

## **TOPIC: BANK SERVICE**

Banks are place where money is kept for safe-keeping and where money can be paid out to the owners when the need arises. They serve as lenders to people for business activities and personal uses. Banks play an important role in the buying, selling and distribution activities in the economy.

### **COMMERCIAL BANK**

A commercial bank is a type of bank that provides services such as accepting deposits, making business loans and offering basic investment products. Examples of commercial bank include Zenith bank, Fidelity bank, Diamond bank, Gtbank etc.

### **SERVICES OF COMMERCIAL BANK**

The following are some of the services commercial banks provide

1. **CURRENT ACCOUNT:** - A current account is an account from which the owner can withdraw money at any given time provided there is enough money in it. A cheque is normally used to withdraw money from the current account. To open a current account, one will have to obtain and complete a form.

Documents required in opening a current account are

- a. Letter of reference from an account holder in the bank
- b. Personal data form given to him by the bank for completion
- c. Specimen signature form
- d. Two passport photograph

The bank opens the account for the person after being satisfied with the documents. The bank then provides the customer with a paying in book or teller and a cheque book.

- a. **A PAYING-IN BOOK:** - This consists of a number of paying slips or tellers bound together in book form
- b. **CHEQUE:** - A cheque is a written order on a bank to pay the sum of money to the person named on it called the employee, the person who issues the cheque is known as the drawer. A cheque is a means of settling debts because it reduces the risk involved in carrying cash about.

Types of cheque include open cheque, bearer cheque, order cheque, and crossed cheque.

2. **SAVINGS ACCOUNT:** - This is an account in which the money saved earns interest at prevailing at prevailing interest in the economy at the given time. In order to earn the required interest, withdrawals must not be more than four times in a month.  
the requirements for opening a savings account include:
  - a. An identification document
  - b. Two passport photograph
  - c. Evidence of payment address e.g PHCN bill

When the account is opened, the bank gives the following to the person:

- a. Cash deposit booklet or slip
  - b. Withdrawal forms/booklet
  - c. The bank identity card
  - d. A passbook
3. **FIXED DEPOSIT ACCOUNT:** - This is a special type of bank account in which money is kept for a specified period of time before one can make withdrawals. If a customer wishes to withdraw money before the stated period, he has to give sufficient notice to the bank. This account is meant for long term savings

**BANK STATEMENT:** - This is a statement issued by the bank to the customers, stating the details of transaction that took place within a particular period.

#### OTHER BANKING SERVICES

1. **OVERDRAFT:** - This is the amount of money which a commercial bank allows a customer to withdraw over and above the amount he has in his current account. An overdraft does not always need a guarantor, surety or security. A good and well kept current account by a customer will enable the bank grant an overdraft.
2. **LOANS:** - A loan is a fixed sum of money which a customer borrows from a commercial bank. A bank loan requires sureties, guarantors or some security.  
To get a loan from the bank, one will need to write an application. The application will contain the amount of loan required, purpose of the loan, period and format of repayment and the security to be provided (also known as collateral). The bank gives the loan based on their satisfaction with the application. The bank also specifies the repayment period which may be one year or more. The bank usually charges interest on loans.

**TRAVELLER'S CHEQUE:** - When one travels from one country to another, he needs the currency of that country as soon as he arrives there. To get the money in that country, one will need a traveler's cheque which can actually be used as an exchange for the currency of that country before departure. It is a document issued by banks on payment of local currency and which is acceptable international currency like the American dollar or the pound sterling.. when a Nigerian commercial bank issues the cheque to travelers in exchange for the amount paid in naira, it charges a commission for this service.

In Nigeria, only persons aged seventeen and above can purchase traveller's cheque.

**BANK DRAFT:** - A bank draft is a cheque issued by one bank and drawn on one bank to pay a beneficiary an amount of money. This money is either specified in foreign currency of the beneficiary. It may be used to send money abroad for gift, payment for goods purchased, advance travel related payments and maintenance.

To have access to this, one will need to provide certain document and if used as a travel allowance, you must have a bank account abroad so you can negotiate the draft. In South Africa, the South African

Reserve Bank allows you to open an account abroad to transfer the money. Money that is not used has to be brought back into South Africa.

**FOREIGN EXCHANGE:** - This is the exchange of one currency for another, or the conversion of one currency into another currency. It also refers to the global market where currencies are traded virtually around the clock. The term foreign exchange is usually abbreviated as 'forex' and occasionally as FX.

**SAFE-GUARDING VALUABLES:** - A bank is a place where valuables are kept for safe keeping until when they are needed

#### **FUNCTIONS OF COMMERCIAL BANK**

1. Commercial bank perform investment services and receive and pay dividends to their customers.
2. They also grant loans and overdrafts to aid their customers' trade.
3. They accept deposits from customers into their different customers for safe keeping and makes it possible for them to withdraw it when it is needed
4. They make payments on behalf of customers and facilitate receipts of money by their customers when cheques are used in such transactions
5. They safeguard valuables such as jewelry, share certificates and other important documents
6. They issue travelers cheque to their customers when travelling abroad for business
7. Through e-banking facilities, they make withdrawals and transfer of money from one place to the other
8. They provide foreign exchange to their customers to facilitate their foreign transaction

#### **TOPIC: INSURANCE**

**Meaning of insurance:** Insurance is the protection against the loss of property and life. With regard to property, insurance covers practically everything an individual or business owns (building, vehicles and even clothes). Insurance can be taken out on practically anything for which risk is associated.

Insurance is usually undertaken when a person enters into an agreement with an insurance company by paying an amount of money called the **Premium**. The company is known as the **Insurer**. The person who pays the premium is the **insured**.

#### **SERVICES PROVIDED BY INSURANCE COMPANIES**

1. It provides compensation for losses incurred by individuals and businesses
2. It minimizes losses and risks by spreading it through the creation of a common fund to which many contribute in order to make good the losses of a few.

3. It aids business survival and help them to quickly recover economically from natural or man-made disaster.
4. To help families whose breadwinners may die accidentally while at work
5. Provide sources of fund in case of health break down.
6. Provide continuous funds for those who have retired.

## **TYPES OF INSURANCE**

1. **Vehicle insurance:** This form of insurance can be taken by any person or business that owns a car. Once an individual has taken out such an insurance, that person is covered against a specific loss.

## **FORMS OF VEHICLE INSURANCE COVERAGE**

- Third party insurance: This policy allows a driver whose car is hit by another car to file a claim against other who is wrong and who holds this type of policy. In other words, the insurance company insures the person which the policy holder may accidentally hit. It provides protection against liability caused by a car accident.
  - Comprehensive Insurance: This policy covers the loss incurred by the individual who took out the policy and the person he accidentally hit. The policy holder can also recover a certain percentage, as high as 80% of the cost of the car, if it is stolen, washed away by flood or damaged by a fallen tree.
2. **Fire insurance:** This is a coverage against fire hazards which may consume business premises or personal property. In recent years, there have been numerous fire hazards in public buildings. The Republic building in Lagos state, the Cocoa House in Ibadan, the Pay Office in Abuja and NNPC office complex in Lagos are some examples of high rise buildings destroyed by fire in Nigeria. The losses associated with this buildings would have been enormous but for the fact that the owner of this building had insured them against fire hazards. At the occurrence of such fires, the insurance company would pay a sum agreed at the time of insurance.
  3. **Burglary or Theft insurance:** This type of policy covers loss of, or damage to property in the event of burglary or theft. Items that are insured under this class of insurance stock, plant and machinery, household effects, office equipment, etc
  4. **Marine/Sea Insurance:** This is one of the oldest types of insurance. Cover provided by a marine insurance policy is limited to dangers on water, that is, it covers loss of, or damage to ships, and the cargo carried by them.
  5. **Life Assurance:** Life assurance serves a dual purpose. It is a means of reducing the financial burden of a family which the bread winner may bring. It is also a method of saving.

Life assurance is always for a specific period of time during which the assured continues to pay his or her premiums. The payment of such premium may be yearly, quarterly or monthly.

In the event of the assured's death, the insurance company pays out the sum assured by the policy.

### **Types of Life Assurance**

- Whole life assurance: This policy ensures the payment of the amount of money due at the death of the assured.
- Endowment assurance: This policy is taken up for a specific period, e.g. twenty years.

### **BENEFITS OF INSURANCE**

- Protects capital assets against such risks as fire, theft, accidents.
- Enables the policy holder to form the habit of saving regularly
- Helps the assured to obtain loan for some future business or other projects. For example, in certain circumstances, life assurance can be used as a security for loan.
- Provides cash (an income benefit) for the dependants of the policy holder in the event of death.
- Ensures that worries and embarrassment that might make an individual unhappy and removed, since he is certain that any loss or damaged suffered by him will be made good by the insurance company.

### **BASIC PRINCIPLES OF INSURANCE**

1. **INSURABLE RISK:** - This principle states that insurance can only be entered into if risks involved are insurable. Insurance is basically concerned with insurable risk.
2. **INSURABLE INTEREST:** - This principle states that a person is not allowed to insure anything in which he has no insurable interest. The owner of a car has an insurable interest in the car.
3. **UTMOST GOOD FAITH:** - This principle states that both the insured and the insurer must disclose all relevant facts to each other before the contract of insurance is signed. If relevant facts or important information are withheld by any of the party, the insurance contract will not be valid. And any of the party guilty of this, suffers the loss.
4. **INDEMNITY:** - This principle states that in the event of any loss, the insured has to be restored to the position he was in before the loss. He is not get more rewarded than his loss.

5. **SUBRO**  
**GATION:** - This principle states that an insurance company can take the place of the insured after it has indemnified him by making necessary payments.
6. **PROXI**  
**MATE CAUSE:** - This principle states that the cause of the loss or damage must be linked with the risk that was originally insured against.

### **LEDGER ENTRIES**

A ledger is an important book of accounts in which all accounts are recorded. It contains account of individuals, account of properties (assets) of the business and also account of expenses and incomes. It is regarded as the principal book of accounts.

### **ITEMS ON A LEDGER**

1. **DATE: -**  
This is used to record the actual time the transaction took place
2. **PARTIC**  
**ULARS:** - This explains the kind of transaction that took place. You will find sales, purchases, cash, and capital under this column.
3. **FOLIO: -**  
This is used to show the page of the book of original entry that was used to record the transaction before being transferred into the ledger
4. **DISCOU**  
**NT:** - Discount allowed and received are presented under this column. This will provide a means of reconciliation when costing is being calculated.
5. **AMOUN**  
**T:** - This is always shown with the unit of the currency being used. In Nigeria we have the naira sign.

### **RECORDS OF CASH AND RECEIPT PAYMENT**

Cash transactions are recorded in the cash book. A cash book is a ledger. It can also serve as a book of original entry. All cash received in a business should be recorded on the debit side of the cash account while cash paid out of the business should be recorded on the credit side of the cash account. The difference between the total amounts recorded on the debit side and that of the credit side is the cash balance in hand at a particular time. The debit side is usually greater than the credit side because one cannot pay money more than the cash available.

Example: - Record the following in the cash account of Yemisi enterprises for the month of June 2008.

- June 2      Started business with cash N15000
- June 6      Bought equipment for cash N7000

June 9 Purchased goods for cash N10000

June 11 Sold goods for cash N8000

LEDGER ENTRY FOR YEMISI ENTERPRISE

Dr

Cr

| Date    | Particulars | Amount<br>(N) | Date   | Particulars | Amount<br>(N) |
|---------|-------------|---------------|--------|-------------|---------------|
| June 2  | Capital     | 15000         | June 6 | Equipment   | 7000          |
| June 11 | Sales       | 8000          | June 9 | Purchase    | 10000         |

DISCOUNTS: - This can be defined as reductions to a basic price of goods and services. It can occur anywhere in the distribution channel. A business will give discount to its customers to encourage them. It can also receive discount from its suppliers. In other words, there are discount received and discount allowed. All these are recorded when the cash book is being prepared. Discount allowed are recorded on the debit side while discount received is recorded on the credit side.

**CONTRA ENTRY**

When a transaction affects both bank and cash account, it is recorded twice. This is called contra entry. Transactions like payment of cash into the bank and withdrawal of cash from the bank are contra entries. When cash is paid or deposited at the bank, bank account should be debited and cash account credited. While when cash is withdrawn from the bank, you debit cash account and credit bank account. The balance in the cash account at the end of the period is the amount of cash in the office. The balance of the bank account is the money at the bank any given time.