

Introduction

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

⇒ Loan
⇒ Deposit

Definition and Functions of a Bank

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

Preparation of Financial Statements and Accounting Date (Section 29)

Signatures (Section 29)

Audit (Section 30)

Submission of Accounts (Secs 31 and 32)

Publication of Accounts

- Rule 15

- Banks follow the accounting procedure of 'voucher posting'. / Slip Posting

Ledger Book

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

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

TOPIC

Other Books

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

Principal Books of Account: General Ledger , Profit and Loss Ledger
↓
Daily Summary

Preparation And Presentation of Financial Statements Of Banks

A banking company is required to prepare financial statements in accordance with Schedule III of the Companies Act, 2013. Banking Regulation Act has prescribed Form A, the format of a balance sheet and form B, the format of a profit and loss account.

Preparation of Balance Sheet

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

TOPIC

1-5 = liability
 6-11 = Asset
 12 = Conting
 13-14 = Income
 15-16 = Exp
 17 = Prov.
 18 = Notes

Capital and Liabilities.

Schedule No.

₹

Capital	<u>1</u>	....
Reserves and Surplus / Profit / Sec. Premium	<u>2</u>	....
Minorities Interest	2A	
Deposits	<u>3</u>	....
Borrowings	<u>4</u>	....
Other Liabilities and Provisions / NPA Prov. / Tax Prov. / Bill Rebate Prov.	<u>5</u>	....
Total		

Assets	Schedule No.	₹
<u>Cash and Balance with RBI</u>	<u>6</u>	....
<u>Balances with Banks and Money</u> <u>max. maturity ≤ 15 days</u>	<u>7</u>	....
<u>at Call and Short Notice</u>		
<u>Investments</u>	<u>8</u>	....
<u>Advances</u> (P.S.L.)	<u>9</u>	....
<u>Fixed Assets</u>	<u>10</u>	....
<u>Other Assets / Current Assets</u>	<u>11</u>	....
Goodwill on consolidation¹		
Debit balance of Profit and Loss account		
Total		....
Contingent Liabilities	12	....
<u>Bills for collection</u> / Court Case ⇒ Foot Note = AS.29		

Accounting Treatment Of Specific Items

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

Bad Debts and Provisions for Doubtful Debts \Rightarrow NPA Prodr. \Rightarrow $\begin{matrix} \Rightarrow P/L = 17 \\ \Rightarrow B/S = 5 \end{matrix}$

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

TOPIC

- However, while consolidating the Schedule of Advances at the head office level, for balance sheet purposes, the advances are shown net of any bad or doubtful debts.

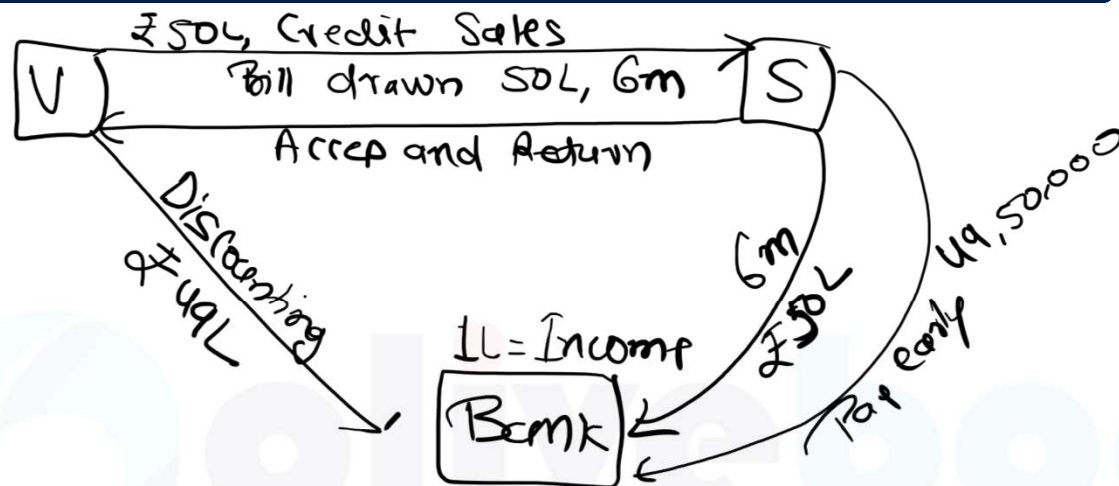
Provision for Taxation \Rightarrow $\begin{cases} \Rightarrow \text{PIL} = 17 \\ \Rightarrow \text{BIS} = 5 \end{cases}$

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

Rebate on Bills Discounted \Rightarrow $\begin{cases} \Rightarrow \text{PIL} = 17 \\ \Rightarrow \text{BIS} = 5 \end{cases}$

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

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The accounting entry made is as follows:

- Bills discounted and purchased a/c Dr. 50,00,000
To Customers' a/c 49,00,000
To Discount a/c ⇒ Income 1,00,000

Customer's account is credited with the net amount remaining after deducting the amount of discount.

- The amount credited to the discount account represents the earning of the bank.

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⇒ Sch. 5 = BLS ✓
⇒ Sch. 17 = P/L ⇒ outside T.B.

- Rebate on bills discounted, if already appearing in the trial balance, is taken to the balance sheet on the 'liabilities side'.



Preparation Of Profit and Loss Account

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

	Schedule Number	Year Ended (₹)
I. Income:		
<i>Imp</i> <u>Interest Earned</u> / <u>Discounting Income</u>	<u>13</u>	.....
<u>Other Income</u>	<u>14</u>	.....
II. Expenditure:		
<i>Imp</i> <u>Interest Expended</u>	<u>15</u>	.....
<u>Operating Expenses</u> / <u>Salary</u>	<u>16</u>	.....
<u>Provisions and Contingencies</u>	<u>17</u>	.....
Total		.....

⇒ Journal
⇒ Ledger
⇒ T.B.
⇒ FIS

⇒ By using Computer

Unit 7- Accounting in Computerized Environment

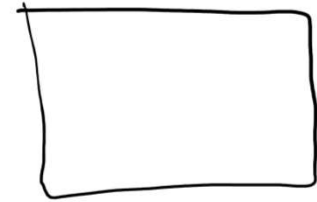
Terms used in Computerized Accounting

- Data \Rightarrow Raw fact
- Record \Rightarrow Compilation of data
- Data file or file \Rightarrow Processed Info.
- System \Rightarrow Computer = Combination of HW/ SW

Functions performed by computerized accounting software available in the market

- Tally versions such as 4, 4.5, 5, 5.4, 6.3, 7.2 and 8.2
- Ex, accounting software
- Bank 2000 for accounting needs for banks
- B@NKS-24-core banking solution *Tcs / Finacle* *Infosys*
- A.U.D.I.T.O.R and A.U.D.I.T.I.M.E cash basis software for professionals and their accounts
- MEFCOMP accounting software for professional
- Quick FA

Core Banking Components



- Core Bank financial institution infrastructure
- Core Bank customer management and customer overview
- Core Bank Account Administration
- Core Bank Payments
- Core Bank Management Information

Information Security

Information Security is basically the practice of preventing unauthorized access, use, disclosure, disruption, modification, inspection, recording or destruction of information. Information can be physical or electrical one

TOPIC

- ⇒ Branch
- ⇒ H.O
- ⇒ Web-Banking
- ⇒ M-Banking
- ⇒ SMS

Omnichannel

Omnichannel is much more than just providing multiple ways for customers to transact. It is about a seamless and consistent interaction between customers and their financial institutions across multiple channels. While multichannel is focused on transactions, omnichannel focuses on interactions.

Neo Banking, ⇒ eg:- Razorpay

Neo banks are digital-only banks that operate without any physical branches or legacy systems. Digital banks are traditional banks that have added digital channels to their services. Both types of banks are regulated and offer financial services such as checking and savings accounts, loans, and debit cards.