

Chapter 3 : Bank Accounts

Interest on Doubtful Debts:

Example - 2:

In the books of Vanzara Commercial Bank Ltd.:

Dr.			Phillip's Loan Account			Cr.
Date	Particulars	Amount	Date	Particulars	Amount	
01-04-17	To Balance B/d	80,000				
31-03-18	To Interest Susp. A/c	6,000	31-03-18	By Balance c/f	86,000	
		86,000			86,000	
01-04-18	To Balance b/d	86,000	20-05-18	By Cash A/c	68,800	
			20-05-18	By Bad debts A/c	16,000	
			20-05-18	By Interest Susp. A/c	1,200	
		86,000			86,000	

Dr.			Interest Suspense Account			Cr.
Date	Particulars	Amount	Date	Particulars	Amount	
31-03-18	To Balance c/f	6,000	31-03-18	By Phillip's Loan A/c	6,000	
		6,000			6,000	
20-05-18	To Interest A/c	4,800	01-04-18	By Balance b/d	6,000	
20-05-18	To Phillip's Loan A/c	1,200				
		6,000			6,000	

Dr.			Interest Account			Cr.
Date	Particulars	Amount	Date	Particulars	Amount	
			20-05-18	By Interest Susp. A/c	4,800	
31-03-19	To Profit & Loss A/c	4,800				
		4,800			4,800	

Rebate on Bills Discounted

Example - 8:

Working note - 1

The total discount received in advance on all the four bills would be calculated as under:

No.	Amount	Rate of rebate	Days	Amount of Discount
1	3,65,000	5%	65 days (1-1-18 to 6-3-18)	3,250 (3,65,000 × 5% × 65/365)
2	2,50,000	4.50%	73 days (1-1-18 to 14-3-18)	2,250 (2,50,000 × 4.5% × 73/365)
3	1,46,000	6%	85 days (1-1-18 to 26-3-18)	2,040 (1,46,000 × 6% × 85/365)
4	2,19,000	7%	100 days (1-1-18 to 10-4-18)	4,200 (2,19,000 × 7% × 100/365)
Total Amount of Rebate of Current Year				11,740

Example - 13:

Schedule - 13: Interest Earned

Particulars	Amount
Interest on Loans	15,00,000
Interest on Overdraft	4,00,000
Interest on Cash Credit	2,50,000
Discount Received in Bills	65,000
Interest received on Investments	68,000
	22,83,000
Add: Rebate on Bills discounted (Opening Balance)	12,000
	22,95,000
Less: Rebate on Bills discounted (Closing Balance)	15,000
TOTAL	22,80,000

Schedule - 14: Other Incomes

Particulars	Amount
Commission and Exchange	75,000
Rent of Safe Deposit Vault	32,000
Sundry Income	18,000
Profit on sale of Investments	20,000
TOTAL	1,45,000

Schedule - 15: Interest Expended

Particulars	Amount
Interest on Fixed Deposits	3,10,000
Interest on Current Accounts	15,000
Interest on Saving Accounts	1,20,000
TOTAL	4,45,000

Schedule - 16: Operating Expenses

Particulars	Amount
Audit Fees	60,000
Repairs of Assets	45,000
Salaries and Allowances	1,80,000
Rent and Taxes Paid	27,000
Director's Fees	65,000
Law Charges	35,000
Administrative Expenses	90,000
Sundry Expenses	23,000
Revenue Stamps	2,000
Printing and Stationery	3,000
Depreciation on Assets	3,30,000
TOTAL	8,60,000

W.N.: 1 Provisions and Contingencies

Provision for Bad Debt	2,20,000
Provision for Taxation	4,50,000
TOTAL	6,70,000

Where, Provision for Taxation:

Total Receipts (13 and 14)	24,25,000
Less: Total Expenses (15 and 16)	13,05,000
Profit Before Provisions	11,20,000
Less: Provision for BDR	2,20,000
Profit Before Tax	9,00,000
Less: Provision for Taxation (50%)	4,50,000
Profit After Tax	4,50,000

Example - 20:**Schedule - 13: Interest Earned**

Particulars	Amount
Interest received on Investments	46,000
Discount received on Bills	50,000
Interest on Loans	10,00,000
Interest on Overdraft	3,00,000
Interest on Cash Credit	2,00,000
	15,96,000
Add: Rebate on Bills discounted (Opening Balance)	8,000
	16,04,000
Less: Rebate on Bills discounted (Closing Balance)	10,000
TOTAL	15,94,000

Schedule - 14: Other Incomes

Particulars	Amount
Sundry Incomes	12,000
Commission and Exchange	50,000
Rent of Safe Deposit Vault	25,000
Profit on Sale of Investments	10,000
TOTAL	97,000

Schedule - 15: Interest Expended

Particulars	Amount
Interest on Saving Accounts	80,000
Interest on Current Accounts	10,000
Interest on Fixed Deposits	2,50,000
TOTAL	3,40,000

Schedule - 16: Operating Expenses

Particulars	Amount
Salaries and Allowances	1,20,000
Rent and Tax Paid	18,000
Administrative Expenses	60,000
Sundry Expenses	15,000
Audit Fees	40,000
Repairs of Assets	30,000
Directors Fees	50,000
Stationery and Printing	2,000
Depreciation on Assets	2,00,000
Revenue Stamps	2,000
Law Charges	25,000
TOTAL	5,62,000

W.N.: 1 Provisions and Contingencies

Provision for Bad Debt	1,50,000
Provision for Taxation	3,19,500
TOTAL	4,69,500

Where, Provision for Taxation:

Total Receipts (13 and 14)	16,91,000
Less: Total Expenses (15 and 16)	9,02,000
Profit Before Provisions	7,89,000
Less: Provision for BDR	1,50,000
Profit Before Tax	6,39,000
Less: Provision for Taxation (50%)	3,19,500
Profit After Tax	3,19,500

Example - 31:**Schedule - 13: Interest Earned**

Particulars	Amount
Interest on Loan	400,000
Interest on Overdraft	180,000
Interest on Cash Credit	150,000
Discount received on Bills	22,500
	752,500
Add: Rebate on Bills discounted (Opening Balance)	5,000
	757,500
Less: Rebate on Bills discounted (Closing Balance)	7,000
TOTAL	750,500

Schedule - 14: Other Incomes

Particulars	Amount
Commission and Exchange	15,000
Miscellaneous Incomes	12,000
Rent of safe deposit vault	26,200
Profit on sale of Investments	24,800
TOTAL	78,000

Schedule - 15: Interest Expended

Particulars	Amount
Interest on Saving Accounts	70,000
Interest on Current Accounts	70,000
Interest on Fixed Deposits	21,500
TOTAL	161,500

Schedule - 16: Operating Expenses

Particulars	Amount
Salary and allowances	10,000
Rent and Taxes	7,000
Audit Fees	10,000
Printing and Stationery	8,400
Law Charges	15,000
Directors fees	28,700
Depreciation on assets	10,800
Insurance Premium	17,600
Administrative Expenses	18,500
TOTAL	126,000

W.N.: 1 Provisions and Contingencies

Provision for Bad Debt	8,000
Provision for Taxation	40,000
TOTAL	48,000

Example - 19:**Schedule - 1: Share Capital**

Particulars	Amount
Share Capital (2,50,000 shares of ₹ 10 each)	25,00,000
TOTAL	25,00,000

Schedule - 2: Reserves and Surplus

Particulars	Amount
Net Profit (Before appropriation)	15,00,000
Less: Transfer to Statutory Reserve (20%)	3,00,000
Less: Depreciation on Building	1,00,000
	11,00,000
Statutory Reserve	30,00,000
Add: Current year's	3,00,000
Profit and Loss A/c	40,00,000
TOTAL	84,00,000

Schedule - 3: Deposits

Particulars	Amount
Fixed Deposits	50,00,000
Saving Deposits	45,00,000
Current Accounts	34,00,000
TOTAL	1,29,00,000

Schedule - 4: Borrowings

Particulars	Amount
Borrowings from other banks	10,00,000
TOTAL	10,00,000

Schedule - 5: Other Liabilities and Provisions

Particulars	Amount
Bills Payable	1,00,000
TOTAL	1,00,000

Schedule - 6: Cash and Balance with Reserve Bank of India

Particulars	Amount
Cash in hand	15,00,000
Cash with R.B.I.	25,00,000
TOTAL	40,00,000

Schedule - 7: Balance with Banks and Money at Call and Short Notice

Particulars	Amount
Cash with other Bank	15,00,000
Money at Call	20,00,000
TOTAL	35,00,000

Schedule - 8: Investments

Particulars	Amount
Gold	5,00,000
Invest in Maharashtra State Securities	10,00,000
TOTAL	15,00,000

Schedule - 9: Advances

Particulars	Amount
Cash Credit	80,00,000
Term Loan	60,00,000
Current Accounts	2,00,000
TOTAL	1,42,00,000

Schedule - 10: Fixed Assets

Particulars	Amount
Building	13,00,000
Less: Depreciation	1,00,000
Furniture	5,00,000
TOTAL	17,00,000

Schedule - 11: Other Assets

Particulars	Amount
Nil	---
TOTAL	NIL

Schedule - 12: Contingent Liabilities

Particulars	Amount
Claims against bank not acknowledged as debt	1,50,000
Acceptances and Endorsement	12,50,000
TOTAL	14,00,000