

11. FINANCIAL STATEMENTS OF BANKING COMPANIES

ASSIGNMENT SOLUTIONS

PROBLEM NO: 1

Note:

- Interest on Performing Asset should be recognised on Accrual basis
- Interest on Non-Performing Asset (NPA) should be recognised on Cash basis

(Rs. in Lakhs)

Particulars	PA (Rs.)	NPA (Rs.)	Total Amount (Rs.)
Interest on Term loan	120	5	125
Interest on Cash credits and overdraft	750	12	762
Income from bills purchased and discounted	150	20	170
			1,057

PROBLEM NO: 2

Computation of provisions for AG Bank

(Amount Rs.in Lakhs)

Asset	Amount (Rs)	% Provision	Provision (Rs.)
Standard Assets	5,000	0.4	20
Substandard Assets (Note)	4,000	15	600
Doubtful one year	800	25	200
Doubtful for 3 years	600	40	240
Doubtful for more than 3 years	200	100	200
Loss of Assets	1,000	100	1,000
Total provision required			2,260

Note: Sub Standard Assets are assumed as fully secured.

PROBLEM NO: 3

Calculation of amount of provision to be made in the Profit and Loss Account

Classification of Assets	Amount of Advances (Rs. in lakhs)	% age of provision	Amount of provision (Rs. in lakhs)
Standard assets	20,000	0.40	80
Sub-standard assets	16,000	15	2,400
Doubtful assets:			
For one year (secured)	6,000	25	1,500
For two to three years (secured)	4,000	40	1,600
For more than three years (unsecured)	1,400	100	1,400
(secured)	600	100	600
Non-recoverable assets (Loss assets)	1,500	100	1,500
Total provision required			9,080

PROBLEM NO: 4

Statement showing the amount of provisions on Assets:

Assets	Amount	% of Provision	Provision (Rs. in lakhs)
Standard:	7,000	0.40	28
Sub-standard:			
Secured	1,000	15	150
Other unsecured	1,000	25	250
Unsecured infrastructure	1,500	20	300

Doubtful:			
up to one year	500	25	125
up to 3 years	600	40	240
For more than three years	300	100	300
Doubtful unsecured	1,500	100	1,500
Loss	200	100	200
Required provision			3,093

PROBLEM NO: 5

Particulars	(Rs. in lakhs)
Doubtful Assets (more than 3 years)	1,000
Less: Value of security (excluding DICGC cover)	<u>(400)</u>
	600
Less: DICGC cover	<u>(100)</u>
Unsecured portion	<u>500</u>
Provision:	
for unsecured portion @100%	500 lakhs
for secured portion @ 100%	400 lakhs
Total provision to be made in the books of KR Bank	900 lakhs

PROBLEM NO: 6

Provision required to be made as on 31.03.2013

Outstanding balance Rs.	4.00 lakhs
Less: Value of security held(Secured Portion)	(Rs. 1.50 lakhs)
Unrealised balance	Rs. 2.50 lakhs
Less: ECGC Cover (50% of unrealizable balance)	(Rs. 1.25 lakhs)
Net unsecured balance Rs.	1.25 lakhs
Provision for unsecured portion of advance	Rs. 1.25 lakhs (@ 100% of unsecured portion)
Provision for secured portion of advance	Rs. 1.50 lakhs (@ 100% of the secured portion as advance has remained doubtful for over 3 years)
Total provision to be made	Rs. 2.75 lakhs

PROBLEM NO: 7

Computation of Provision to be made for the year ended 31.03.2012

Particulars	Term Loan (Rs.)	Export Credit (Rs.)
Outstanding balance	35,00,000	30,00,000
(-) Realizable value of Securities	(10,00,000)	(8,00,000)
Unrealised balance	25,00,000	22,00,000
(-) DIGC Cover @ 40%	(10,00,000)	-
(-) ECGC Cover @ 50%	-	(11,00,000)
Unsecured balance	15,00,000	11,00,000

Note: Since no interest has been paid since 2006, the entire balance as on 31.3.2012 can be categorised as doubtful. Hence, Provision has to be made @ 100% of both Secured & Unsecured Portion.

Particulars	Term Loan (Rs.)	Export Credit (Rs.)
Provision for Unsecured Portion @ 100%	15,00,000	11,00,000
Provision for Secured Portion @ 100%	10,00,000	8,00,000
Total Provision required	25,00,000	19,00,000

PROBLEM NO: 8

Particulars	Term Loan (Rs.)	Export Credit (Rs.)
Balance outstanding	70.00	60.00
Less: Realisable value of securities	(20.00)	(15.00)
	50.00	45.00
Less: DICGC / ECGC Cover	(25.00)	(18.00)
Net unsecured balance	25.00	27.00

Provision in respect of secured portion (100%)	20.00	15.00
Provision for unsecured portion (100%)	25.00	27.00
Provision required	45.00	42.00

Note: Since no interest has been paid since 2006, the entire balance as on 31st March 2012 can be categorized as doubtful. Hence, provision has to be made at 100% of both the secured and the unsecured component.

PROBLEM NO: 9

i) Packing Credit:

Particulars	Amount (Rs.)
Outstanding balance	60,00,000
(-) Realisable value of securities	(15,00,000)
Unrealisable balance	45,00,000
(-) ECGC Cover @ 40%	(18,00,000)
Unsecured balance	27,00,000

Required provision:

Particulars	Amount (Rs.)
Provision for unsecured portion (Doubtful More than 3 years - 100%)	27,00,000
Provision for secured portion @ 100%	15,00,000
	42,00,000

ii) Other advances:

(Rs. In Lakhs)

Particulars	Amount (Rs.)	% Provision	Provision
Standard Assets	3000	0.40	12
Sub-standard Assets (Note)	200	15	330
Doubtful:			
For One year	900	25	225
For 2 years	600	40	240
For 3 years	400	40	160
For more than 3 yrs	300	100	300
Loss of Assets	600	100	600
			1867

Note: Substandard Advances have been assumed as fully secured. In Case of no Security cover is available these advances, provision will be made for 25% for substandard advances.

PROBLEM NO: 10

Statement showing rebate on bills discounted

Value	Due Date	Days after 31.3.20X2	Rate of discount	Discount Amount
18,25,000	5.6.20X2	(30+ 31+5) = 66	12%	39,600
50,00,000	12.6.20X2	(30+31+12) = 73	12%	1,20,000
28,20,000	25.6.20X2	(30+31+25) = 86	14%	93,021
40,60,000	6.7.20X2	(30+ 31+ 30+ 6) = 97	16%	1,72,633
1,37,05,000	Rebate on bills discounted on 31.3.20X2			4,25,254

In the books of X Bank Ltd.

Journal Entries

i)	Rebate on bills discounted Account	Dr.	2,21,600	
	To Discount on bills Account			2,21,600
	[Being opening balance of rebate on bills discounted account transferred to discount on bills account]			
ii)	Discount on bills Account	Dr.	4,25,254	
	To Rebate on bills discounted Account			4,25,254
	[Being provision made on 31st March, 20X2]			
iii)	Discount on bills Account	Dr.	8,52,996	
	To Profit and loss Account			8,52,996
	[Being transfer of discount on bills, of the year, to profit and loss account]			

Credit to Profit and Loss A/c will be as follows: Rs. (10,56,650 + 2,21,600 - 4,25,254) = Rs. 8,52,996

PROBLEM NO: 11**a) Calculation of Rebate on Bills Discounted**

Rs.	Due Date	Days after 31 December 20X1	Discount Rate	Rs.
25,000	18-03-2014	31 + 28 + 18 = 77	8%	421.92
15,000	13-03-2014	31 + 28 + 13 = 72	7%	207.12
20,000	28-03-2014	31 + 28 + 28 = 87	7%	333.69
30,000	23-03-2014	31 + 28 + 23 = 82	9%	606.57
Total				1,569.30

Journal Entry

Date	Particulars	Debit	Credit
Dec. 31	Interest and Discount Account Dr.	1569.30	
	To Rebate on Bills Discounted		1569.30
	(Being the provision for unexpired discount required at the end of the year)		

PROBLEM NO: 12**Bills for Collection (Assets) Account**

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Balance b/d	7	By Bills for collection	47
To Bills for collection	64.5	By Bills dishonoured	5.5
		By Balance c/d	19
	71.5		71.5

Bills for Collection (Liabilities) Account

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
By Bills for collection	47	To Balance b/d	7
By Bills dishonoured	5.5	To Bills for collection	64.5
By Balance c/d	19		
	71.5		71.5

PROBLEM NO: 13**Acceptances, Endorsements and other Obligation Account**

(In general ledger)

(Rs. in '000)

Date	Particulars	(Rs.)	Date	Particulars	(Rs.)
2013-14	To Constituents' liabilities for acceptances/guarantees etc. (Paid off by clients)	20,00	01.04.13	By Balance b/d	22,30
	To Constituent's liabilities for acceptances/guarantees etc. (Honoured by bank Rs. 22.30 lakhs less Rs. 20 lakhs)	2,30	2013-14	By Constituents' liabilities for A 10,00 B 12,00 C 5,00 D 8,00 E 5,00 F 2,70	42,70
10.06.13	To Constituents' liabilities for acceptances/guarantees etc. (Honoured by bank)	10,00			
30.09.13	To Constituents' liabilities for acceptances/guarantees etc. (Paid off by party)	12,00			
30.11.13	To Constituent's liabilities for acceptances/guarantees etc. (Honoured by bank on party's failure to pay)	5,00			
31.03.14	To Balance c/d (Acceptances not yet satisfied)	15,70			
		65,00			65,00

PROBLEM NO: 14

In the books of ABC Bank Ltd.

Journal Entries

Rs. in crores

Particulars	Debit (Rs.)	Credit (Rs.)
Rebate on bills discounted A/c Dr.	40	
To Discount on bills A/c		40
(Being the transfer of opening balance in 'Rebate on bills discounted A/c' to 'Discount on bills A/c')		
Bills purchased and discounted A/c Dr.	5,000	
To Discount on bills A/c		280
To Clients A/c		4,720
(Being the discounting of bills of exchange during the year)		
Discount on bills A/c Dr.	14	
To Rebate on bills discounted A/c		14
(Being the unexpired portion of discount in respect of the discounted bills of exchange carried forward)		
Discount on bills A/c Dr.	306	
To Profit and Loss A/c		306
(Being the amount of income for the year from discounting of bills of exchange transferred to Profit and loss A/c)		

Working Notes:

- Discount received on the bills discounted during the year:** Rs. 5,000 crores \times 14/100 \times 146/365 = Rs. 280 crores
- Calculation of rebate on bill discounted:** Rs. 500 crores \times 14/100 \times 73/365 = Rs. 14 crores
- Income from bills discounted transferred to Profit and Loss A/c would be calculated by preparing Discount on bills A/c.

Discount on bills A/c

(Rs. in crores)

Date	Particulars	Amount	Date	Particulars	Amount
31.03.15	To Rebate on bills discounted	14	01.04.14	By Rebate on bills discounted b/d	40
"	To Profit and Loss A/c (Bal. Fig.)	306	2014-15	By Bills purchased and discounted	280
		320			320

PROBLEM NO: 15

Journal Entries in the books of uncertain Bank:

(Rs. in Crores)

Particulars	Debit (Rs.)	Credit (Rs.)
1. Rebate on bills discounted A/c Dr.	9.00	
To discount on bills A/c		9.00
(Being the transfer of opening balance in Rebate on bills discounted A/c to Discount on bills A/c)		
2. Bills purchased and Discounted A/c Dr.	4000.00	
To Discount on bills A/c $\left(4,000 \times 18\% \times \frac{73}{365}\right)$		144.00
To Customers A/c		3856.00
(Being the discounting of bills of exchange during the year)		
3. Discount on bills A/c Dr.	10.80	
To Rebate on bills discounted A/c $\left(600 \times 18\% \times \frac{36.5}{365}\right)$		10.80
(Being the unexpired portion of discount in respect of the discounted bills of exchange carried forward)		
4. Discount on bills A/c Dr.	142.20	
To Profit & Loss A/c		142.20
(Being the transfer of discount on bills, to profit & Loss account)		

Dr. Discount on bills A/c			Cr. (Rs. In crores)		
Date	Particulars	Amount (Rs.)	Date	Particulars	Amount (Rs.)
31.03.11	To Rebate on Bills discounted	10.80	01.04.10	By Rebate on bills discounted	9.00
31.03.11	To Profit & Loss A/c (b/f)	142.20	2010-11	By Bills purchased and Discounted	144.00
		153.00			153.00

Dr. Rebate on bills Discounted A/c			Cr. (Rs. In crores)		
Date	Particulars	Amount (Rs.)	Date	Particulars	Amount (Rs.)
01.04.10	To discount on bills	9.00	01.04.10	By balance b/d	9.00
31.03.11	To Balance C/d	10.80	31.03.11	By Discount on bills A/c	10.80
		19.80			19.80

PROBLEM NO: 16

Dr. Bills for collection (Asset) Account			Cr.		
		Rs.			Rs.
1.4. 2012	To Balance b/d	51,00,000	2012-13	By Bills for collection (Liability) A/c	98,47,000
2012-13	To Bills for collection	75,00,000		By Bills for collection (Liability) A/c (dishonored bills)	27,10,000
			31.3. 2013	By Balance c/d	43,000
		1,26,00,000			1,26,00,000
1.4.2013	To Balance b/d	43,000			

Dr. Bills for collection (Liability) Account			Cr.		
		Rs.			Rs.
2012-13	To Bills for collection (Asset) A/c	98,47,000	1.4.2012	By Balance b/d	51,00,000
	To Bills for collection (Asset) A/c	27,10,000	2012-13	By Bills for collection (Asset) A/c	75,00,000
31.3.2013	To Balance c/d	43,000			
		1,26,00,000			1,26,00,000
			1.4. 2013	By Balance b/d	43,000

PROBLEM NO: 17

i)

Dr. Bills for collection (Assets) A/c			Cr.		
Date	Particulars	Amount (Rs.)	Date	Particulars	Amount (Rs.)
1.4.2014	To balance b/d	10,15,000	2014 -15	By bills for Collection	64,50,000
2014-15	To bills for Collection	89,75,000		By Bills for Collection (Dishonoured)	11,25,000
			31.03.15	By balance C/d	24,15,000
		99,90,000			99,90,000

Dr. Bills for collection (Liability) A/c			Cr.		
Date	Particulars	Amount (Rs.)	Date	Particulars	Amount (Rs.)
2014 - 15	To Bills For collection	64,50,000	1.4.14	By balance b/d	10,15,000
	To bills for collection	11,25,000	2014.15	By bills for collection	89,75,000
31.3.15	To Balance c/d	24,15,000			
		99,90,000			99,90,000

ii) Dr. Acceptances, Endorsement & Other obligation A/c Cr.

Date	Particulars	Amount (Rs.)	Date	Particulars	Amount (Rs.)
2014-15	To Constituents liability for acceptance, endorsement etc. (bank dishonoured)	44,50,000	1.4.14	By balance b/d	27,50,000

	To Constituents liability for acceptance, endorsement etc. (clients paid off)	15,00,000			
	To Constituents liability for Acceptance, Endorsements etc. (Amt. Paid on Failure of Clients)	4,00,000	2014.15	By constituents, liabilities for Acceptances, Endorsements etc.	67,50,000
31.3.15	To Balance b/d	31,50,000			
		95,00,000			95,00,000

- iii) For classifying loans as fully secured or Otherwise, the value of the Security as on the Last date of the year is considered. The Value of security $100,000 \times 85 = 85,00,000$ Covering the loan and the interest due Comfortably.

Hence it is to be treated as good and fully secured.

Dr. Rebate on bills discounted A/c			Cr.		
Date	Particulars	Amount (Rs.)	Date	Particulars	Amount (Rs.)
2014 - 15	To Interest & Discount	21,000	1.4.14	By balance b/d	45,000
31.3.15	To balance c/d	24,000			
		45,000			45,000

- iv) Dr. Interest & discount A/c Cr.

Date	Particulars	Amount (Rs.)	Date	Particulars	Amount (Rs.)
31.3.15	To profit & Loss A/c	98,21,000	1.4.14	By balance b/d	98,00,000
			2014-15	By Rebate on bills Discounted	21,000
		98,21,000			98,21,000

Note: Students are advise to rectify 2013-14 as 2014-15 in our material.

PROBLEM NO: 18

Hamara Bank Ltd

Profit and Loss A/c for the year ended 31st Mar 2013

(Rs. in lakhs)

Particulars	Schedule No	Amount (Rs.)
i) Income:		
Interest Earned	13	4,425
Other Income		125
		4,550
ii) Expenditures:		
Interest Expended		1360
Operating Expenses		1331
Provisions & contingencies (Note)		1034.31
		3725.31
iii) Profit/Loss:		
Net Profit/Loss for the year		824.69
Profit / Loss brought forward		40.00
		864.69
iv) Appropriations:		
Transfer to statutory reserve @ 25% of 824.69		206.17
Transfer to other reserves		-
Balance carried forward to balance sheet		658.52
		864.69

Schedule - 13: Interest Earned

Particulars	Amount (Rs.)
Interest & Discount	4,430
(-) Rebate on bills discounted	(15)
(+) Income on Investments	10
	4,425

Note: Calculation of provisions & Contingencies

i) Provision on Non-Performing Assets:

(Rs. In Lakhs)

Particulars	Amount (Rs.)	% Provision	Provision (Rs.)
Standard Assets	2500	0.40	10
Sub-standard Assets	560	15	84
Doubtful Assets not covered by security	255	100	255
Doubtful Assets covered by security:			
For 1 year	25	25	6.25
For 2 years	50	40	20
For 3 years	100	40	40
For 4 years	75	100	75
Loss of Assets	100	100	100
	3,665		590.25

Note: It is assumed that all sub-standard assets are fully secured.

ii) Calculation of provision for Tax = 35% [Total income - total expenditure (excluding tax)]

$$= 35\% [(4425 + 125) - (1360 + 1331 + 590.25)] = \text{Rs. } 444.06 \text{ lakhs}$$

∴ Total provisions and contingencies = provisions on NPAs + Provision for Tax

$$= 590.25 + 444.06 = \text{Rs. } 1034.31 \text{ Lakhs.}$$

PROBLEM NO: 19

Jawahar Bank Limited

Profit & Loss Account for the year ended 31st March, 2013

	Schedule	Rs.'000s
i) Income		
Interest earned	13	60.46
Other income	14	16.49
Total		<u>76.95</u>
ii) Expenditure		
Interest expended	15	27.20
Operating expenses	16	23.23
Provisions & contingencies (Refer W.N.)		<u>1,880.61</u>
Total		<u>1,931.04</u>
iii) Profit/Loss		(1,854.09)
iv) Appropriations		Nil

Schedule 13 - Interest Earned

	Rs. '000s
Interest / discount on advances bills	
Interest on term loans [17.26 - (4.52 - 2.04)]	14.78
Interest on cash credits and overdrafts (38.54 - 8.39)	30.15
Income on investments	<u>15.53</u>
	<u>60.46</u>
Note: Interest on non-performing assets is recognized on receipt basis.	

Schedule 14 - Other Income

	Rs. '000s
Commission, exchange and brokerage	1.97
Profit on sale of investments	11.76
Profit on revaluation of investments	2.76
	16.49

Schedule 15 - Interest Expended

	Rs. '000s
Interest on deposits	27.20

Schedule 16 - Operating Expenses

	Rs. '000s
Payments to and provision for employees - salaries, bonus and allowances	18.75
Rent, taxes and lighting	1.70
Printing & stationery	0.75
Director's fee, allowances and expenses	1.33
Law charges	0.22
Repairs & maintenance	0.18
Insurance	0.30
	23.23

Working Note:

Provisions & Contingencies		Rs. '000s
Provision for non-performing assets		
Sub-standard (15 x 15%)		2.25
Doubtful for one year (7 x 25%)		1.75
Doubtful for two years (2.40 x 40%)		0.96
Loss assets (0.65 x 100%)		0.65
		5.61
Diminution in the value of current Investments:		
Cost 75% of Rs. 3,700 thousands**	2,775	
Less: Market value	(900)	1,875.00
		1,880.61

Note:

1. It is assumed that all sub-standard and doubtful assets are fully secured.
2. As per RBI norms, provision of 0.40% should also be made on standard assets. However, in the absence of value of standard assets, in the question, no provision has been made on it.
 - 25% of investments classified as 'held for maturity' need not be marked to market as per RBI Guidelines. However, the remaining 75% investments have been marked to market according to RBI Guidelines.

PROBLEM NO: 20

Well-to-do Bank Ltd

Profit & loss A/c for the year ended 31-03-2008

(In thousands)

Particulars	Schedule No	Amount (Rs.)
Income		
Interest Earned	13	8,830
Other Income	14	250
Total		9,080
Expenditure		
Interest Expenses	15	2,720
Operating Expenses	16	2,662
Provisions & contingencies		2004
Total		7,386
Net Profit for the year		1,694

Schedule No.13: Interest Earned

Particulars	Amount (Rs.)
Interest and discount	8,860
Less: Rebate on bills discounted	<u>(30)</u>
	<u>8,830</u>

Schedule No.14: Other Income

Other Income	<u>250</u>
	<u>250</u>

Schedule No.15: Interest Expenses

Interest on public deposit	<u>2,720</u>
	<u>2,720</u>

Schedule No.16: Operating expenses

Operating expenses	<u>2,662</u>
	<u>2,662</u>

Computation of provisions in respect of Advances

Particulars	Value (Rs. '000s)	% of Provision	Amount ('000s)
Standard Assets	5,000	0.4	20
Sub Standard Assets*	1,120	15	168
Doubtful Assets			
100% Unsecured	200	100	200
Secured:			
< than 1 year	50	25	12.5
1-3 years	300	40	120
> than 3 years	300	100	300
Loss Asset	200	100	<u>200</u>
Total Provisions			<u>1020.5</u>

Note: Sub-standard assets are assumed to be fully secured

PROBLEM NO: 21

Form 'B'

Zee Bank Ltd.

Profit & Loss Account for the year ended 31st March, 2013

Particulars	Schedule No.	Year ended 31st March, 2013
I. Income:		
Interest Earned	13	44,15,000
Other Income	14	1,25,000
Total		45,40,000
II. Expenditure		
Interest Expended	15	13,60,000
Operating Expense	16	13,31,000
Provisions and Contingencies (W.N.3)		10,30,813
Total		37,21,813
III. Profit/Loss		
Net profit for the year		8,18,187
Profit brought forward		40,000
Total		8,58,187
IV. Appropriations:		
Transfer to Statutory Reserve @ 25% on Rs.8,18,187		2,04,547
Balance carried forward to Balance Sheet		6,53,640
Total		8,58,187

Schedule 13: Interest Earned

Particulars	Rs.
Interest and discount	44,00,000
Income on Investments	5,000
Interest on balance with RBI	25,000
Total	44,30,000
Less: Rebate on bills discount	(15,000)
	44,15,000

Working Notes:

1. Provisions for NPA:

Particulars	Amount	% of Provisions	Provision
Standard Assets	25,00,000	0.40	10,000
Sub-Standard Assets*	5,60,000	15	84,000
Doubtful assets not covered by security	2,55,000	100	2,55,000
Doubtful Assets covered by security			
For 1 year	25,000	25	6,250
For 2 years	50,000	40	20,000
For 3 years	1,00,000	40	40,000
For 4 years	75,000	100	75,000
Loss Assets	1,00,000	100	1,00,000
			5,90,250

2. Calculation of Tax:

Tax = 35% of [Total income - Total expenditure (excluding tax)].

Tax = 35% of [44,15,000 + 1,25,000 - (13,60,000 + 1,31,000 + 5,90,250)] = Rs.4,40,563

3. Total amount of provisions and contingencies:

= Provision for NPA + Provision for Tax + Rebate on bills discounted

= 5,90,250 + 4,40,563 = Rs.10,30,813

- It is assumed that the all sub-standard assets are fully secured.

PROBLEM NO: 22

Profit & Loss A/c of KLM Bank Ltd. For the year ended 31.03.2013:

Particulars	Schedule No	Amount (Rs.)
i) Income:		
• Interest Earned	13	37,95,160
• Other Income	14	4,87,800
Total		42,82,960
ii) Expenditure:		
• Interest Expended	15	22,95,360
• Operating expenses	16	5,70,340
• Provisions & contingencies (4,50,000 + 2,00,000 + 2,00,000)		8,50,000
Total		37,15,700
iii) Profit/ Losses:		
Net profit for the year		5,67,260
Profit brought forward		-
Total		5,67,260
iv) Appropriations:		
Transfer to statutory Reserves (5,67,260 x 25%)		141,815
Proposed dividend (10,00,000 x 5%)		50,000
Balance carried forward to Balance sheet		375,445
Total		5,67,260

- Profit & Loss A/c Balance of Rs. 3,75,445 will appear under the head 'Reserves & Surplus' in schedule 2 of Balance sheet.

Schedule 13 - Interest Earned

Particulars	Amount (Rs.)
Interest and Discount received	38,00,160
Add: Rebate on bills discounted on 31.03.12	15,000
Less: Rebate on bills discounted on 31.03.13	(20,000)
	37,95,160

Schedule 14 - other income

Particulars	Amount (Rs.)
Commission, exchange and brokerage	1,90,000
Profit on sale of investment	2,25,800
Rent received	72,000
	4,87,800

Schedule 15 - Interest Expended

Interest paid on deposits → Rs. 22,95,360.

Schedule 16 - Operating Expenses

Particulars	Amount (Rs.)
Payment to and provisions for employees (salaries & allowances)	2,50,000
Rent, Taxes paid	100,000
Depreciation on Assets	40,000
Director's Fee, allowances & Expenses	35,000
Auditor's Fee	12,000
Statutory expenses	38,000
Postage & Telegrams	65,340
Preliminary Expenses	30,000
	5,70,340

PROBLEM NO: 23

Balance Sheet of ADT International Bank as on 31st March, 2013

Particulars	Schedule No	Amount (Rs. in lakhs)
Capital and Liabilities:		
Share capital	1	198.00
Reserves & Surplus	2	793.00
Deposits	3	1487.12
Borrowings	4	110.00
Other liabilities and Provision	5	0.10
		2588.22
Assets:		
Cash and balances with RBI	6	219.63
Balances with banks and money at call and short notice	7	344.39
Investments	8	165.40
Advances	9	1632.98
Fixed Assets	10	225.82
Other Assets	11	-
		2588.22
Contingent liabilities	12	14.67
Bills For Collection		18.10

Schedule 1 - Share Capital:

(Rs) in Lakhs

Particulars	
Authorized Capital	
Issued, subscribed and paid up capital 19,80,000 shares of Rs. 10 each	198.00

Schedule 2 - Reserves and surplus:

1. Statutory Reserve :	
Opening balance	231
Add: Additions during the year	375
	268.50
2. Balance in Profit & Loss A/c [WN-1]	524.50
	793.00

Schedule 3 - Deposits:

Demand deposits from others	520.12
Saving bank deposits	450.00
Fixed deposits	517.00
	1487.12

Schedule 4 - Borrowings:

Borrowings in India - Other banks	110.00
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Schedule 5 - Other liabilities & provisions:

Bills payable	0.10
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Schedule 6 - cash and balances with RBI:

Cash in hand	160.15
Balances with RBI in current A/c (WN-2)	59.48
	219.63

Schedule 7 - Balances with banks and money at call and short notice

Balance with banks in current A/c (WN-3)	134.27
Money at call and short notice	210.12
	344.39

Schedule 8 - Investments:

1. Investment in India in	
• Govt. Securities	110.17
• Others - Gold	55.23
	165.40

Schedule 9 - Advances:

A. i) Cash Credits, overdrafts (includes Debit balance in current A/c as ODS)	840.10
ii) Term loans	792.88
	1632.98
B. i) Secured by tangible Assets (b/f)	1152.53
ii) Secured by bank / govt guarantees	396.44
iii) unsecured	84.01
	1632.98

Schedule 10 - Fixed Assets:

1. Premises at Cost as on 31.03.2012	156.80
Depreciation to date	(1.10)
	155.70
2. Other Fixed Assets	
Furniture (70.90 - 0.78)	70.12
Total (1) + (2)	225.82

Schedule 11 - Other Assets - Nil**Schedule 12 - Contingent liabilities:**

• Claims against bank not acknowledged as Debts	0.55
• Acceptances, endorsements	14.12
	14.67

WORKING NOTE:

1. Balance in Profit & Loss A/c:

Particulars	(Rs. in lakhs)
Net profit before appropriation	150.00
Add: Profit for the year	412.00
	562.00
Less: Transfer to statutory reserve (150 x 25%)	(37.50)
	524.50

2. Transfer from cash with other banks to cash with RBI (when CRR is required to be maintained at 4% of deposits w.e.f Jan 29.2013)

• Cash reserve required (1487.12 x 4%)	59.48
Less: Cash with RBI	(37.88)
Transfer needed to maintain cash reserve	21.60

3. Liquid Assets:

Cash on hand	160.15
Cash with other banks	155.87
Money at call and short notice	210.12
Gold	55.23
Govt. securities	110.17
	691.54
Excess liquidity [691.54 - (1487.12 x 23%)]	349.50

The excess liquidity enables the transfer as per (2) above, after the transfer, cash with other banks = 155.87 - 21.60 = Rs. 134.27

PROBLEM NO: 24

Particulars	Rs. in crores	Rs. in crores
Capital funds - Tier I:		
Equity share Capital		500
Statutory Reserve		270
Capital Reserve (arising out of sale of assets) (78-16)		<u>62</u>
		832
Capital Funds - Tier II:		
Capital Reserve (arising out of revaluation of assets)	16	
Less: Discount to the extent of 55%	<u>(8.8)</u>	<u>7.2</u>
i) Capital Funds (Tier I + Tier II)		<u>839.2</u>

	Rs. in crores	% of weight	Rs. in crores
ii) Risk Adjusted Assets:			
Funded Risk Assets			
Cash balance with RBI	10	0	0
Balance with other banks	18	20	3.60
Other investments	36	100	36
Loans and advances:			
i) Guaranteed by the government	16.5	0	0
ii) Others	5,675	100	5,675
Premises, furniture and fixtures	78	100	78
			5,792.60

	Rs. in crores	Credit conversion factor	
Off-Balance Sheet items:			
Guarantees and other obligations	800	100	800
Acceptances, endorsements and letters of credit	4,800	100	<u>4,800</u>
			11,392.60

Risk Weighted Assets Ratio: $\frac{\text{Capital fund} \times 100}{\text{Risk adjusted assets}}$

$$(839.2 / 11,392.60) \times 100 = 7.37\%$$

At present, capital adequacy ratio as per RBI norms is 9%. Therefore, Bank has to improve the ratio by introducing further Tier I capital.

Note: As per RBI Master Guidelines dated 1st July 2013, Revaluation Reserves have been advised to be discounted by 55%.

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To **MASTER MINDS**, Guntur

THE END

MASTER MINDS