

# CHAPTER 3

## BANK

## ACCOUNTS

# INTRODUCTION

- *Banks deal in money deposited by the members of the public. Hence, in the public interest it is necessary to regulate the business of the banks. Prior to 1936, there was no provision in any law for regulating the banking business. The provision of the Companies Act, 1913 applied to it. The banks frequently failed and depositors were put to loss.*
- *On the recommendations of the Central Banking Enquiry Committee, some provisions relating to banking companies were introduced in the Indian Companies Act in 1936. These were inadequate and a comprehensive piece of legislation was enacted specially for banking companies in 1949 known as "The Banking Companies Act, 1949." The number of co-operative banks was increasing rapidly and it was thought fit to introduce special provisions relating to co-operative banks in the Banking Companies Act.*
- *The act was, therefore, amended in 1965 and from 1-3-2006 the Act came to be known as 'The Banking Regulation Act, 1949.' Thus, the word 'Companies' is substituted by the word 'Regulation', by the Amendment Act of 1965.*
- *The Act was further amended in 1968 to extend social control over banks. It must be remembered that the provisions of the Indian Companies Act, 2013 apply to banking companies in so far as the provisions of that Act are not inconsistent with provisions of Banking Regulation Act.*

# DEFINITION

- *Sec. 5 (b) The Banking Regulation Act defines 'Banking' as follows:*

*“Banking means the accepting, for the purpose of lending or investment, of money from the public, repayable on demand or otherwise, and withdrawable by cheque, draft, order or otherwise.”*

*The definition clearly indicates that the functions of banks are: (i) To accept deposits from the public, and (ii) to lend that money and (iii) to invest it in government securities or in shares, and debentures of joint-stock companies.*



# FUNCTIONS OF A BANK

- *Accepting Deposits*
- *Give Advances*
- *Investment of Money*
- *Transfer of Money*
- *Letters of Credit*
- *Services of Safe Deposit Vaults*
- *Services as Agents*
- *Information about Trade Credit*
- *Aids Foreign Trade*
- *Deals in Foreign Exchange*
- *Acting as Managers to Share issue*

# INTEREST ON DOUBTFUL DEBTS

- *As we have seen, Interest accrued on doubtful loan should not be credited to Interest Account otherwise it will be ultimately transferred to the credit of Profit and Loss Account and will increase the profit. This is not proper as recovery of interest is doubtful. Hence, such interest should be credited to 'Interest Suspense Account', the debit being given as usual to the 'Customer's Loan Account.'*
- *When some amount is realized subsequently, the Interest Suspense Account is debited and Interest Account is credited to the extent of the amount received on account of interest. Now the balance must be credited to Customer's Loan Account. Thus the Interest Suspense Account will be closed.*
- *It should be remembered that the Balance of interest not received cannot be transferred to Bad Debts Account, because in the original entry, Profit and Loss Account was not credited with Interest accrued. However, if some part of the Loan Amount is the not received, then it should be debited to Bad Debts Account.*

# INTEREST ON DOUBTFUL DEBTS

The entries in such case are made as under :

First Year (1)	Interest accrued whose recovery is doubtful : Merchant's Loan A/c To Interest Suspense Account	Dr.	...	...
Second Year (2)	Amount received from the merchant : Cash A/c To Merchant's Loan A/c	Dr.	...	...
(3)	The amount of loan not recoverable now written off : Bad Debts A/c To Merchant's Loan A/c	Dr.	...	...
(4)	Amount received for interest : Interest Suspense A/c To Interest A/c (Amount received) To Merchant's Loan A/c (Amount not recd.)	Dr.	...	...
(5)	Amount of interest recd. transferred to P & L A/c : Interest A/c To Profit and Loss A/c	Dr.	...	...



**(A) Examples on Interest on Doubtful Debts :**

**1.** The loan Ledger Balance of Mr. Ashok as on 31-3-2018 amounted to Rs. 60,000. The financial position of this client is reported to be doubtful. The interest due on this Loan Account for the year 2017-2018 amounted to Rs. 4,000.

During May, 2018 Mr. Ashok was declared insolvent and the bank received only 75 paise in a rupee from the amount due upto 31st March, 2018.

Pass the necessary Journal Entries to give effect to the above mentioned transactions.

• **Solution:**

*Journal Entries in the books of Bank*

<i>Date</i>	<i>Particulars</i>	<i>Dr.</i>	<i>£.F.</i>	<i>Debit (₹)</i>	<i>Credit (₹)</i>
31-3-2018	<i>Ashok's Account</i>	<i>Dr.</i>		4,000	
	<i>To Interest Suspense Account</i>				4,000
30-5-2018	<i>Cash Account</i>	<i>Dr.</i>		48,000	
	<i>To Ashok's Account</i>				48,000
30-5-2018	<i>Bad-debt Account</i>	<i>Dr.</i>		15,000	
	<i>To Ashok's Account</i>				15,000
30-5-2018	<i>Interest Suspense Account</i>	<i>Dr.</i>		4,000	
	<i>To Interest Account</i>				3,000
	<i>To Ashok's Account</i>				1,000
31-3-2019	<i>Interest Account</i>	<i>Dr.</i>		3,000	
	<i>To Profit &amp; Loss Account</i>				3,000



2. While closing the books of account of the Vanzara Commercial Bank Ltd., on 31st March, 2018, it was found in the Loan Ledger, an unsecured balance of Rs. 80,000, in the account of one customer Philip, whose financial position was reported to be bad and doubtful. On 31st March, 2018, the bank charged interest at 18% p.a., on the amount of the above loan for the last five months. In this respect, the bank is in possession of a machine of the value of Rs. 90,000 by way of security, received from Philip.

Philip was declared insolvent on 20th May, 2018. The bank could realise 50,000 from the sale of the machine, received as security. Out of the balance due on 31-3-2018, only Rs. 18,800 could be recovered from his Receiver, in full settlement.

Prepare the following accounts, in the books of the Bank :

- (1) Philip's Account
- (2) Interest Suspense Account, and
- (3) Interest Account.

Dr. Philip's A/c To Interest Suspense

• **Solution:**

*Journal Entries in the books of Vanzara Commercial Bank*

<i>Date</i>	<i>Particulars</i>	<i>£.F.</i>	<i>Debit (₹)</i>	<i>Credit (₹)</i>
31-3-2018	<i>Philip's Account</i> <span style="float: right;"><i>Dr.</i></span> <i>To Interest Suspense Account</i> ( $80,000 \times 18\% \times 5/12$ )		6,000	6,000
20-5-2018	<i>Cash Account</i> <span style="float: right;"><i>Dr.</i></span> <i>To Philip's Account</i> (50,000 from Machine + 18,800 from Receiver)		68,800	68,800
20-5-2018	<i>Bad-debt Account</i> <span style="float: right;"><i>Dr.</i></span> <i>To Philip's Account</i> (Undeceived $17,200 \times 80,000 / 86,000$ )		16,000	16,000
20-5-2018	<i>Interest Suspense Account</i> <span style="float: right;"><i>Dr.</i></span> <i>To Interest Account</i> (Received $68,800 \times 6,000 / 86,000$ ) <i>To Philip's Account</i>		6,000	4,800 1,200
31-3-2019	<i>Interest Account</i> <span style="float: right;"><i>Dr.</i></span> <i>To Profit &amp; Loss Account</i>		4,800	4,800

# REBATE ON BILLS DISCOUNTED

- *The bank discounted the bills of its customers for which the bank charges interest for the period of the bill. This is the amount of discount, which is the income of the bank:*
- *(1) When the Bank discounts the bill, it credits the full amount of discount to the "Discount A/c."*
- *(2) But it is likely that some of such bills discounted may not have matured at the close of the year. The total amount of discount on such bills cannot be treated as the income of the current year. But the discount which relates to the remaining period of the bill, is the income of the next year. This discount is the "Discount Received in Advance" or "Unexpired Discount" and is called "Rebate on Bills Discounted". This is not the income of the current year and cannot be credited to P & L A/c. An adjustment entry is made for this discount debiting Discount Account and crediting Rebate on Bills Discounted Account.*



# REBATE ON BILLS DISCOUNTED (CONT.)

- (3) This rebate on bills discounted is deducted from the total income of discount on the credit side of P & L A/c and in the balance sheet it is shown on the Liabilities Side under the heading of "Other Liabilities".
- (4) Remember that the adjusting entry for rebate on bills discounted made last year, is reserved in the beginning of the current year. This is because the discount received in advance last year was shown as a liability of last year. But during the current year, it is no longer a liability and hence, the liability account must be closed by debiting it. Secondly, the discount received in advance during the previous year is the income of the current year. Hence, it must be credited to Discount Account during the current year. Thus, the entry to reverse the previous year's adjustment entry is "Rebate on Bills Discounted A/c" Debited and "Discount Account" credited.

## Journal Entries for Rebate on Bills Discounted

<b>(A)</b>	<b>On the date of discounting of the bills :</b> Bills Discounted and Purchased A/c                      Dr. To Customer's A/c To Interest and Discount A/c	...	...	...
<b>(B) (1)</b>	<b>On the date of balance sheet :</b> For previous year's rebate on bills discounted : Rebate on Bills Discounted A/c                      Dr. To Interest and Discount A/c	...	...	...
<b>(2)</b>	<b>For current year's rebate on bills discounted :</b> Interest and Discount A/c                      Dr. To Rebate on Bills Discounted A/c	...	...	...
<b>(3)</b>	<b>Net interest transferred to Profit and Loss A/c :</b> Interest and Discount A/c                      Dr. To Profit and Loss A/c	...	...	....
<b>(C)</b>	<b>On the date of the collection of the bill :</b> Cash A/c                      Dr. To Bills Discounted and Purchased A/c	...	...	...

**(B) Examples on Rebate on Bills Discounted :**

**5.** The Prutha Commercial Bank Ltd. discounted on 1-11-2017, its customer Bhairavi's Bill, drawn on 28-10-2017, for 3 months of Rs. 4,000. The bank charged discount at 15% p.a.

The income on account of interest and discount for the year 2017 amounted to Rs. 1,00,000. Write journal entries in the books of the bank on following dates for effecting the above mentioned transactions :

- (i) On the date of discounting of the Bill,
- (ii) On the date of Balance-sheet (31-12-2017), and
- (ii) On the date of the collection of the Bill.



• **Solution:**

*Journal Entries in the books of Prutha Commercial Bank Ltd.*

<i>Date</i>	<i>Particulars</i>	<i>₹.F.</i>	<i>Debit (₹)</i>	<i>Credit (₹)</i>
1-11-2017	<i>On the date of discounting of the bill:</i> <i>Bills Discounted and Purchased A/c</i> Dr.		4,000	
	<i>To Bhairavi's Current A/c</i>			3,850
	<i>To Interest and Discount A/c (4,000 × 15% × 3/12)</i>			150
31-12-2017	<i>On the date of Balance-Sheet:</i> <i>Interest and Discount A/c</i> Dr.		50	
	<i>To Rebate on Bills Discounted A/c (Int. in advance)</i>			50
"	<i>Interest and Discount A/c</i> Dr.		99,950	
	<i>To Profit &amp; Loss A/c (1,00,000 - 50)</i>			99,950
31-1-2018	<i>On the date of Collection of the bill:</i> <i>Cash A/c</i> Dr.		4,000	
	<i>To Bills Discounted and Purchased A/c</i>			4,000

8. Following are some balances appearing in the trial balance of Bank of Baroda as on 31st December, 2017 :

	Rs.
Bills discounted	9,80,000
Rebated on Bills discounted (31-12-2016)	14,000
Interest and Discount Received	75,000
Bad debts	10,000

Due date of discounted bills are as under :

Due dates	Rate of rebate	Amount of bills
6-3-'18	5%	3,65,000
14-3-'18	4.5%	2,50,000
26-3-'18	6%	1,46,000
10-4-'18	7%	2,19,000

Write necessary Journal entries.

• **Solution:**

*Journal Entries in the books of Bank of Baroda*

<i>Date</i>	<i>Particulars</i>	<i>Dr.</i>	<i>Cr.</i>	<i>Debit (₹)</i>	<i>Credit (₹)</i>
31-12-2017	<i>Rebate on Bills Discounted A/c</i>	<i>Dr.</i>		14,000	
	<i>To Discount A/c</i>				14,000
	<i>(Last year's rebate on bills discounted)</i>				
31-12-2017	<i>Discount A/c</i>	<i>Dr.</i>		11,740	
	<i>To Rebate on Bills Discounted A/c</i>				11,740
	<i>(Unexpired discount at the end of the year) (W.N.- 1)</i>				
31-12-2017	<i>Discount A/c</i>	<i>Dr.</i>		77,260	
	<i>To Profit &amp; Loss A/c</i>				77,260
	<i>(Balance of Discount transferred to P &amp; L A/c)</i>				
	<i>(75,000 + 14,000 Last year's Rebate - 11,740 Current year's Rebate)</i>				



# TRANSACTIONS OF LOANS, CASH CREDITS & OVERDRAFTS AND BAD DEBTS & BAD DEBT RESERVE

- (1) The advances of a bank to its customers are of three types: Loan, Cash Credit and Overdraft. A combined account of all these three is opened. When the bank makes advances to a customer, it debits "Loans, Cash credit and Overdraft Account". This is shown on the asset side of the balance sheet under the heading of "Advances". These are the 'Debtors' of the bank. When the loan is sanctioned the current account of the customer is credited and he can withdraw the amount at any time he likes.
- (2) When the customer returns the amount of loan, the customer generally gives a cheque in the name of the bank. Hence, Customer's Current Account is debited. As the loan amount is reduced "Loans, Cash credit and Overdraft A/c" credited.
- (3) When any bad debts takes place during the year, the bank credits "Loans, Cash credit and Overdraft A/c" because this is the Debtor's account of the bank. In ordinary business, Debtors A/c is credited when bad debt occurs.

# TRANSACTIONS OF LOANS, CASH CREDITS & OVERDRAFTS AND BAD DEBTS & BAD DEBT RESERVE

- (4) *At the close of the year, the Bad Debts A/c is transferred to Bad Debts Reserve Account.*
- (5) *In order to create Bad Debt Reserve Account, formerly the banks did not debit the P & L A/c but debited the “Interest and Discount Account”. This is because the bank did not disclose the amount of Bad Debts or Bad Debts Reserve to the members of the public. It was concealed from them. But now this is not case. The Bank has to disclose bad debts reserve as they are treated as ordinary business.*
- (6) *In ordinary business, Bad Debts Reserve is shown as a deduction from Debtors on the Assets side of the balance sheet. But the Bank deducts it from “Loans, Cash credit and Overdrafts” because it is the ‘Debtors’ of the bank.*

The following entries are passed :

		Rs.	Rs.
(1)	When Loan, Cash credits and Overdrafts etc. are granted: Loans, Cash credits and Overdraft A/c Dr. To Customer's Current A/c	...	...
(2)	When Loans, Cash credits and Overdrafts etc. is recovered Customer's Current A/c Dr. To Loans, Cash credits and Overdraft A/c	...	...
(3)	Amount of Interest and Discount earned : Sundries A/c Dr. To Interest and Discount A/c	...	...
(4)	Bad Debts written off during the year : Bad Debts A/c Dr. To Loans Cash credits and Overdrafts	...	...
(5)	When Bad Debts A/c is closed: Bad Debts Reserve A/c Dr. To Bad Debts A/c	...	...
(6)	When Provision for Bad Debts Reserve is made : Profit & Loss A/c Dr. To Bad Debts Reserve A/c	...	...
(7)	When Interest and Discount A/c is closed: Interest and Discount A/c Dr. To Profit and Loss A/c	...	...



**(C) Loans, Cash Credit & Overdraft and Bad Debts & Bad Debts Reserve :**

**11.** The Progressive Bank Ltd. disclosed the total loans, cash credits and overdrafts account at Rs. 4,50,000 and bad debts reserve A/c at Rs. 35,000 as on 1-4-'17. The earnings from interest and discount during the year 2017-'18 amounted to Rs. 4,70,000 whereas the loans, cash credits and bank overdrafts granted and recovered during the year amounted to Rs. 5,20,000 and Rs. 5,00,000 respectively.

During the year Rs. 25,000 have been written off as bad debts and it is required to maintain the reserve for doubtful debts upto Rs. 40,000.

Prepare the necessary Ledger Accounts and also find out the amounts to be credited to the Profit and Loss Account.      *[Guj. Uni., T.Y. April, 1983]*

• **Solution:**

**Dr.** *Loans, Cash credit and Overdraft Account*

**Cr.**

<i>Date</i>	<i>Particulars</i>	<i>Amt. (₹)</i>	<i>Date</i>	<i>Particulars</i>	<i>Amt. (₹)</i>
1-4-17	To Balance b/d	4,50,000			
2017-18	To Current A/c (Loan granted)	5,20,000	2017-18	By Current A/c (Loan recovered)	5,00,000
			31-3-18	By Bad debts A/c	25,000
			31-3-18	By Balance c/d	4,45,000
		<b>9,70,000</b>			<b>9,70,000</b>

**Dr.** *Interest and Discount Account*

**Cr.**

<i>Date</i>	<i>Particulars</i>	<i>Amt. (₹)</i>	<i>Date</i>	<i>Particulars</i>	<i>Amt. (₹)</i>
31-3-18	To P & L A/c	4,70,000	2017-18	By Sundries	4,70,000
		<b>4,70,000</b>			<b>4,70,000</b>

Dr.

### Bad Debts Account

Cr.

Date	Particulars	Amt. (₹)	Date	Particulars	Amt. (₹)
31-3-18	To Loans, Cash credit and Overdraft A/c	25,000			
			31-3-18	By Bad Debts Reserve	25,000
		<b>25,000</b>			<b>25,000</b>

Dr.

### Bad Debts Reserve Account

Cr.

Date	Particulars	Amt. (₹)	Date	Particulars	Amt. (₹)
			1-4-17	By Balance b/d	35,000
31-3-18	To Bad Debts A/c	25,000			
31-3-18	To Balance c/d	40,000	31-3-18	By P & L A/c	30,000
		<b>65,000</b>			<b>65,000</b>



**THE THIRD SCHEDULE**  
(See Section 29)  
**Form 'A'**  
**FORM OF BALANCE SHEET**

Balance Sheet of \_\_\_\_\_ (here enter the name of the Banking company)

Balance Sheet as on 31st March (Year)

(000's omitted)

<b>CAPITAL &amp; LIABILITIES</b>	<b>Schedule No.</b>	<b>As on 31.3_____ (Current year)</b>	<b>As on 31.3_____ (Previous year)</b>
Capital	1	. . .	. . .
Reserves & Surplus	2	. . .	. . .
Deposits	3	. . .	. . .
Borrowings	4	. . .	. . .
Other Liabilities and Provisions	5	. . .	. . .
<b>TOTAL</b>		. . .	. . .

**ASSETS :**

Cash and balance with Reserve Bank of India	6	. . .	. . .
Balance with banks and money at call and short notice	7	. . .	. . .
Investments	8	. . .	. . .
Advances	9	. . .	. . .
Fixed Assets	10	. . .	. . .
Other Assets	11	. . .	. . .
<b>TOTAL</b>		. . .	. . .
Contingent Liabilities	12	. . .	. . .
Bills for collection		. . .	. . .

**Form 'B'**  
**Form of PROFIT & LOSS ACCOUNT for the year ended on**  
**31st March, .....** **( '000 Omitted)**

Particulars	Schedule No.	Year ended 31.3_____ (Current year)	Year ended 31.3_____ (Previous year)
<b>I. INCOME</b>			
Interest earned	13	...	...
Other incomes	14	...	...
<b>TOTAL</b>		...	...
<b>II. EXPENDITURE</b>			
Interest expended	15	...	...
Operating expenses	16	...	...
Provisions and Contingencies			
<b>TOTAL</b>		...	...
<b>III. PROFIT/LOSS</b>			
Net Profit/Loss (-) for the year		...	...
Profit/Loss (-) brought forward		...	...
<b>TOTAL</b>		...	...
<b>IV. APPROPRIATIONS</b>			
Transfer to Statutory Reserve		...	...
Transfer to other reserves		...	...
Transfer to Government/Proposed dividend		...	...
Balance carried over to balance sheet		...	...
<b>TOTAL</b>		...	...

## SCHEDULE-13 : INTEREST EARNED

<b>Particulars</b>	<b>Year ended 31.3_____ (Curret year)</b>	<b>Year ended 31.3_____ (Previous year)</b>
(1) Interest/discount on advances/bills	. . .	. . .
(2) Income on investments	. . .	. . .
(3) Interest on balances with Reserve		
Bank of India and other interbank funds	. . .	. . .
(4) Others	. . .	. . .
<b>TOTAL</b>	. . .	. . .



## SCHEDULE-14 : OTHER INCOMES

Particulars	Year ended 31.3_____ (Current year)	Year ended 31.3_____ (Previous year)
<b>(1) Commission, exchange and brokerage</b>	...	...
<b>(2) Profit on sale of investments</b>		
<i>Less</i> : Loss on sale of investment	...	...
<b>(3) Profit on revaluation of investments</b>		
<i>Less</i> : Loss on revaluation of investments	...	...
<b>(4) Profit on sale of land, building and other assets</b>		
<i>Less</i> : Loss on sale of land, building and other assets.	...	...
<b>(5) Profit on exchange transactions</b>		
<i>Less</i> : Loss on exchange transactions	...	...
<b>(6) Income earned by way of dividends etc. from subsidiary companies and/or joint ventures abroad/in India</b>		
	...	...
<b>(7) Miscellaneous Income</b>		
	...	...
<b>TOTAL</b>	...	...

**Note :** Under items 2 to 5 loss figures may be shown in brackets.

## SCHEDULE-15 : INTEREST EXPENDED

<b>Particulars</b>	<b>Year ended 31.3 (Current year)</b>	<b>Year ended 31.3 (Previous year)</b>
(1) Interest on deposits	...	...
(2) Interest on Reserve Bank of India Inter bank borrowings	...	...
(3) Others	...	...
<b>TOTAL</b>	...	...

## SCHEDULE-16 : OPERATING EXPENSES

Particulars	Year ended 31.3 _____ Current year)	Year ended 31.3 _____ (Previous year)
(1) Payments to and provisions for employees	. . .	. . .
(2) Rent, taxes and lighting	. . .	. . .
(3) Printing and Stationery	. . .	. . .
(4) Advertisement and publicity	. . .	. . .
(5) Depreciation on Bank's property	. . .	. . .
(6) Directors' fees, allowances and expenses	. . .	. . .
(7) Auditor's fees and expenses (including branch auditors)	. . .	. . .
(8) Law Charges	. . .	. . .
(9) Postages, Telegrams, Telephones, etc.	. . .	. . .
(10) Repairs and maintenance	. . .	. . .
(11) Insurance	. . .	. . .
(12) Other expenditure	. . .	. . .
<b>TOTAL</b>	. . .	. . .



**(D) Final Accounts ·**

**13.** From the following balances of The Rad esh Bank Ltd. as on 31-3-2018, prepare Profit and Loss Account (Form 'B') ar 1 Schedules 13 to 16 :

<b>Particulars</b>	<b>Rs.</b>
Interest on Fixed Deposits	3,10,000
Audit Fees	60,000
Interest on Loans	15,00,000
Repairs of Assets	45,000
Interest on Overdraft	4,00,000
Interest on Current Accounts	15,000
Rebate on Bills discounted (1-4-2017)	12,000
Credit Balance of Profit and Loss Account (1-4-2017)	5,00,000
Commission and Exchange	75,000
Salaries and Allowances	1,80,000
Rent of Safe Deposit Vault	32,000
Rent and Taxes paid	27,000
Sundry incomes	18,000
Director's fees	65,000

Interest on Savings Accounts	1,20,000
Share capital	75,00,000
Law charges	35,000
Interest on Cash credits	2,50,000
Administrative expenses	90,000
Sundry expenses	23,000
Discount Received in Bills	65,000
Interest received on Investments	68,000
Revenue Stamps	2,000
Profit on sale of investments	20,000
Printing and Stationery	3,000
Depreciation on Assets	3,30,000

**Additional Information :**

- (1) The balance of rebate on bills discounted as on 31-3-2018 is Rs. 15,000.
- (2) Transfer Rs. 2,20,000 for bad debt reserve and make provision for taxation at 50% on net profit.
- (3) Maintain Statutory reserve as per law.

• **Solution:**

**Profit and Loss Account of The Reddesh Bank Ltd. (Form 'B')**

Particulars	S. No.	Amount (₹)
<b>I. INCOME:</b>		
Interest Earned	13	22,80,000
Other Incomes	14	1,45,000
<b>TOTAL (A)</b>		<b>24,25,000</b>
<b>II. EXPENDITURE:</b>		
Interest Expended	15	4,45,000
Operating Expenses	16	8,60,000
Provisions and Contingencies (W.N. - 1)		6,70,000
<b>TOTAL (B)</b>		<b>19,75,000</b>
<b>III. PROFIT/LOSS:</b>		
Net Profit/Loss of Current Year (A - B)		4,50,000
Profit/Loss of Previous Year		5,00,000
<b>TOTAL</b>		<b>9,50,000</b>
<b>IV. Less: APPROPRIATIONS:</b>		
Transfer to Statutory Reserve (20% of ₹ 4,50,000)		(90,000)
<b>TOTAL (Balance Carried to B/S)</b>		<b>8,60,000</b>



**20.** From the following balances of Shri Ram Bank Ltd. as on 31-3-'18, prepare Profit & Loss Account (Form 'B') and Schedules 13 to 16 :

	Rs.
Rebate on Bills discounted (1-4-'17)	8,000
Salaries and Allowances	1,20,000
Rent and Tax paid	18,000
Share Capital	50,00,000
Administrative expenses	60,000
Sundry expenses	15,000
Interest received on investments	46,000
Interest on Saving Accounts	80,000
Sundry incomes	12,000
Discount Received on Bills	50,000
Credit balance of P & L A/c (1-4-'18)	3,75,000
Audit Fees	40,000
Interest on Loans	10,00,000
Repairs of Assets	30,000
Interest on Overdraft	3,00,000
Interest on Current Accounts	10,000
Commission and Exchange	50,000
Rent of Safe Deposit Vault	25,000
Director fees	50,000

Interest on Fixed Deposits	2,50,000
Profit on sale of investments	10,000
Stationery and printing	2,000
Depreciation on Assets	2,00,000
Revenue Stamps	2,000
Interest on Cash Credit	2,00,000
Law Charges	25,000

**Additional information :**

- (1) Maintain Statutory Reserves as per Law.
- (2) Transfer Rs. 1,50,000 for Bad debt Reserve and make provision for taxation at 50% on Net Profit.
- (3) The balance of Retention on Bills discounted as on 31-3-'18 is Rs. 10,000.

• **Solution:**

**Profit and Loss Account of Shri Ram Bank Ltd. (Form 'B')**

Particulars	S. No.	Amount (₹)
<b>I. INCOME:</b>		
Interest Earned	13	15,94,000
Other Incomes	14	97,000
<b>TOTAL (A)</b>		<b>16,91,000</b>
<b>II. EXPENDITURE:</b>		
Interest Expended	15	3,40,000
Operating Expenses	16	5,62,000
Provisions and Contingencies (W.N. - 1)		4,69,500
<b>TOTAL (B)</b>		<b>13,71,500</b>
<b>III. PROFIT/LOSS:</b>		
Net Profit/Loss of Current Year (A - B)		3,19,500
Profit/Loss of Previous Year		3,75,000
<b>TOTAL</b>		<b>6,94,500</b>
<b>IV. Less: APPROPRIATIONS:</b>		
Transfer to Statutory Reserve (20% of ₹ 3,19,500)		(63,900)
<b>TOTAL (Balance Carried to B/S)</b>		<b>6,30,600</b>



**31.** From the following balances of ADC Bank Ltd. as on 31-3-'19, prepare Profit & Loss A/c (Form B) and Schedule 13 to 16 :

<b>Particulars</b>	<b>Rs.</b>
Share Capital	30,00,000
Salary and allowances	10,000
Interest on Loan	4,00,000
Commission and Exchange	15,000
Rent and Taxes	7,000
Audit Fees	10,000
Interest on Overdraft	1,80,000
Interest on Cash Credit	1,50,000
Interest on Savings Accounts	70,000
Interest on Current Accounts	70,000
Rebate on Bills discounted (1-4-'18)	5,000
Credit balance of Profit & Loss A/c (1-4-'18)	1,50,000

Miscellaneous incomes	12,000
Rent of safe deposit vault	26,200
Printing & Stationery	8,400
Profit on sale of investments	24,800
Law charge:	15,000
Directors' fees	28,700
Depreciation on assets	10,800
Discount received on Bills	22,500
Insurance Premium	17,600
Administrative expenses	18,500
Interest on Fixed Deposits	21,500

### **Additional Informations :**

- (1) Balance of Rebate on bills discounted as on 31-3-'19 is Rs. 7,000.
- (2) Transfer Rs. 8,000 to Bad debts reserve and make Provision for taxation of Rs. 40,000.
- (3) Proposed dividend is 10%.
- (4) Keep Statutory Reserve as per law.

• **Solution:**

**Profit and Loss Account of ADC Bank Ltd. (Form 'B')**

Particulars	S. No.	Amount (₹)
<b>I. INCOME:</b>		
Interest Earned	13	7,50,500
Other Incomes	14	78,000
<b>TOTAL (A)</b>		<b>8,28,500</b>
<b>II. EXPENDITURE:</b>		
Interest Expended	15	1,61,500
Operating Expenses	16	1,26,000
Provisions and Contingencies (W.N. - 1)		48,000
<b>TOTAL (B)</b>		<b>3,35,500</b>
<b>III. PROFIT/LOSS:</b>		
Net Profit/Loss of Current Year (A - B)		4,93,000
Profit/Loss of Previous Year		1,50,000
<b>TOTAL</b>		<b>6,43,000</b>
<b>IV. Less: APPROPRIATIONS:</b>		
Transfer to Statutory Reserve (20% of ₹ 4,93,000)		(98,600)
Transfer to Proposed Dividend (10% of Share capital ₹30,00,000)		(3,00,000)
<b>TOTAL (Balance Carried to B/S)</b>		<b>2,44,400</b>



19. Following are the balances of Karmyogi Bank as on 31-3-2014. Prepare Balance Sheet giving the relevant schedules :

Particulars	Debit Rs.	Credit Rs.
Cash credit	80,00,000	—
Cash in hand	15,00,000	—
Cash with R.B.I.	25,00,000	—
Cash with other bank	15,00,000	—
Money at call	20,00,000	—
Gold	5,00,000	—
Share capital (2,50,000 shares of Rs. 10 each)	—	25,00,000
Net profit (before appropriation)	—	15,00,000
Statutory Reserve	—	30,00,000
Invest in Maharashtra State Securities	10,00,000	—

State Securities	13,00,000	—
Building	5,00,000	—
Furniture	60,00,000	—
Term Loan	—	40,00,000
Profit and Loss A/c	—	50,00,000
Fixed Deposits	—	45,00,000
Saving Deposits	2,00,000	34,00,000
Current Accounts	—	10,00,000
Borrowings from other banks	—	1,00,000
Bills payable	—	—
	<b>2,50,00,000</b>	<b>2,50,00,000</b>

**Additional Information :**

Particulars	Rs.
(1) Depreciation on building	1,00,000
(2) Bills for collection	3,00,000
(3) Claims against bank not acknowledged as debt	1,50,000
(4) Acceptances and Endorsement	12,50,000

• **Solution:**

**Balance Sheet of Karmyogi Bank as on 31-3-2014**

Particulars	S. No.	Amount (₹)
<b>I. CAPITAL AND LIABILITIES:</b>		
Share Capital	1	25,00,000
Reserves and Surplus	2	84,00,000
Deposits	3	1,29,00,000
Borrowings	4	10,00,000
Other Liabilities and Provisions	5	1,00,000
<b>TOTAL</b>		<b>2,49,00,000</b>
<b>II. ASSETS:</b>		
Cash and Balance with Reserve Bank of India	6	40,00,000
Balance with banks and Money at call and short notice	7	35,00,000
Investments	8	15,00,000
Advances	9	1,42,00,000
Fixed Assets	10	17,00,000
Other Assets	11	----
<b>TOTAL</b>		<b>2,49,00,000</b>
Contingent Liabilities	12	14,00,000
Bills for collection		3,00,000