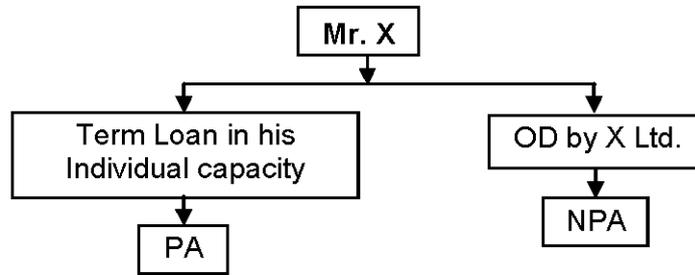
Therefore, both the accounts will become NPA for Mr. X.

Ex: 2 Mr. X [Having a management and financial control in a partnership firm of X & Co.]



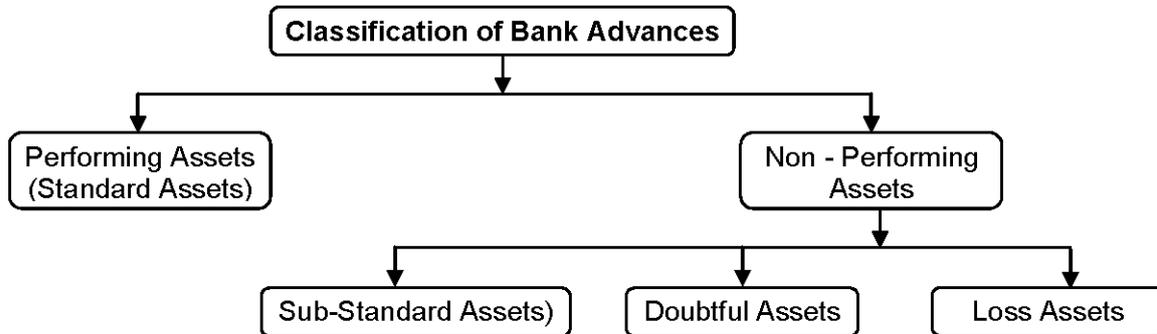
Both the accounts will be treated as NPA. [As partnership and partner has no separate legal entity]

Ex.3: Having a substantial interest and Managing Director of X Ltd.

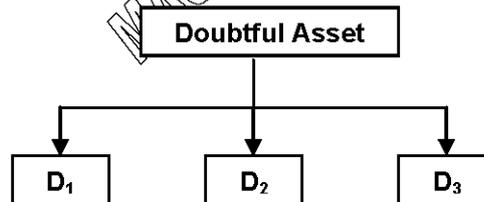


Both the accounts not get the same status because the company and shareholders are not one & the same.

**Classification of Bank Advances on Basis of Performance:**



1. **Standard Asset:** A performing Asset.
2. **Sub-standard assets:** A sub-standard asset is one which has remained as NPA for a period of less than or equal to 12 months.
3. **Doubtful assets:** An asset would be classified as doubtful if it remained in the substandard category for a period of at least 12 months.



D<sub>1</sub>: An asset comes under this category if it remains Doubtful upto 1 year.

D<sub>2</sub>: Doubtful for more than 1 year but it should be upto 3 years.

D<sub>3</sub>: Doubtful for morethan 3 years.

4. **Loss Asset:** It is a non performing asset which is identified as irrecoverable either by internal auditors or external auditors or by management or by RBI inspectors.

**Note:** It may be noted that the above classification is meant for the purpose of computing the amount of provision to be made in respect of advances and not for the purpose of presentation of advances in the -balance sheet.

**Threats to Recovery:** It has been clarified that in respect of loans & advances where there are potential threats to recovery banks have been advised to classify such accounts straightaway as doubtful or loss assets, as appropriate, irrespective of the period for which the account has remained NPA.

**Rates of provisioning for non-performing assets:**

Category of advances	Rates of provisions (%)
Standard advances	
a) direct advances to agriculture and SME	0.25
b) advances to commercial real estate (CRE) sector	1.00
c) all other loans and advances not included in (a) and (b)	0.40



**Accounting Entries will be as follows:**

1.	<b>On Discounting of the Bills:</b> Bills Discounted A/c To Customer A/c To Discount on Bills Discounted A/c	Dr	XXX	XXX XXX
2.	<b>At the end of the year:</b> Discount on Bills discounted A/c To Rebate on Bills Discounted A/c	Dr	XXX	XXX
3.	<b>In the beginning of the next year the entry to be passed is:</b> Rebate on Bills Discounted A/c To Discount on Bills Discounted A/c	Dr	XXX	XXX
4.	<b>At the end of the year the Balance in Discount A/c will be transferred to P&amp;L A/c:</b> Discount on Bills Discounted A/c To Profit & Loss A/c	Dr	XXX	XXX

**Discount to be shown in the P& L A/c next year:**

Particulars	Rs.
Discount	XXX
<b>Add:</b> Rebate on Bills discounted (b/f from last year)	XXX
	XXX
<b>Less:</b> Rebate on Bills Discounted (c/f to next year)	XXX
<b>Total:</b> (to be shown in Profit & Loss A/c)	XXX

**IV. ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS:**

- Credibility:** A Bank has a more acceptable credit as compared to that of its Customers. Therefore, it is often called upon to Accept or Endorse Bills on behalf of its Customers.
- Undertaking Liability:** On a request from its Customer, a Bank undertakes a liability towards Third Party, which agrees to receive such a bill in payment of a Debt or agreed to Discount the Bill after the same has been accepted by the Bank.
- Bank's Claim:** As against liability undertaken by the Bank, it has a corresponding claim against its customer, on whose behalf it has undertaken to be a party to the bill, either as an acceptor or as an endorser.
- Security:** The Customer is required to deposit a security equivalent to the amount of bill accepted on his behalf by the Bank. It is done to protect the interest of the bank as a safeguard against the customer not being able to meet the demand of the bank.
- Bills Accepted Register:** A record of the particulars of the bills accepted as well as of the securities collected from the customers is kept in the Bills Accepted Register. This may not be a part of the regular system of accounts of the Bank.
- Selling of Security:** If the bill, at the end of its term, has to be retired by the bank and the amount cannot be collected from the customer on demand, the bank reimburses itself by disposing of the security deposited by the customer.

**PROBLEMS FOR CLASSROOM DISCUSSION**

**PROBLEM 1:** KC bank statement of interest on advances in respect of performing assets and non-performing assets are as follows: (in lakhs)

Particulars	Performing Assets		NPA	
	Interest Earned	Interest Received	Interest Earned	Interest Received
Cash credit & OD	1800	1060	450	70
Term Loan	480	320	300	40
Bills purchased & discounted	700	550	350	36

Find out the income to be recognized for the year ended 31<sup>st</sup> March, 2012.

(B) (NEW SM)

(ANS.: INCOME RECOGNISED RS.3126) (SOLVE PROBLEM NO. 1 OF ASSIGNMENT PROBLEMS AS REWORK)

Note: \_\_\_\_\_

**PROBLEM 2: Identification of Non-performing assets:** From the following information identify the non-performing assets (NPA) of a commercial bank for the year ending 31<sup>st</sup> March 2011.

**Terms Loans:** Rs.150 lakhs out of which interest remains overdue for three quarters on Rs.50 lakhs and for three months on Rs.40 lakhs.

**Cash credit and overdrafts:** Rs. 1,120 lakhs out of which interest remained out of order for two quarters on Rs.150 lakhs, for three quarters on Rs.80 lakhs and for < 90 days on Rs.70 lakhs.

**Bills purchased and discounted:** Rs. 2,150 lakhs out of which remained overdue for one quarter on Rs.750 lakhs, for 95 days on Rs.500 lakhs, for 180 days on Rs.400 lakhs and for 190 days on Rs.350 lakhs.

(C) (ANS.: TOTAL AMOUNT OF NPA - 1530L)

**PROBLEM 3: (PRINTED SOLUTION AVAILABLE):** From the following information, compute the amount of provisions to be made in the Profit and Loss Account of a Commercial bank:

Assets	Rs. in lakhs
1. Standard (Value of security Rs. 6,000 lakhs)	7,000
2. Sub-standard	3,000
3. Doubtful	
a) Doubtful for less than one year (Realisable value of security Rs. 500 lakhs)	1,000
b) Doubtful for more than one year, but less than 3 years (Realisable value of security Rs. 300 lakhs)	500
c) Doubtful for more than 3 years (No security)	300

(A) (NEW SM) (ANS.: TOTAL PROVISION RS. 1,723L) (SOLVE PROBLEM NO. 2,3,4 OF ASSIGNMENT PROBLEMS AS REWORK)

Note: \_\_\_\_\_

**PROBLEM 4: (PRINTED SOLUTION AVAILABLE)**

Outstanding Balance	Rs.4 lakhs
ECGC Cover	50%
Period for which the advance has remained doubtful	More than 3 years remained doubtful (as on March, 31, 2012)
Value of security held (Realisable value only 80%)	Rs.1.50 lakhs

You are required to calculate provisions as per applicable rates.

(A) (NEW SM, SIMILAR: M18 (O) - 4M)

(ANS.: TOTAL AMOUNT OF PROVISION - 2.60L) (SOLVE PROBLEM NO 5, 6, 7, 8, 9 OF ASSIGNMENT PROBLEMS AS REWORK)

Note: \_\_\_\_\_

**PROBLEM 5:** The following is an extract from Trial Balance of overseas Bank as at 31st March, 2013

Particulars	Debit Rs.	Credit Rs.
Bills discounted	12,64,000	-
Rebate on bills discounted not due on 31 <sup>st</sup> March,2012	-	22,160
Discount received		1,05,708

An analysis of the bills discounted is as follows:

Rs.	Due date in 2013	Rate of Discount in % (p.a.)
1,40,000	June 5 <sup>th</sup>	14

4,36,000	June 12 <sup>th</sup>	14
2,82,000	June 25 <sup>th</sup>	14
4,06,000	July 6 <sup>th</sup>	16

Calculate Rebate on Bills Discounted as on 31-3-2013 and show necessary journal entries.

(A) (NEW SM, SIMILAR: RTP N17, N17 - 6M, MTP1 M19 (O), MTP2 N18 (N) - 6M) (ANS.: REBATE ON BILLS DISCOUNTED: RS.42,317)

(SOLVE PROBLEM NO. 10, 11, 12, 13 OF ASSIGNMENT PROBLEMS AS REWORK)

Note: \_\_\_\_\_

**PROBLEM 6: (PRINTED SOLUTION AVAILABLE)** Following facts have been taken out from the records of Adarsha Bank Ltd. in respect of the year ending March 31, 2013:

- On 01.04.2012 Bills for collection were Rs.7,00,000. During 2012-2013 bills received for collection amounted to Rs.64,50,000, bills collected were Rs.47,00,000 and bills dishonoured and returned were Rs.5,50,500. Prepare Bills for collection (Assets) A/c and bills for Collection (Liability) A/c.
- On 01.04.2012, Acceptance, Endorsement, etc. not yet satisfied amounted to Rs.14,50,000. During the year under question, Acceptance, Endorsements, Guarantees etc., amounted to Rs.44,00,000. Bank honoured acceptances to the extent of Rs.25,00,000 and client paid off Rs.10,00,000 against the guaranteed liability. Clients failed to pay Rs.1,00,000 which the Bank had to pay. Prepare "Acceptances, Endorsements and other Obligations A/c" as it would appear in the General ledger.
- It is found from the books, that a loan of Rs.6,00,000 was advanced on 30.09.2012 @ 10 per cent p.a. interest payable half yearly; but the loan was outstanding as on 31.03.2013 without any payment recorded in the meantime, either towards principal or towards interest. The security for the loan was 10,000 fully paid shares of Rs.100 each (the market value was Rs.98 as per the Stock Exchange Information as on 30<sup>th</sup> September, 2012). But due to fluctuations, the price fell to Rs.40 per share in January, 2013. On 31.03.2013, the price as per Stock Exchange rate was Rs.82 per share. State how you would classify the loan as secured / unsecured in the Balance Sheet of the Company.
- The following balances are extracted from the Trial Balance as on 31.03.2013:

Particulars	Dr. Rs.	Cr. Rs.
Interest and Discounts		98,00,000
Rebate for bills discounted		20,000
Bills discounted and purchased	4,00,000	

It is ascertained that the proportionate discounts not yet earned for bills to mature in 2013-2014 amount to Rs. 14,000. Prepare Ledger Accounts. (A) (NEW SM, M15)

(ANS.: A) TOTAL OF BILLS FOR COLLECTION A/C 71,50,000; B) BALANCE 22,50,000; C) FULLY SECURED; D) TOTAL OF REBATE ON BILLS DISCOUNTED 20,000 AND TOTAL OF INTEREST & DISCOUNT A/C 98,06,000)

(SOLVE PROBLEM NO. 14, 15, 16, 17 OF ASSIGNMENT PROBLEMS AS REWORK)

Note: \_\_\_\_\_

## **PART 4: FINANCIAL STATEMENTS (BALANCE SHEET & PROFIT & LOSS A/C)**

### Schedule - III (Section 29)

Balance Sheet of Bank as at DD-MM-YYYY

(Form-A)

Particulars	Schedule No.	As on 31.03.____ Current year	As on 31.3.____ Previous year
<b>CAPITAL AND LIABILITIES:</b>			
Share Capital	1	XXX	XXX
Reserves & Surplus	2	XXX	XXX
Deposits	3	XXX	XXX

Borrowings	4	XXX	XXX
Other Liabilities & Provisions	5	XXX	XXX
<b>Total:</b>		XXX	XXX
<b>ASSETS:</b>			
Cash in hand & Balance with RBI	6	XXX	XXX
Balance with other Banks, Money at call & Short notice	7	XXX	XXX
Investments	8	XXX	XXX
Advances	9	XXX	XXX
Fixed Assets	10	XXX	XXX
Other Assets	11	XXX	XXX
<b>Total:</b>		XXX	XXX
Contingent Liabilities / Bills for Collection	12	XXX	XXX
<b>Grand Total:</b>		XXX	XXX
		XXX	XXX

## Schedule - 1 [Share Capital]

Particulars	As on 31.03.____ Current year	As on 31.3.____ Previous year
Authorised Capital (-----shares of Rs. ---- each)	XXX	XXX
Issued Capital (-----shares of Rs. ---- each)	XXX	XXX
Subscribed Capital (-----shares of Rs. ---- each)	XXX	XXX
Called-up Capital (-----shares of Rs. ---- each)	XXX	XXX
	XXX	XXX
<b>Less: Calls unpaid</b>	XXX	XXX
	XXX	XXX
<b>Add: Forfeited shares</b>	XXX	XXX
<b>Grand Total:</b>	XXX	XXX

Note: For Nationalized banks capital will be fully owned by Central Government.

## Schedule - 2 [Reserves &amp; Surplus]

Particulars	As on 31.03.____ Current year	As on 31.3.____ Previous year
<b>Statutory Reserve:</b>		
Opening Balance	XXX	XXX
Additions during the year	XXX	XXX
Deductions during the year	XXX	XXX
<b>Capital Reserve:</b>		
Opening Balance	XXX	XXX
Additions during the year	XXX	XXX
Deductions during the year	XXX	XXX
<b>Securities premium:</b>		
Opening Balance	XXX	XXX
Additions during the year	XXX	XXX
Deductions during the year	XXX	XXX
<b>Revenue &amp; Other Reserves:</b>		
Opening Balance	XXX	XXX
Additions during the year	XXX	XXX
Deductions during the year	XXX	XXX
<b>Balance in P&amp;L A/c:</b>	XXX	XXX
<b>Grand Total:</b>	XXX	XXX

**Schedule - 3 [Deposits]**

Particulars	As on 31.03.____ Current year	As on 31.3.____ Previous year
<b>Demand Deposits:</b>		
From Banks	XXX	XXX
From Others	XXX	XXX
<b>Savings Deposits</b>	XXX	XXX
<b>Fixed Deposits:</b>		
From Banks	XXX	XXX
From Others	XXX	XXX
<b>Total (1+2+3):</b>	<b>XXX</b>	<b>XXX</b>
Deposit with Branches in India	XXX	XXX
Deposit with Branches outside India	XXX	XXX
<b>Grand Total:</b>	<b>XXX</b>	<b>XXX</b>

**Schedule - 4 [Borrowings]**

Particulars	As on 31.03.____ Current year	As on 31.03.____ Previous year
<b>Borrowings in India:</b>		
RBI	XXX	XXX
Other Banks	XXX	XXX
Other Institutions & Agencies	XXX	XXX
<b>Borrowings outside India:</b>	XXX	XXX
<b>Grand Total:</b>	<b>XXX</b>	<b>XXX</b>

**Schedule - 5 [Other Liabilities & Provisions]**

Particulars	As on 31.03.____ Current year	As on 31.03.____ Previous year
Bills payable	XXX	XXX
Inter Office Adjustments (net) (Credit)	XXX	XXX
Interest Accrued	XXX	XXX
Rebate on Bills Discounted	XXX	XXX
<b>Others: Provisions</b>	XXX	XXX
Unclaimed Dividends	XXX	XXX
Employees Insurance fund etc.	XXX	XXX
<b>Grand Total:</b>	<b>XXX</b>	<b>XXX</b>

**Schedule - 6 [Cash in Hand & with RBI]**

Particulars	As on 31.03.____ Current year	As on 31.3.____ Previous year
<b>Cash in hand</b> (including foreign currencies)	XXX	XXX
<b>Balance with RBI</b>		
In current Accounts	XXX	XXX
Other Accounts	XXX	XXX
<b>Grand Total:</b>	<b>XXX</b>	<b>XXX</b>

**Schedule - 7 [Balance with Other Banks & Money at Call and Short Notice]**

Particulars	As on 31.03.____ Current year	As on 31.3.____ Previous year
<b>In India:</b>		
<b>Balance with Bank</b>		
In Current Accounts	XXX	XXX

In Deposit Accounts	XXX	XXX
<b>Money at Call &amp; Short Notice</b>		
With Banks	XXX	XXX
With other Institutions	XXX	XXX
<b>Outside India:</b>		
In Current Accounts	XXX	XXX
In Deposit Accounts	XXX	XXX
Money at Call & Short Notice	XXX	XXX
<b>Grand Total:</b>	<b>XXX</b>	<b>XXX</b>

**Schedule - 8 [Investments]**

Particulars	As on 31.03.____ (Current year)	As on 31.3.____ (Previous year)
<b>In India:</b>		
Government Approved Securities	XXX	XXX
Other Approved Securities	XXX	XXX
Shares	XXX	XXX
Debentures & Bonds	XXX	XXX
Joint Ventures & Subsidiaries	XXX	XXX
Others [to be specified, e.g. Gold]	XXX	XXX
<b>Outside India:</b>		
Government Securities	XXX	XXX
Joint Ventures & Subsidiaries	XXX	XXX
Others [to be specified]	XXX	XXX
<b>Grand Total:</b>	<b>XXX</b>	<b>XXX</b>

**Schedule - 9 [Advances]**

Particulars	As on 31.03.____ (Current year)	As on 31.3.____ (Previous year)
Bills Purchased & Discounted	XXX	XXX
Cash credits & Bank OD	XXX	XXX
Term Loans	XXX	XXX
<b>Total:</b>	<b>XXX</b>	<b>XXX</b>
Advances secured by tangible Assets	XXX	XXX
Secured by Guarantee of Govt.[or] Other Banks	XXX	XXX
Unsecured Advances	XXX	XXX
<b>Total:</b>	<b>XXX</b>	<b>XXX</b>
<b>In India:</b>		
Priority Sector	XXX	XXX
Public Sector	XXX	XXX
Banks	XXX	XXX
Others	XXX	XXX
<b>Total:</b>	<b>XXX</b>	<b>XXX</b>
<b>Outside India:</b>		
Banks	XXX	XXX
Others: Bills Purchased & Discounted	XXX	XXX
Syndicated Loans	XXX	XXX
Others	XXX	XXX
<b>Grand Total:</b>	<b>XXX</b>	<b>XXX</b>

**Schedule - 10 [Fixed Assets]**

Particulars	As on 31.03.____ (Current year)	As on 31.3.____ (Previous year)
Premises		
At cost as on 31 <sup>st</sup> March of the preceding year	XXX	XXX
Additions during the year	XXX	XXX

Deductions during the year	XXX	XXX
Depreciation to date	XXX	XXX
Other Assets (including furniture & fixtures)		
Additions during the year	XXX	XXX
Deductions during the year	XXX	XXX
Depreciation to date	XXX	XXX
<b>Grand Total:</b>	<b>XXX</b>	<b>XXX</b>

**Schedule - 11 [Other Assets]**

Particulars	As on 31.03.____ (Current year)	As on 31.3.____ (Previous year)
Inter office Adjustments (Net) (Debit)	XXX	XXX
Interest accrued	XXX	XXX
Advance Tax/Tax Deducted at source	XXX	XXX
Stationery & Stamps	XXX	XXX
Non-Banking Assets acquired in satisfaction of claims	XXX	XXX
Others	XXX	XXX
<b>Grand Total:</b>	<b>XXX</b>	<b>XXX</b>

**Schedule - 12 [Contingent Liabilities]**

Particulars	As on 31.03.____ (Current year)	As on 31.3.____ (Previous year)
Claims against the bank not acknowledged as debts	XXX	XXX
Liability on partly paid - up shares	XXX	XXX
Liability on outstanding forward exchange contracts	XXX	XXX
<b>Guarantees given on behalf of constituents</b>		
In India	XXX	XXX
Outside India	XXX	XXX
Acceptances, endorsements & Other Obligations	XXX	XXX
Other items for which bank is contingently liable	XXX	XXX
<b>Grand Total:</b>	<b>XXX</b>	<b>XXX</b>

**Profit & Loss A/c of the Bank for the year ended DD-MM-YYYY**

Particulars	Schedule No.	For year ended 31.03.____ (Current year)	For year ended 31.3.____ (Previous year)
<b>Income:</b>			
Interest Received/earned	13	XXX	XXX
Other Income	14	XXX	XXX
<b>Total:</b>		<u>XXX</u>	<u>XXX</u>
<b>Expenses:</b>			
Interest Paid/expended	15	XXX	XXX
Administration exp.	16	XXX	XXX
Provisions and Contingencies		XXX	XXX
<b>Total:</b>		<u>XXX</u>	<u>XXX</u>
<b>Profit/Loss</b>			
Net Profit for the year		XXX	XXX
Net profit b/f		XXX	XXX
<b>Total:</b>		<u>XXX</u>	<u>XXX</u>
<b>Appropriations:</b>			
Transfer to Statutory Reserve / Reserve Fund (25%)		XXX	XXX
Transfer to Other Reserve		XXX	XXX
Transfer to Proposed Dividends		XXX	XXX
Balance c/f to Balance Sheet		XXX	XXX
<b>Total:</b>		<u>XXX</u>	<u>XXX</u>
<b>Balance in Profit &amp; Loss A/c:</b>		XXX	XXX

**Note:** Students shall ensure that part of profit earned during current year is transferred as statutory reserve @ 25% even if question is silent in the examination while attempting question on preparation of Financial Statements.

**Cash Reserve (Section 18):** Every scheduled bank has to maintain a cash reserve at least to the extent of 4% of its demand and time liabilities in India. Cash reserve can be maintained by way of balance in a current account with the Reserve Bank of India or by way of net balance in current accounts.

**Liquidity Norms (Section 24):** Banking companies have to maintain sufficient liquid assets in the normal course of business. In order to safeguard the interest of depositors and to prevent banks from overextending their resources, liquidity norms have been settled and given statutory recognition. Every banking company has to maintain in cash, gold or unencumbered approved securities, an amount not less than 20.5% of its demand and time liabilities in India. These norms may change as per RBI guidelines.

**Note:** CRR & SLR regularly revised by RBI with in 3 or 6 months as case may be.

#### Schedule 13 [Interest Received]

Particulars	For year ended 31.03.___ (Current year)	For year ended 31.03.___ (Previous year)
Interest & Discounting charges [Net of Rebate on bills discounted]	XXX	XXX
Interest Received on Investments	XXX	XXX
Interest on balance with RBI & Other Banks	XXX	XXX
Other Incomes	XXX	XXX
<b>Grand Total:</b>	<b>XXX</b>	<b>XXX</b>

#### Schedule 14 [Other Income]

Particulars	For year ended 31.03.___ (Current year)	For year ended 31.3.___ (Previous year)
Commission, Exchange & Brokerage	XXX	XXX
Profit on sale of Investments	XXX	XXX
[Less: Loss on sale of investment]		
Profit on revaluation of Investments	XXX	XXX
[Less: Loss on revaluation of Investment]		
Profit on sale of Assets	XXX	XXX
[Less: Loss on sale of Assets]		
Profit on exchange transactions	XXX	XXX
[Less: Loss on exchange transactions]		
Income earned by way of dividends etc. from subsidiaries /companies and/ or joint ventures abroad/in India	XXX	XXX
Miscellaneous income	XXX	XXX
<b>Grand Total:</b>	<b>XXX</b>	<b>XXX</b>

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

#### Schedule 15 [Interest paid]

Particulars	For year ended 31.03.___ (Current year)	For year ended 31.3.___ (Previous year)
Interest on deposits	XXX	XXX
Interest on RBI/Inter-bank borrowings	XXX	XXX
Other expenses	XXX	XXX
<b>Grand Total:</b>	<b>XXX</b>	<b>XXX</b>

**Schedule 16 [Administration & Others Expenses]**

Particulars	For year ended 31.03.____	For year ended 31.3.____
Payments & Provisions for employees	XXX	XXX
Rent, Taxes & Lighting	XXX	XXX
Printing & Stationery	XXX	XXX
Advertisements	XXX	XXX
Depreciation on Bank's property	XXX	XXX
Directors Fees, allowances & expenses	XXX	XXX
Auditors Fee & expenses (including Branch Auditors)	XXX	XXX
Law Charges	XXX	XXX
Postage, Telephones & Telegrams	XXX	XXX
Repairs & Maintenance	XXX	XXX
Insurance	XXX	XXX
Other Expenses	XXX	XXX
<b>Grand Total:</b>	<b>XXX</b>	<b>XXX</b>

**PROBLEM 7: (PRINTED SOLUTION AVAILABLE)** From the following information, prepare Profit and Loss A/c of KC Bank for the year ended 31<sup>st</sup> March, 2013.

Items	Rs. (in '000)
Interest on cash credit	18,20
Interest on overdraft	7,50
Interest on term loans	15,40
Interest on investments	8,40
Interest on balance with RBI	1,50
Commission on remittances and transfer	75
Commission on letters of credit	1,18
Commission on government business	82
Profit on sale of land and building	27
Loss on exchange transactions	52
Interest paid deposit	27,20
Auditors' fees and allowance	1,20
Directors' fees and allowances	2,50
Advertisements	1,80
Salaries, allowances and bonus to employees	12,40
Payment to Provident Fund	2,80
Printing and stationery	1,40
Repairs and maintenance	50
Postage, telegrams, telephones	80

**Other Information:**

1. Interest on NPA is as follows:

Particulars	Earned (Rs.'000)	Collected (Rs.'000)
Cash credit	8,20	4,00
Overdraft	450	1,00
Term Loans	750	2,50

2. Classification of advances

(‘000 Rs.)

Standard	30,00
Sub-standard	11,20
Doubtful assets not covered by security	2,00
Doubtful assets covered by security for one year	50
Loss Assets	2,00

3. Investments

27,50

Bank should not keep more than 25% of its investments as 'held-for-maturity' investments. The market value of its rest 75% investments is Rs.19,75,000 as on 31.03.2013.

(A) (NEW SM, SIMILAR: MTP N17) (ANS.: BALANCE IN PROFIT & LOSS ACCOUNT- (16,60,000))

(SOLVE PROBLEM NO. 18, 19, 20 OF ASSIGNMENT PROBLEMS AS REWORK)

Note: \_\_\_\_\_

**PROBLEM 8:** From the following information, prepare Profit and Loss A/c of Dimple Bank as on 31.03.2013:

'000 Rs. 2011-12	Item	Rs. In 000's 2012-13
14,27	Interest and Discount	20,45
1,14	Income from investment	1,12
1,55	Interest on Balance with RBI	1,77
7,22	Commission, Exchange and Brokerage	7,12
12	Profit on sale of investments	1,22
6,12	Interest on Deposits	8,22
1,27	Interest to RBI	1,47
7,27	Payment to and provision for employees	8,55
1,58	Rent, taxes and lighting	1,79
1,47	Printing and stationery	2,12
1,12	Advertisement and publicity	98
98	Depreciation	98
1,48	Director's fees	2,12
1,10	Auditor's fees	1,10
50	Law charges	1,52
48	Postage, telegrams and telephones	62
42	Insurance	52
57	Repairs & maintenance	66

Also give necessary Schedules:

**Other Information:**

1. The following items are already adjusted with Interest and Discount (Cr.):

Tax Provision ('000 Rs.)	1,48
Provision for Doubtful Debts ('000 Rs.)	92
Loss on sale of Investments ('000 Rs.)	12
Rebate on Bills discounted ('000 Rs.)	55

2. Appropriations:

25% of profit is transferred to Statutory Reserve.

5% of profit is transferred to Revenue Reserve.

(A) (NEW SM, SIMILAR: RTP M19 (N&O))

(ANS.: BALANCE IN PROFIT & LOSS ACCOUNT CARRIED TO BALANCE SHEET -RS. 66,100)

(SOLVE PROBLEM NO. 21, 22 OF ASSIGNMENT PROBLEMS AS REWORK)

Note: \_\_\_\_\_

**PROBLEM 9:** How will you disclose the following Ledger balances in the Final accounts of DVD bank:

	Rs. in Lacs
Current accounts	700
Saving accounts	500
Fixed deposits	700

Cash credits	600
Term Loans	500
Bills discounted & purchased	800

Additional information:

- (i) Included in the current accounts ledger are accounts overdrawn to the extent of ` 250 lacs.  
(ii) One of the cash credit account of ` 10 lacs (including interest ` 1 lac) is doubtful.  
(iii) 60% of term loans are secured by government guarantees, 20% of cash credits are unsecured, other portion is secured by tangible assets.

(NEW SM)

(ANS.:Deposits-1,650L,Advances-2,150L,other liabilities& provisions-10L,P&L-10L)

Note: \_\_\_\_\_

**PROBLEM 10: (PRINTED SOLUTION AVAILABLE):** The following are the ledger balances (in Rupees thousands) extracted from the books of Vaishnavi Bank as on March 31, 2013:

Particulars	Dr.	Cr.
Share Capital		19,00,00
Current accounts		9,70,00
Employee security deposits		74,20
Investments in Govt. of India Bonds	9,43,70	
Gold Bullion	1,51,30	
Silver	20,00	
Constituent liabilities for acceptances and endorsements	5,65,00	5,65,00
Borrowings from banks		7,72,30
Building	6,50,00	
Furniture	50,00	
Money at call and short notice	2,60,00	
Commission & Brokerage		2,53,00
Saving accounts		1,50,00
Fixed deposits		2,30,50
Balances with other banks	4,63,50	
Other investments	5,56,30	
Interest accrued on investments	2,46,20	
Reserve Fund		14,00,00
Profit and Loss Account		65,00
Bills for collection	4,35,00	4,35,00
Interest		6,20,00
Loans	18,10,00	
Bills discounted	1,25,00	
Interest	79,50	
Discounts		4,20,00
Rents		6,00
Audit fees	50,00	
Depreciation reserve (furniture)		2,00
Salaries	2,12,00	
Rent, rates and taxes	1,20,00	
Cash in hand and with Reserve Bank	7,50,00	
Miscellaneous income		39,00
Depreciation reserve (building)		8,00
Directors fees	10,00	
Postage	12,50	
Loss on sale of investments	2,00,00	
Branch adjustments	2,00,00	
	<b>79,10,00</b>	<b>79,10,00</b>

**Other information:**

The bank's Profit and Loss Account for the year ended and Balance Sheet as on 31<sup>st</sup> March, 2013 are required to be prepared in appropriate form. Further information (in Rupees thousands) available is as follows -

1. Rebate on bills discounted to be provided      40,00
2. Depreciation for the year
 

Building	50,00
Furniture	5,00
3. Included in the current accounts ledger are accounts overdrawn to the extent of 25,00.

(C) (NEW SM) (ANS.: TOTAL OF BALANCE SHEET - 61,86,00,000, PROFIT FOR THE YEAR - 5,59,00,000)

(SOLVE PROBLEM NO. 23 OF ASSIGNMENT PROBLEMS AS REWORK)

Note: \_\_\_\_\_

### **PART 5: CAPITAL ADEQUACY NORMS**

#### Capital Framework of Banks Functioning in India:

**Capital Adequacy Ratio (CAR):** Every bank should maintain a minimum capital adequacy ratio based on capital funds and risk assets. As per the prudential norms, all Indian scheduled commercial banks (excluding regional rural banks) as well as foreign banks operating in India are required to maintain capital adequacy ratio (or capital to Risk Weighted Assets Ratio) which is specified by RBI from time to time. At present capital adequacy ratio is 9%.

The capital adequacy ratio is worked out as below:

Capital adequacy ratio/Risk-weighted assets ratio is worked out as below:

$$\frac{\text{Capital fund (consist of Tier - I and Tier - II)}}{\text{Risk weighted assets + off balance sheet items}} \times 100$$

The CAR measures financial solvency of Indian and foreign banks. This is in line with international standards based on Basel Committee.

The main objectives of Basel committee-were

- a) To stop reckless lending by bank,
- b) To strengthen the soundness and stability of the banking system and
- c) To have a comparative footing of the banks of different countries.

Under existing Basel norms, Banks can lend only about 22 times of their core Capital.

**Tier - I and Tier - II capital for Indian Banks:** Tier I capital (also known as core capital) it comprises elements that are the most permanent and readily available support to a bank against unexpected losses. It is calculated as follows:

Particulars	Rs.
A. Paid Up Capital	XXX
B. Statutory reserves	XXX
C. Securities premium	XXX
D. Capital Reserve	XXX
(Representing surplus on sale of assets and held in a separate account only)	
E. Other Disclosed Free Reserves	XXX

Total	
Less: (a) Equity investments in subsidiaries (xxx)	
(b) Intangible Assets (xxx)	
(c) Current and brought forward losses (xxx)	(XXX)
Tier I capital	XXX

**Tier - II Capital:** It comprise elements that are less permanent -in-nature or less readily available than those comprising Tier I capital. It calculates as follows:

A. Undisclosed reserves and fully paid up cumulative perpetual Preference shares	XXX
B. Revaluation Reserve xxx	
Less: discount @ 55% (xxx)	XXX
C. General provision and loss reserves (not exceeding 1.25% of weighted risk assets)	XXX
D. Hybrid debt capital instruments	XXX
E. Subordinated debt	XXX
(Having initial maturity period of at least 5 years and remaining maturity period of more than 1 year) (not exceeding 50% of tier I capital)	
Tier II capital (not exceeding tier I capital)	XXX

a) **Risk adjusted value on balance sheet items:**

= Book value of on balance sheet item x risk weight assigned by RBI to this item

In brief the important weights for the purpose of Ascertainment of CAR are as follows:

S. No.	Item of assets Risk	Weight
1.	Cash, balances with RBI	0
2.	Balances in current account with other banks	20
3.	Investments in Government Securities	0
4.	Other Investments	100
5.	Loans & Advances guaranteed by Government	0
6.	Other Loans & Advances	100
7.	Bank Premises, Furniture & Fittings etc.	100
8.	All Off- Balance Sheet Items like LC's, LG's, Bills Accepted	100
9.	Non funded exposure to Real estate	150

**PROBLEM 11:** A commercial bank has the following capital funds and assets. Segregate the capital funds into Tier I and Tier II capitals. Find out the risk-adjusted asset and risk weighted assets ratio:

Capital Funds	(Figures in Rs. lakhs)
Equity Share Capital	4,80,00
Statutory Reserve	2,80,00
Capital Reserve (of which Rs. 280 lakhs were due to revaluation of assets and the balance due to sale)	12,10
<b>Assets:</b>	
Cash Balance with RBI	4,80
Balances with other Bank	12,50
Claims on Banks	28,50
Other Investments	782,50
<b>Loans and Advances:</b>	
(i) Guaranteed by government	128,20
(ii) Guaranteed by public sector undertakings of Government of India	702,10

(iii) Others	52,02,50
Premises, furniture and fixtures	182,00
Other Assets	201,20
Off-Balance Sheet Items: Acceptances, endorsements and letters of credit	37,02,50

(A) (NEW SM, SIMILAR: M18 (N) - 10M) (ANS.: CAPITAL ADEQUACY RATIO - 7.65%)

(SOLVE PROBLEM NO. 24 OF ASSIGNMENT PROBLEMS AS REWORK)

Note: \_\_\_\_\_

## ASSIGNMENT PROBLEMS

**PROBLEM 1:** Given below interest on (Rs. in Lakhs)

Particulars	Performing Assets		NPA	
	Interest Earned	Interest Received	Interest Earned	Interest Received
Term Loans	120	80	75	5
Cash credit & OD	750	620	150	12
Bills purchased & discounted	150	150	100	20

Find out the income to be recognized for the year ended 31st March 2012.

(B) (NEW SM)

(ANS.: TOTAL INCOME TO BE RECOGNIZED: 1057L)

**PROBLEM 2:** From the following information, find out the amount of provisions to be shown in the Profit and Loss Account of AG bank.

Assets	Rs. in lakhs
Standard	5000
Sub-standard	4000
Doubtful: for one year	800
: for three years	600
: for more than three years	200
Loss Assets	1000

(A) (NEW SM) (ANS.: TOTAL AMOUNT OF PROVISION - 2260L)

**PROBLEM 3:** A loan outstanding of ₹ 50,00,000 has DICGC cover. The loan guaranteed by DICGC is assigned a risk weight of 50%. What is the value of Risk-adjusted asset?

(NEW SM) (ANS.: value of Risk-adjusted asset – 25L)

**PROBLEM 4:** From the following information of AY Limited, compute the provisions to be made in the Profit and Loss account.

Particulars	Rs. in lakhs
Assets:	
Standard	20,000
Sub standard	16,000
Doubtful	
For one year (secured)	6,000
For two years and three years (secured)	4,000
For more than three years (secured by mortgage of plant and machinery of Rs.600 lakhs)	2,000
Loss assets	1,500

(A) (NEW SM) (ANS.: TOTAL AMOUNT OF PROVISION - 9080L)

**PROBLEM 5:** From the following, compute the amount of provisions to be made in the profit and loss account of a commercial bank for the year ending on 31-03-2012.

Assets (category of advances)	Rs. in lakhs
Standard advances	7,000
Sub-standard advances	3,500
(Include secured exposures Rs.1,000 lakhs and balances unsecured exposures Rs.2,500 lakhs includes Rs.1,500 lakhs in respect of infrastructure loan accounts where escrow accounts are available)	
Doubtful advances -unsecured portion	1,500
Doubtful advances-secured portion	
For doubtful up to 1 year	500
For doubtful more than 1 year and up to 3 years	600
For doubtful more than 3 years	300
Loss advances	200

(A) (OLD PM) (M12) (ANS.: TOTAL AMOUNT OF PROVISION - 3093L)

**PROBLEM 6:** In KR bank the doubtful assets (more than 3 years) as on 31-3-2012 is Rs. 1,000 lakhs. The value security (including DICGC 100% cover of Rs.100 lakhs) is ascertained at Rs.500 lakhs. How much provision must be made in the books of the bank towards doubtful assets?

(B) (NEW SM) (ANS.: TOTAL PROVISION RS. 900L)

**PROBLEM 7:** The outstanding amount (funded as well as unfunded) as on 31st March, 20X1 was Rs.10,000. The realizable value of security of the same was Rs.8,000. Period for which the advance has remained in 'doubtful' category as on 31st March, 20X1 was: 2.5 years.

(NEW SM) (ANS.: TOTAL PROVISION RS. 15,200)

**PROBLEM 8:**

Outstanding Balance	Rs.4 lakhs
ECGC Cover	50%
Period for which the advance has remained doubtful	More than 3 years remained doubtful (as on March, 31, 2013)
Value of security held	Rs.1.50 lakhs

You are required to calculate provisions.

(A) (NEW SM) (ANS.: TOTAL AMOUNT OF PROVISION - 2.75L)

**PROBLEM 9:** Rajatapeeta Bank Ltd. had extended the following credit lines to a Small Scale Industry, which had not paid any Interest since March, 2006:

Particulars	Term loan	Export loan
Balance outstanding on 31.03.2012	35 LAKHS	30 LAKHS
DICGC/ECGC COVER	40%	50%
Securities held	15 LAKHS	10 LAKHS
Realisable value of securities	10 LAKHS	08 LAKHS

Compute the necessary provisions to be made for the year ended 31st March, 2012.

(A) (OLD PM) (ANS.: TOTAL PROVISION ON TERM LOAN 25L, EXPORT LOAN 19L)

**Problem 10:** Bidisha bank ltd. had extended the following credit lines to a small scale industry, which had not paid any interest since March, 2006.

Particulars	Term loan	Export loan
Balance outstanding on 31.03.2012	70 LAKHS	60 LAKHS
DICGC/ECGC COVER	50%	40%
Securities held	30 LAKHS	25 LAKHS
Realisable value of securities	20 LAKHS	15 LAKHS

Compute the necessary provisions to be made for the year ended 31st March, 2012.

(A) (OLD PM) (ANS.: PROVISION FOR TERM LOAN - 45L, EXPORT LOAN - 42L)

**PROBLEM 11:** From the following information find out the amount of provisions required to be made in the Profit & Loss Account of a commercial bank for the year ended 31st March, 2012:

- i) Packing credit outstanding from Food Processors Rs. 60 lakhs against which the bank holds securities worth Rs. 15 lakhs. 40% of the above advance is covered by ECGC. The above advance has remained doubtful for more than 3 years.
- ii) Other advances:

Assets Classification	Rs.
Standard	3,000
Sub-standard	2,200
Doubtful:	
For one year	900
For two years	600
For three years	400
For more than 3 years	300
Loss Assets	600

(Note: Assume Substandard and doubtful advances as fully secured)

(A) (NEW SM) (ANS.: PROVISION FOR PACKING CREDIT - RS.42L; PROVISION FOR OTHER ADVANCES - RS. 1,867 L)

**PROBLEM 12:** The following information is available in the books of X Bank Limited as on 31<sup>st</sup> March, 20X2:

	Rs.
Bills discounted	1,37,05,000
Rebate on Bills discounted (as on 1.4.20X1)	2,21,600
Discount received	10,56,650

Details of bills discounted are as follows:

Value of bill (Rs.)	Due date	Rate of Discount
18,25,000	5.6.20X2	12%
50,00,000	12.8.20X2	12%
28,20,000	25.6.20X2	14%
40,60,000	6.7.20X2	16%

Calculate the rebate on bills discounted as on 31.3.20X2 and give necessary journal entries.

(A) (NEW SM, SIMILAR: MTP2 M18 (O), N18 (N) - 5M) (ANS.: TOTAL REBATE ON BILLS DISCOUNTED: RS. 4,25,254)

**PROBLEM 13:** Calculate Rebate on Bills discounted as on 31 December, 2013 from the following data and show journal entries:

	Date of Bill	Rs.	Period	Rate of Discount
(i)	15.10.13	25,000	5 months	8%
(ii)	10.11.13	15,000	4 months	7%
(iii)	25.11.13	20,000	4 months	7%
(iv)	20.12.13	30,000	3 months	9%

(A) (NEW SM, SIMILAR: RTP M17) (ANS.: TOTAL OF REBATE ON BILLS DISCOUNTED RS. 1,569.30)

**PROBLEM 14:** On 01.04.2013 bills for collection was 7 lacs. During 2013-14 bills received for collection amounted to 64.5 lacs. Bills collected were 47 lacs. Bills dishonoured was 5.5 lacs. Prepare Bills for collection (Assets) and Bills for Collection (Liabilities) Accounts.

(B) (NEW SM) (ANS.: TOTAL OF BILLS FOR COLLECTION A/C 71.5L)

**PROBLEM 15:** Acceptances, endorsements and other obligation A/c: From the following details prepare "Acceptances, Endorsements and other Obligation A/c" as would in the general ledger.

On 1 - 4 - 2013 Acceptances not yet satisfied stood at Rs.22,30,000. Out of which Rs.20 lakhs were subsequently paid off by clients and bank had to honour the rest. A scrutiny of the Acceptance Register (for transactions during the year) revealed the following:

Client	Acceptances / Guarantees	Remarks
A	10,00,000	Bank honoured on 10-6-13
B	12,00,000	Party paid off on 30-9-13
C	5,00,000	Party failed to pay and bank had to honour on 30-11-13
D	8,00,000	Not satisfied up to 31-3-14
E	5,00,000	Not satisfied up to 31-3-14
F	2,70,000	Not satisfied up to 31-3-14
<b>Total:</b>	<b>42,70,000</b>	

(A) (NEW SM) (ANS.: BALANCE - 15,70,000)

**PROBLEM 16:** ABC bank Ltd. has a balance of Rs.40 crores in "Rebate on bills discounted" account as on 31<sup>st</sup> March, 2014. The Bank provides you the following information:

- During the financial year ending 31<sup>st</sup> March, 2015 ABC Bank Ltd. discounted bills of exchange of Rs. 5,000 crores charging interest @ 14% and the average period of discount being 146 days.
- Bills of exchange of Rs.500 crores were due for realization from the acceptors/customers after 31<sup>st</sup> March, 2015. The average period of outstanding after 31<sup>st</sup> March, 2015 being 73 days. These bills of exchange of Rs.500 crores were discounted charging interest@ 14% p.a.

You are requested to pass necessary Journal Entries in the books of ABC Bank Ltd. for the above transactions.

(A) (NEW SM) (ANS.: TOTAL REBATE ON BILLS DISCOUNTED - RS.14 CRORES)

**PROBLEM 17:** On 31st March, 2010, Uncertain Bank had a balance of Rs.9 crores in "rebate on bills discounted" account. During the year ended 31st March, 2011, Uncertain Bank discounted bills of exchange of Rs. 4,000 crores charging interest at 18% per annum the average period of discount being for 73 days. Of these, bills of exchange of Rs. 600 crores were due for realisation from the acceptors/customers after 31<sup>st</sup> March, 2011, the average period outstanding after 31st March, 2011 being 36.5 days.

Uncertain Bank asks you to pass journal entries and show the ledger accounts pertaining to:

- Discounting of bills of exchange and
- Rebate on bills discounted.

(A) (NEW SM) (ANS.: TOTAL OF DISCOUNT ON BILLS A/C 153.00, REBATE ON BILLS DISCOUNTED 19.80)

**PROBLEM 18:** From the following details, prepare bills for collection (Asset) Account and Bills for collection (Liability) Account:

	Rs.
On 1.4. 2012, Bills for Collection were	51,00,000
During the year 2012-13 Bills received for Collection amounted to	75,00,000
Bill collected during the year 2012-13	98,47,000
Bill dishonoured and returned during the year	27,10,000

(A) (OLD PM) (ANS.: TOTAL OF BILLS FOR COLLECTION A/C 1,26,00,000)

**PROBLEM 19:** Following facts have been taken out from the records of M/s. Sneha Bank Ltd. in respect of the year ending March 31, 2015:

- On 1-4-2014 Bills for collection were Rs.10,15,000. During 2014-15 bills received for collection amounted to Rs.89,75,000, bills collected were Rs. 64,50,000 and bills dishonoured and returned were Rs. 11,25,000. Prepare Bills for collection (Assets) Account and bills for Collection (Liability) Account.
- On 1-4-2014, Acceptance, Endorsement, etc. not yet satisfied amounted to Rs. 27,50,000. During the year under question, Acceptances, Endorsements, Guarantees etc., amounted to Rs. 67,50,000. Bank honoured acceptances to the extent of Rs. 44,50,000 and client paid of Rs. 15,00,000 against the guaranteed liability. Clients failed to pay Rs. 4,00,000 which the Bank had to pay. Prepare the "Acceptances, Endorsements and other obligations Account" as it would appear in the General Ledger.

- iii) It is found from the books, that a loan of Rs. 50,00,000 was advanced on 30.09.2014 @ 14% p.a. Interest payable half yearly; but the loan was outstanding as on 31.3.2015 without any payment recorded in the meantime, either towards principal or towards interest. The security for the loan was 1,00,000 fully paid shares of Rs. 100 each (the market value was Rs. 98 per share as per the Stock Exchange information as on 30<sup>th</sup> September, 2014). But due to fluctuations, the price fell to Rs. 45 per share in January, 2015. On 31-3-2015, the price as per Stock Exchange rate was Rs. 85 per share. State how would you classify the loan as secured/unsecured in the Balance Sheet of the Company.
- iv) The following balances are extracted from the Trial Balance as on 31.3.2015:

	Debit (Rs)	Credit (Rs)
Interest and discounts		98,00,000
Rebate for bills discounted		45,000
Bills discounted and purchased	5,00,000	

It is ascertained that the proportionate discounts not yet earned for bills to mature in 2014-15 amount to Rs. 24,000. Prepare ledger accounts.

(A) (OLD PM, SIMILAR: MTP1 M19 (N))

(ANS.: A) TOTAL OF BILLS FOR COLLECTION A/C 99,90,000; B) BALANCE 31,50,000; C) FULLY SECURED; D) TOTAL OF REBATE ON BILLS DISCOUNTED 45,000 AND TOTAL OF INTEREST & DISCOUNT A/C 98,21,000

**PROBLEM 20:** From the following information, calculate the amount of Provisions and Contingencies and prepare Profit and Loss Account of 'Hamara Bank Limited' for the year ending 31st March, 2013:

Particulars	Rs.	Particulars	Rs.
Interest and discount	4,430	Interest expended	1,360
Other Income	125	Operating Expenses	1,331
Interest accrued on Investments	10		

**Additional Information:**

Particulars	Rs. in lakhs
(i) Rebate on bills discounted to be provided for	15
(ii) Classifications of Advances:	
Standard Assets	2,500
Sub-Standard Assets	560
Doubtful Assets not covered by security	255
Doubtful Assets covered by security	
For 1 year	25
For 2 years	50
For 3 years	100
For 4 years	75
Loss Assets	100
(iii) Make tax provisions @ 35% of the profit.	
(iv) Profit and Loss Account (Cr.) brought forward from the previous year	40

(A) (OLD PM) (ANS.: TOTAL PROVISION 590.25L AND NET PROFIT FOR THE YEAR 824.69)

**PROBLEM 21:** From the following information prepare the Profit & Loss Account of Jawahar Bank Limited for the year ended 31st March, 2013. Also give necessary Schedules.

Particulars	Rs. In 000's
Interest earned on term loans	17.26
Interest earned on term loans classified as NPA	4.52
Interest received on term loans classified as NPA	2.04
Interest on cash credits and overdrafts	38.54
Interest earned but not received on cash credit and overdraft treated as NPA	8.39
Interest on deposits	27.20
Commission	1.97
Profit on sale of investments	11.76
Profit on revaluation of investments	2.76

Income from investments	15.53
Salaries, bonus and allowances	18.75
Rent, taxes and lighting	1.70
Printing and stationary	0.75
Director's fees, allowances expenses	1.33
Law charges	0.22
Repairs and maintenance	0.18
Insurance	0.30
<b>Other information:</b>	<b>Rs. In 000's</b>
Make necessary provision on risk assets:	
1. Sub-standard	15.00
2. Doubtful for one year	7.00
3. Doubtful for two years	2.40
4. Loss assets	0.65
Investments	3700.00

Bank should not keep more than 25% of its investments as 'held-for-maturity' investment. The market value of rest of 75% investments is Rs. 9,00,000 as on 31st March, 2013.

(A) (OLD PM, SIMILAR: MTP M17, N18 (O) - 10M) (ANS.: LOSS FOR THE YEAR (1,854.09))

**PROBLEM 22:** Following information is furnished to you by Well-to-do Bank Ltd. for the year ended 31<sup>st</sup> March, 2008: (Rs. in thousands)

Particulars	Rs.
Interest and discount - (Income)	8,860
Interest on public deposits - (Expenditure)	2,720
Operating expenses	2,662
Other incomes	250
Provisions and contingencies (it includes provision in respect of Non-performing Assets (NPAs) and tax provisions)	2,004
Rebate on bills discounted to be provided for as on 31.3.2008	30
<b>Classification of Advances:</b>	
Standard Assets	5,000
Sub-standard Assets	1,120
Doubtful Assets - fully unsecured	200
<b>Doubtful assets - fully secured</b>	
Less than 1 year	50
More than 1 year but less than 3 years	300
More than 3 years	300
Loss assets	200

You are required to prepare:

(i) Profit and Loss Account of the Bank for the year ended 31<sup>st</sup> March, 2008.

(ii) Provision in respect of advances.

(A) (OLD PM, RTP - N09)

(ANS.: NET PROFIT/LOSS FOR THE YEAR RS. 16,94,000; PROVISION IN RESPECT OF ADVANCES - RS.10,20,500)

**PROBLEM 23:** From the following information, you are required to prepare Profit and Loss Account of Zee Bank Ltd., for the year ending 31st March, 2013:

Particulars	Rs.	Particulars	Rs.
Interest and Discount	44,00,000	Interest Expended	13,60,000
Other Income	1,25,000	Operating Expenses	13,31,000
Income on investments	5,000	Interest on balance with RBI	25,000

**Additional information:**

1. Rebate on bills discounted to be provided for Rs. 15,000
2. Classification of advances:

Particulars	Rs.
Standard Assets	25,00,000
Sub-standard Assets	5,60,000
Doubtful Assets not covered by security	2,55,000
Doubtful Assets covered by security	
For 1 year	25,000
For 2 year	50,000
For 3 year	1,00,000
For 4 year	75,000
Loss Assets	1,00,000

3. Make Tax Provision @ 35 %
4. Profit and Loss A/c (Cr.) Rs. 40,000.

Give schedule relating to Interest earned only. (A) (OLD PM) (ANS.: NET PROFIT FOR THE YEAR: RS. 8,18,187)

**PROBLEM 24:** The following figures are extracted from the books of KLM Bank Ltd. as on 31-03-2013:

Particulars	Rs.
Interest and discount received	38,00,160
Interest paid on deposits	22,95,360
Issued and subscribed capital	10,00,000
Salaries and allowances	2,50,000
Directors Fees and allowances	35,000
Rent and taxes paid	1,00,000
Postage and telegrams	65,340
Statutory reserve fund	8,00,000
Commission, exchange and brokerage	1,90,000
Rent received	72,000
Profit on sale of investment	2,25,800
Depreciation on assets	40,000
Statutory expenses	38,000
Preliminary expenses	30,000
Auditor's fee	12,000

The following further information is given:

- i) A customer to whom a sum of Rs. 10 lakhs was advanced has become insolvent and it is expected only 55% can be recovered from his estate.
- ii) There was also other debts for which a provisions of Rs. 2,00,000 was found necessary.
- iii) Rebate on bill discounted on 31-03-2012 was Rs. 15,000 and on 31-03-2013 was Rs. 20,000.
- iv) Income tax of Rs. 2,00,000 is to be provided.

The directors desire to declare 5% dividend.

Prepare the Profit and Loss account of KLM Bank Ltd. for the year ended 31-03-2013 and also show, how the Profit and Loss account will appear in the Balance Sheet if the Profit and Loss account opening balance was NIL as on 31-03-2012.

(B) (NEW SM, SIMILAR: RTP M18 (N&O), M18 (O) - 8M, MTP1 N18 (N&O) - 16M) (ANS.: PROFIT FOR THE YEAR -RS. 5,67,260)

**PROBLEM 25:** From the following information, prepare a Balance Sheet of ADT International Bank as on 31<sup>st</sup> March, 2013 giving the relevant schedules and also specify at least four important Principal Account Polices: Rs. in lakhs

Particulars	Dr.	Cr.
<b>Share Capital:</b>		
19,80,000 Shares of Rs.10 each		198.00
Statutory Reserve		231.00
Net Profit before Appropriation		150.00
Profit and Loss Account		412.00
Fixed Deposit Account		517.00
Savings Deposit Account		450.00
Current Accounts	28.00	520.12
Bills Payable		0.10
Cash credits	812.10	
Borrowings from other Banks		110.00
Cash in Hand	160.15	
Cash with RBI	37.88	
Cash with other Banks	155.87	
Money at Call	210.12	
Gold	55.23	
Government Securities	110.17	
Premises	155.70	
Furniture	70.12	
Term Loan	792.88	
	<b>2,588.22</b>	<b>2,588.22</b>

**Additional Information:**

Bills of collection	18,10,000
Acceptances and endorsements	14,12,000
Claims against the Bank not acknowledged as debts	55,000
Depreciation charges - Premises	1,10,000
Furniture	78,000

50% of the Term Loans are secured by Government guarantees. 10% of cash credit is unsecured.

(C) (NEW SM) (ANS.: TOTAL OF BALANCE SHEET - 25,88.22L)

**PROBLEM 26:** A Commercial Bank has the following capital funds and assets. Segregate the capital funds in to Tier I and Tier II capitals. Find out the risk adjusted asset and risk weighted assets ratio.

Particulars	(Rs. in Crores)
Equity share capital	500.00
Statutory reserve	270.00
Capital reserve (of which Rs.16 crores were due to revaluation of assets and the balance due to sale of capital asset)	78.00
<b>ASSETS:</b>	
Cash balance with RBI	10.00
Balance with other banks	18.00
Other investments	36.00
<b>Loans and advances:</b>	
(i) Guaranteed by the Government	16.50
(ii) Others	5,675.00
Premises, furniture and fixtures	78.00
<b>Off-Balance Sheet items:</b>	
(i) Guarantee and other obligations	800.00
(ii) Acceptances, endorsements and letter of credit	4,800.00

(B) (OLD PM, SIMILAR: M17 - 6M) (N10) (ANS.: CAPITAL ADEQUACY RATIO - 7.37%)

## PRINTED SOLUTIONS FOR SOME SELECTIVE PROBLEMS

PROBLEM NUMBERS TO WHICH SOLUTIONS ARE PROVIDED: 3, 4, 6, 7, 9

### PROBLEM NO: 3

Statement showing Provisions on various performing and non-performing assets

Particulars	Amount Rs. in lakhs	% of Provision	Provision Rs.in lakhs
Standard	7,000	0.40	28
Sub-standard	3,000	15	450
Doubtful (less than one year)			
On secured portion	500	25	125
On unsecured portion	500	100	500
Doubtful (more than one year but less than three years)			
On secured portion	300	40	120
On unsecured portion	200	100	200
Doubtful Unsecured (more than three years)	300	100	300
<b>Total Provision</b>			<b>1,723</b>

### PROBLEM NO: 4

Provision required to be made as on 31.03.2012

Outstanding balance	Rs. 4.00 lakhs
Less: Value of security held (80% of 1.5 lacs)	(Rs.1.20 lakhs)
Unrealised balance	Rs.2.80 lakhs
Less: ECGC Cover (50% of unrealizable balance)	(Rs.1.40 lakhs)
<b>Net unsecured balance</b>	<b>Rs.1.40 lakhs</b>
Provision for unsecured portion of advance	Rs.1.40 lakhs (@ 100% of unsecured portion)
Provision for secured portion of advance	Rs.1.20 lakhs (@ 100% of the secured portion)
<b>Total provision to be made</b>	<b>Rs.2.60 lakhs</b>

### PROBLEM NO: 6

(1) Bills for Collection (Assets) A/c

Particulars	Amount	Particulars	Amount
To Balance b/d	7,00,000	By Bills for Collection (Liabilities) A/c	47,00,000
To Bills for Collection (liabilities) A/c	64,50,000	By Bills for collection (Liabilities) A/c	5,50,500
		By Balance c/d	18,99,500
	<b>71,50,000</b>		<b>71,50,000</b>

Bills for Collection (Liabilities) Account

Particulars	Amount	Particulars	Amount
By Bills for Collection (Assets) A/c	47,00,000	To Balance b/d	7,00,000
By Bills for collection (Assets) A/c	64,50,000	To Bills for Collection (Assets) A/c	64,50,000
By Balance c/d	18,99,500		
	<b>71,50,000</b>		<b>71,50,000</b>

**(2) Acceptances, Endorsement & other Obligation Account**

Particulars	Amount	Particulars	Amount
To Constituents' Liability for Acceptance, Endorsement, etc.	25,00,000	To Balance b/d	14,50,000
To Constituents' Liability for Acceptances, Endorsement etc.	10,00,000	By Constituents, Liabilities for Acceptances, Endorsements, etc.	44,00,000
To Constituents' Liability for Acceptances, Endorsements, (amount paid on failure of clients)	1,00,000		
To Balance c/d	22,50,000		
	<b>58,50,000</b>		<b>58,50,000</b>

**(3) i) The Value of Security to be considered Always On Realistic Basis (Net realisable Value)**

ii) The Realisable Value Of the Security Provided to the Bank on the Date loan was given is Rs.9,80,000(10,000\*98). And on the Balance sheet date it was Rs.8,20,000(10,000\*82) which was very much higher than loan given of Rs.6,00,000.

iii) Any Market Fluctuations before the balance sheet date need not be considered. Hence on the basis of

above information we can classify the loan as secured.

**(4) Interest & Discount Account**

Particulars	Amount	Particulars	Amount
To Rebate on Bills discounted A/c	14,000	By Rebate on Bills discounted A/c	20,000
To Profit & Loss A/c (B/f)	98,06,000	By Bills discounted A/c	98,00,000
	<b>98,20,000</b>		<b>98,20,000</b>

**Rebate on Bills Discounted Account**

Particulars	Amount	Particulars	Amount
To Interest and Discount A/c	20,000	To Balance b/d	20,000
By Balance c/d	14,000	By Interest and Discount A/c	14,000
	<b>34,000</b>		<b>34,000</b>

**PROBLEM NO: 7****KC Bank****Profit and Loss Account for the year ended 31st March, 2013**

Particulars	Schedule	(Rs.000') Year ended 31.3.2013
<b>I Income</b>		
Interest earned	13	38,30
Other income	14	2,50
<b>Total - A</b>		<b>40,80</b>
<b>II Expenditure</b>		
Interest expended	15	27,20
Operating expenses	16	23,40
Provisions and Contingencies		6,80
<b>Total - B</b>		<b>57,40</b>
<b>III Profit/Loss</b>		
Current Profits(A-B)		(16,60)
P/L brought forward		(16,60)
<b>IV Appropriations</b>		Nil

## Schedule 13 - Interest Earned

Particulars		(Rs.000) Year ended 31.3.2013
I Interest/discount on advances/bills		
Interest on cash credit Rs. (18,20-420)	14,00	
Interest on overdraft Rs.(750-350)	4,00	
Interest on term loans Rs.(15,40-500)	10,40	28,40
II Income on investments		8,40
III Interest on Balance with RBI		1,50
		<b>38,30</b>

Interest on NPA is recognised on cash basis, hence excess reduced

## Schedule 14 - Other Income

Particulars		(Rs.000) Year ended 31.3.2013
I Commission, Exchange and Brokerage		
Commission on remittances and transfer	75	
Commission on letter of credit	1,18	
Commission on Government business	82	2,75
II Profit on sale of Land and Building		27
III Loss on Exchange Transactions		(52)
		<b>2,50</b>

## Schedule 15 - Interest Expended

Particulars		(Rs.000) Year ended 31.3.2013
I Interest on Deposit		27,20

## Schedule 16 - Operating Expenses

Particulars		(Rs.000') Year ended 31.3.2013
I Payment and provision for employees		
Salaries, allowances and bonus	12,40	
Provident Fund Contribution	2,80	15,20
II Printing and Stationery		1,40
III Advertisement and publicity		1,80
IV Directors' fees, allowances and expenses		2,50
V Auditors' fees and expenses		1,20
VI Postage, telegrams, telephones etc.		80
VII Repairs and maintenance		50
		<b>23,40</b>

## Working Note:

Provisions and contingencies		(Rs.000')
Provision for NPA :		
Standard		12
3,000 × 0.40%		
Sub-standard	1,120 × 15%	1,68
Doubtful not covered by Security	200 × 100%	2,00
Doubtful covered by security for one year	50 × 25%	12.5
Loss Assets	200 × 100%	2,00
		<b>592.5</b>
Depreciation on current investment		

Cost (75% of 27,50)	2,062.50	
Less : Market value	(1,975.00)	87.5
		<b>680.00</b>

Note: 25% of the total investments are held to maturity. In the case of Held to Maturity investments the valuation is done at cost and these are not marked to market value generally. Hence, depreciation on investments has been calculated only on other investments which can either be Held for Trading (HFT) or Available for Sale (AFS)

**PROBLEM NO: 9**Balance Sheet of Vaishnavi Bank Ltd. as on 31<sup>st</sup> March, 2012

(Rs. '000)

Capital and Liabilities	Schedule	As on 31.03.2012	As on 31.03.2011
Capital	1	19,00,00	
Reserves and surplus	2	20,24,00	
Deposits	3	13,75,50	
Borrowings	4	7,72,30	
Other liabilities and provisions	5	1,14,20	
Total		<b>61,86,00</b>	

Capital and Liabilities	Schedule	As on 31.03.2012	As on 31.03.2011
Cash and balance with Reserve Bank of India	6	7,50,00	
Balances with bank and Money at call and short notice	7	7,23,50	
Investments	8	16,71,30	
Advances	9	19,60,00	
Fixed Assets	10	6,35,00	
Other Assets	11	4,46,20	
Total		<b>61,86,00</b>	
Contingent liabilities	12	5,65,00	
Bills for collection		4,35,00	

**Vaishnavi Bank Ltd.****Profit and Loss Account for the year ended 31.03.2012**

Particulars	Schedule No	Rs.
<b>I. Income</b>		
Interest & Discount	13	10,00,00
Other income	14	98,00
		<b>10,98,00</b>
<b>II. Expenditure</b>		
Interest Expended	15	79,50
Operating Expenses	16	4,59,50
Provisions and Contingences		-
		<b>5,39,00</b>
<b>III. Profits / Loss</b>		
Net profit for the year		5,59,00
Profit b/f		65,00
		<b>6,24,00</b>
<b>IV. Appropriations</b>		
Transfer to Statutory Reserve		1,39,75
Balance carried over to Balance Sheet		4,84,25
		<b>6,24,00</b>

## Schedule - 1 - Capital

Particulars	As on 31.03.2012
<b>III. For Other Banks</b>	
Authorized Capital	..
Shares of <b>Rs</b> ..... each	..
Issued Capital	..
Shares of <b>Rs</b> ..... each	..
Subscribed Capital	..
Shares of <b>Rs</b> ..... each	..
Called up capital	19,00,00
Shares of <b>Rs</b> ..... each	<b>19,00,00</b>

## Schedule - 2 - Reserves &amp; Surplus

Particulars	As on 31.03.2012
<b>I. Statutory Reserves</b>	
Opening Balance	14,00,00
Additions during the year	1,39,75
	15,39,75
<b>V. Balance in Profit and Loss Account</b>	4,84,25
Total	<b>20,24,00</b>

## Schedule - 3 - Deposits

Particulars	As on 31.03.2012
<b>A. I. Demand Deposits</b>	9,95,00
<b>II. Saving Bank Deposits</b>	1,50,00
<b>III. Term Deposits</b>	2,30,50
	<b>13,75,50</b>

## Schedule - 4 - Borrowings

Particulars	As on 31.03.2012
<b>I. Borrowings in India</b>	
(ii) Other banks	7,72,30
Total	<b>7,72,30</b>

## Schedule - 5 - Other liabilities and Provisions

Particulars	As on 31.03.2012
<b>IV. Other liabilities including provisions</b>	
Rebate on bills discounted	40,00
Employees Security Deposit	74,20
Total	<b>1,14,20</b>

## Schedule - 6 - Cash and Balances with Reserve Bank of India

Particulars	As on 31.03.2012
<b>I. Cash in hand (including foreign currency notes)</b>	3,50,00
<b>II. Balances with Reserve Bank of India</b>	
(i) In current Account	3,20,00
(ii) In Other Account	80,00
Total	<b>7,50,00</b>

(Details are not based on figures given in the question)

## Schedule - 7 - Balances with Banks &amp; Money at Calls &amp; Short Notice

Particulars	As on 31.03.2012
<b>I. In India Balances with banks</b>	
<b>i) In Current accounts</b>	
<b>a) In Other accounts</b>	2,63,50
<b>b) Money at call and short notice</b>	2,00,00
<b>ii) With banks</b>	
<b>a) With other institutions</b>	2,30,00
<b>b) Total</b>	30,00
	<b>7,23,50</b>

## Schedule - 8 - Investments

Particulars	As on 31.03.2012
I. Investments in India in	
i) Government securities	9,43,70
ii) Shares (assumed)	5,56,30
iii) Gold	1,51,30
iv) Silver	20,00
Total	<b>16,71,30</b>

## Schedule - 9 - Advances

Particulars	As on 31.03.2012
A.	
i) Bills purchased and discounted	1,25,00
ii) Cash credits, overdrafts and loans repayable on Demand	18,35,00
B.	19,60,00
i) Secured by tangible assets	12,00,00
ii) Secured by Bank / Govt. Securities	2,00,00
iii) Unsecured	5,60,00
C. Advances in India	19,60,00
i) Priority sector	8,00,00
ii) Public sector	1,00,00
iii) Banks	20,00
iv) Other	10,40,00
	<b>19,60,00</b>

(Details are assumed)

## Schedule 10 - Fixed Assets

Particulars	As on 31.03.2012
I. Premises	
At cost as on 31 <sup>st</sup> March, 2011	6,42,00
Depreciation to date	<u>50,00</u>
II. Other fixed articles (Including Furniture and Fixture)	5,92,00
At cost as on 31 <sup>st</sup> March, 2011	48,00
Depreciation to date	<u>5,00</u>
Total (I) + (II)	<b>6,35,00</b>

## Schedule 11 - Other Assets

Particulars	As on 31.03.2012
I. Inter-office adjustments (Net)	2,00,00
II. Interest accrued	2,46,00
	<b>4,46,00</b>

## Schedule 12 -Contingent Liabilities

Particulars	As on 31.03.2012
I. Acceptance, endorsements and other obligations	5,65,00
Total	<b>5,65,00</b>

## Schedule 13 - Interest earned

Particulars	As on 31.03.2012
I. Interest / discount on advances, bills (6,20,00 + 4,20,00 - 40,00)	10,00,00
Total	<b>10,00,00</b>

## Schedule 14 - Other Income

Particulars	Rs.	As on 31.03.2012
I. Commission, Exchange and Brokerage	2,53,00	
II. Profit on sale of investments		
<b>Less:</b> Loss on sale on investments	<u>2,00,00</u>	53,00
III. Miscellaneous Income		
Rent and Other Receipts		45,00
Total		<b>98,00</b>

**Schedule 15: Interest Expenses**

<b>Particulars</b>	<b>As on 31.03.2012</b>
I. Interest on Deposits	79,50
	<b>79,50</b>

**Schedule 16: Operating Expenses**

<b>Particulars</b>	<b>As on 31.03.2012</b>
I. Payments to and provisions for employees	2,12,00
II. Rent, Taxes and Lighting	1,20,00
III. Depreciation on Bank's Property	55,00
IV. Director's fees, allowances and expenses	10,00
V. Auditor's fees and expenses	50,00
VI. Postage, Telegrams, Telephones etc.	12,50
Total	<b>4,59,50</b>

**THE END**

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To **MASTER MINDS**, Guntur

MASTER MINDS