Bank account

A **bank account** is a financial account maintained by a bank or other financial institution in which the financial transactions between the bank and a customer are recorded. Each financial institution sets the terms and conditions for each type of account it offers, which are classified in commonly understood types, such as deposit accounts, credit card accounts, current accounts, loan accounts or many other types of account. A customer may have more than one account. Once an account is opened, funds entrusted by the customer to the financial institution on deposit are recorded in the account designated by the customer. Funds can be withdrawn from loan loaders.

The financial transactions which have occurred on a bank account within a given period of time are reported to the customer on a bank statement, and the balance of the accounts of a customer at any point in time is their financial position with the institution.

Nature of a bank account

In most legal systems, a deposit of funds in a bank is not a bailment - that is, the actual funds deposited by a person in a bank cease to be the property of the depositor and become the property of the bank. The depositor acquires a claim against the bank for the sum deposited but not to the actual cash handed over to the bank. In accounting terms, the bank creates ("opens") an account in the name of the depositor or a name directed by the depositor in which the amount received by it is recorded as a transaction. The deposit account is a *liability* of the bank and an *asset* of the depositor (the account holder).

On the other hand, a bank can lend some or all of the money it has on deposit to a third party/s. Such accounts, generally called loan or credit accounts, are subject to similar but reverse principles of a deposit account. In accounting terms, a loan account is an *asset* of the bank and a *liability* of the borrower. Loan accounts may be unsecured or secured by the borrower, and they may be guaranteed by a third person, with or without security.[1]

Each financial institution sets the terms and conditions for each type of account it offers, and when a customer applies for the opening of an account, and accepted by the institution, they form the contract between the financial institution and the customer in relation to the account.

The laws of each country specify how bank accounts may be opened and operated. They may specify who may open an account, for example, how the signatories can identify themselves, deposit, withdrawal limits among other specifications.

The minimum age for opening a bank account is most commonly 18 years of age. However, in some countries, the minimum age to open a bank account can be 16 years, and accounts may be opened in the name of minors but operated by their parent or guardian. In general, it is unlawful to open an account in a false name.

Account structure

From the customer's point of view, bank accounts may have a positive, or *credit* balance, when the financial institution owes money to the customer; or a negative, or *debit* balance, when the customer owes the financial institution money.[1]

Broadly, accounts that hold credit balances are referred to as deposit accounts, and accounts opened to hold debit balances are referred to as loan accounts. Some accounts can switch between credit and debit balances.

Some accounts are categorized by the function rather than nature of the balance they hold, such as savings account, which routinely are in credit.

Financial institutions have an account numbering scheme to identify each account, which is important as a customer may have multiple accounts.

Types of accounts

Each financial institution has its own names for the various accounts it offers to customers, but these can be categorised as:

- Deposit
  - Transactional account
    - Checking account
    - Current account
  - Personal
  - Transaction deposit (USA)
- Savings
  - Individual (UK)
  - Time deposit (Bond) / Fixed deposit
    - Certificate of deposit (USA)
  - *Tax-exempt special savings account (TESSA)* (UK)
  - Tax-Free Savings Account (Canada)
  - Money-market
- Other types
  - Loan
  - Joint
  - Low-cost
  - Numbered
  - Negotiable Order of Withdrawal (NOW) (USA)

See also

- Banks portal
- Money portal

* Bank card number

- Banking in Switzerland
- Bank secrecy
- Bank statement
- Chart of accounts
- Financial privacy
- International Bank Account Number
- Society for Worldwide Interbank Financial Telecommunication
- International Organization for Standardization
  - ISO 639
  - ISO 3166
  - ISO/IEC 7064
  - ISO/IEC 7812
  - ISO 9362
  - ISO 13616
  - ISO 15924
- Money laundering
- Telephone banking

Types Of Bank Accounts

Whether you are a housewife or a college student, a business owner or a business house, a retired professional or Indian living abroad, not having a bank account is unimaginable. Based on the purpose, frequency of transaction, and location of the account-holder, banks offer a bouquet of bank accounts to choose from. Here is a list of some of the **types of bank accounts in India**.

1. Current account

A current account is a deposit account for traders, business owners, and entrepreneurs, who need to make and receive payments more often than others. These accounts hold more liquid deposits with no limit on the number of transactions per day. Current accounts allow overdraft facility, that is withdrawing more than what is currently available in the account. Also, unlike savings accounts, where you earn some interest, these are zero-interest bearing accounts. You need to maintain a minimum balance to be able to operate current accounts.

2. Savings account

A savings bank account is a regular deposit account, where you earn a minimum rate of interest. Here, the number of transactions you can make each month is capped. Banks offer a variety of Savings Accounts based on the type of depositor, features of the product, age or purpose of holding the account, and so on.

.There are regular savings accounts, savings accounts for children, senior citizens or women, institutional savings accounts, family savings accounts, and so many more.

You have the option to pick from a range of savings products. There are zero-balance savings accounts and also advanced ones with features like auto sweep, debit cards, bill payments and cross-product benefits.

A cross-product benefit is when you have a savings account with a bank and get to avail special offers on opening a second account such as a demat account.

- Apply for Online Saving Account Opening here, in secure and simple Video Kyc process.

Apply for Savings Account here.

3. Salary account

Among the different types of **bank accounts**, your salary account is the one you have opened as per the tie-up between your employer and the bank. This is the account, where salaries of every employee are credited to at the beginning of the pay cycle. Employees can pick their type of salary account based on the features they want. The bank, where you have a salary account, also maintains reimbursement accounts; this is where your allowances and reimbursements are credited to.

4. Fixed deposit account

To park your funds and earn a decent rate of interest on it, there are **different types of accounts** like fixed deposits and recurring deposits.

A fixed deposit (FD) account allows you to earn a fixed rate of interest for keeping a certain sum of money locked in for a given time, that is until the FD matures. FDs range between a maturity period of seven days to 10 years. The rate of interest you earn on FDs will vary depending on the tenure of the FD. Generally, you cannot withdraw money from an FD before it matures. Some banks offer a premature withdrawal facility. But in that case, the interest rate you earn is lower.

5. Recurring deposit account

A recurring deposit (RD) has a fixed tenure. You need to invest a fixed sum of money in it regularly -- every month or once a quarter -- to earn interest. Unlike FDs, where you need to make a lump sum deposit, the sum you need to invest here is smaller and more frequent. You cannot change the tenure of the RD and the amount to be invested each month or quarter. Even in the case of RDs, you face a penalty in the form of a lower interest rate for premature withdrawal. The maturity period of an RD could range between six months to 10 years.

6. NRI accounts

There are **different types of bank accounts** for Indians or Indian-origin people living overseas. These accounts are called overseas accounts. They include two types of savings accounts and fixed deposits -- NRO or non-resident ordinary and NRE or non-resident external accounts. Banks also offer foreign currency non-resident fixed deposit accounts. Let us quickly see the **various types of bank accounts** for NRIs-

a) Non-resident ordinary (NRO) savings accounts or fixed deposit accounts

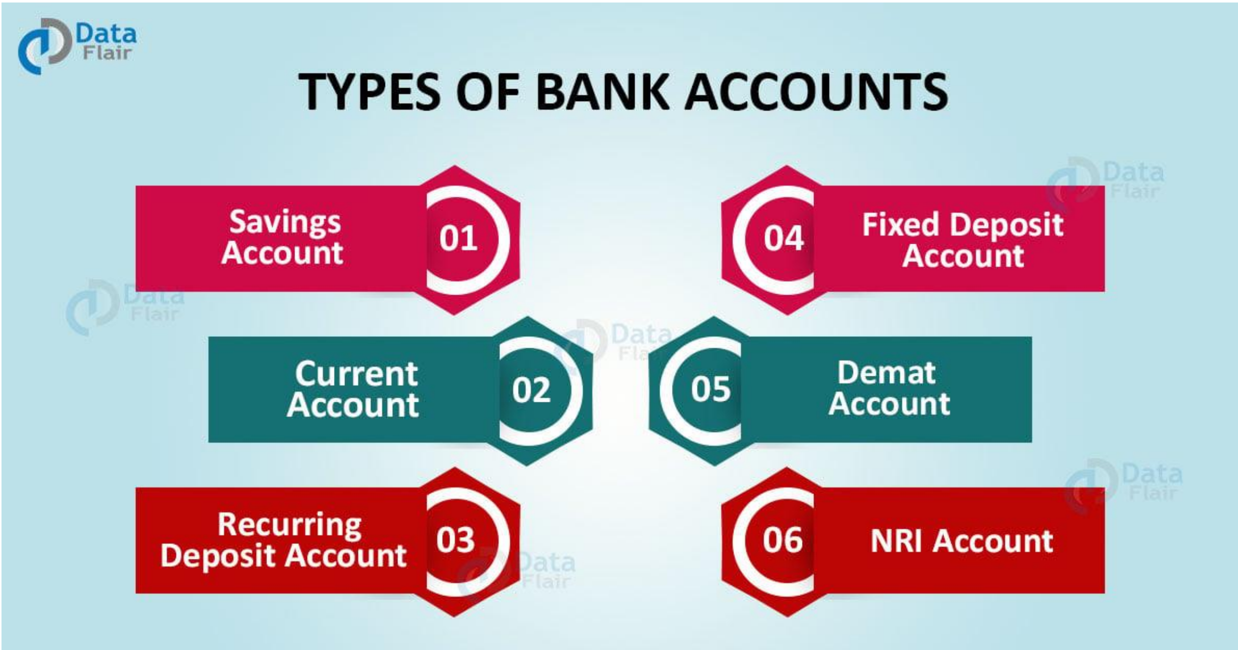
NRO accounts are rupee accounts. When NRIs deposit money in these accounts, usually in foreign currency, it is converted into INR at the prevailing exchange rate. NRIs can park money earned in India or overseas in NRO bank accounts. Payments like rent, maturities, pension, among others, can be sent abroad through NRO accounts. The income earned on these deposit accounts is taxed.

b) Non-resident external (NRE) savings accounts or fixed deposit accounts

NRE deposit accounts are similar to NRO accounts and the funds in these accounts are maintained in INR. Any money deposited into these accounts is converted into INR at prevailing exchange rates. But, these accounts are only for parking your earnings from abroad. The funds, both principal and interest, are transferable. But, the interest earned on these deposit accounts is not taxed in India.

C) Foreign currency non-resident (FCNR) account

As the name suggests and unlike the other two types of bank accounts, FCNR accounts are maintained in foreign currency. The principal and interest from these accounts are transferable, but the interest earned is not taxed in India.



Benefits of Having a Bank Account

- It helps collect and save monetary assets which can then come to use when required as it also helps earn the profit.
- There is an ever-ready pool of deposit available in case of urgent situations.
- The bank documentation acts as proof of identification for all bank members.
- Clarity of balance amount and transactions via passbook.
- Security of monetary and other assets due to the provision of lockers by the bank etc and most importantly it remains insured.
- The bank acts as an agent for its client. Various bills can easily pass through the associated bank along with other transactions.
- Cheques, credit cards, debit cards, etc are accessible facilities by the bank.
- It's an easy way to earn a profit on deposited money as the bank offers interest on the amount.

books and registers to be maintained by banks

Books Section:

Cash Book:

For recording different types of cash transactions two types of cash books are recorded, viz

) Rough Cash Book which deals with cash receipts and cash payments maintained by a receiving cashier and paying cashier, respectively.

It records serial number, depositor's name, amount received etc. in cash, whereas, in case of cash payment, serial number, payee's name, amount paid, number of token etc. are recorded,

(ii) A Fair Cash Book, on the other hand, is one when a separate person, after receiving the above information from the paying and receiving cashier, records the transactions in a separate book. Naturally, the transaction of the fair cash book must tally with the sum total of the above two rough cash books.

Cash Balance:

he cash balance at the close of the day is written in the book which is duly signed by the cashier and the manager.

Day Book:

It records day-to-day transactions of the book relating to cash transfers, clearings etc. Besides the above, Received Waste Book, Sectional Cash Book etc. are also to be maintained.

Ledger and Register Sections:

Ledger Section:

Current Account Ledger:

It records the transactions of those customers who open current account. Generally, the bank does not pay interest on the balance of this account but a nominal charge is taken by the bank for rendering the services. If there are many current accounts, those are to be serially numbered.

Savings Bank Ledger:

It records the transactions of those customers who open savings account in a bank. The detailed description of the customer, viz., name, address, occupation, are recorded along with an account number. If there are many Savings Account ledgers, they are to be serially numbered.

Fixed Deposit Ledger:

It contains transactions of those customers who have deposited their money into the bank for a fixed period. Generally, at the top of the account, depositor's name and address, rates of interest, period of deposit, the amount so deposited etc. are to be recorded.

General Ledger:

It is actually the key ledger of the accounting system of a bank. It contains a total amount in respect of total Current Accounts, total Savings Bank Account, total Loans Account, total Bills Payable Account, total Expenses and total Revenue Accounts. Each ledger is kept under self-balancing system. A trial balance can easily be prepared which helps to prepare the final account as Well.

Register Section:

The register section includes:

Bills for Collection Register, Securities Register, Document Register, Standing Order Register, Cheques Dishonoured Register, Drafts Issue Register, Drafts Payable Register, D.D. Register, Foreign Letters of Credit Register etc.

All business establishments and taxpayers are required to keep a record of their day to day business transactions in order to know the result of their operations. The said record is referred to as “book of accounts”.

Whenever a business establishment or taxpayer applies for certificate of registration (COR) with the BIR, it also required to register the book of accounts. Also, the books of account should also be registered annually on or before January 31 of each year.

Registration of book of accounts can be any of the following type

Manual Books of Account

Manual books of account are the traditional journal, ledger and columnar books you can buy in the book and office supplies store. Recording in the manual books of account is handwritten. This is the most of popular type of books of account for small enterprises since it is less costly and easy to register with the BIR.

Loose-leaf Books of Account

Loose-leaf books of account are printed and bounded journals and ledgers. Recording can be done using Microsoft Excel.

Computerized Books of Account

Computerized book of account is an accounting program that facilitate efficient and fast record keeping.

Books of Accounts – Minimum Requirements

The type of books the business will maintain depends on many factors such as the size of the business and financial capacity. However, regardless of the type of book of accounts the company would maintain, below are the minimum requirement:

General Journal

General journal is referred to as the book of original entry. It records business transaction in order of date using the principle of “debit and credit”.

General Ledger

General ledger is referred to as the book of final entry. It summarized all the journal entries of an account to get the ending balances.

Cash Receipt Journal

Cash receipt journal is a special journal used to record cash sales and/or collection of receivables.

Cash Disbursement Journal

Cash disbursement journal is a special journal used to record cash payments of expenses and/or payables.

Sales Journal

Sales journal is a special journal used to record sales on credit (receivable from customer)

Purchase Journal

Purchase journal is a special journal used to record purchases on credit (payable to supplier)

Books of Accounts for Service Business

For business or taxpayer *engaged in sale of services*, it is required to maintain at least four which are the following:

1. General journal
2. General ledger
3. Cash receipt journal
4. Cash disbursement journal

Books of Accounts for Businesses Engaged in Sales of Goods or Properties

For business or taxpayer *engaged in sale of goods or properties*, it is required to maintain at least six, which are the following:

1. General journal
2. General ledger
3. Cash receipt journal
4. Cash disbursement journal
5. Sales journal
6. Purchase journal

BANKING REGULATION ACT,1949

Short title, extent and commencement.—

(1) This Act may be called the Banking [1] [Regulation] Act, 1949.

[2] [(2) It extends to the whole of India [3] [***].]

(3) It shall come into force on such date [4] as the Central Government may, by notification in the Official Gazette, appoint in this behalf.

2. Application of other laws not barred.—The provisions of this Act shall be in addition to, and not, save as hereinafter expressly provided, in derogation of the [5] [Companies Act, 1956 (1 of 1956)], and any other law for the time being in force.

[6] [3. Act to apply to co-operative societies in certain cases.—Nothing in this Act shall apply to—

(a) a primary agricultural credit society;

(b) a co-operative land mortgage bank; and

(c) any other co-operative society, except in the manner and to the extent specified in Part V.] COMMENTS As provided in Part V of the Banking Regulation Act, 1949 this Act is applicable to the co-operative societies. However, this Act is not applicable where the institutions are classified according to their financial status or according to their staff structure or according to the conditions of work; G. Gopinathan Nair v. State of Kerala, AIR 1977 Ker 36.

4. Power to suspend operation of Act.—

(1) The Central Government, if on a representation made by the Reserve Bank in this behalf is satisfied that it is expedient so to do, may by notification in the Official Gazette suspend for such period, not exceeding sixty days, as may be specified in the notification, the operation of all or any of the provisions of this Act, either generally or in relation to any specified banking company.

(2) In a case of special emergency, the Governor of the Reserve Bank, or in his absence a Deputy Governor of the Reserve Bank nominated by him in this behalf may, by order in writing, exercise the powers of the Central Government under sub-section (1) so however that the period of suspension shall not exceed thirty days, and where the Governor or the Deputy Governor, as the case may be, does so, he shall report the matter to the Central Government forthwith, and the order shall, as soon as may be, be published in the Gazette of India.

(3) The Central Government may, by notification in the Official Gazette, extend from time to time the period of any suspension ordered under sub-section (1) or sub-section (2) for such period, not exceeding sixty days at any one time, as it thinks fit so however that the total period does not exceed one year.

(4) A copy of any notification issued under sub-section (3) shall be laid on the table of [7] [Parliament] as soon as may be after it is issued.

5. Interpretation.— [8] [In this Act], unless there is anything repugnant in the subject or context,—

[9] [(a) "approved securities" means—

(i) securities in which a trustee may invest money under clause (a), clause (b), clause (bb), clause (c) or clause (d) of section 20 of the Indian Trusts Act, 1882 (2 of 1882);

(ii) such of the securities authorised by the Central Government under clause (f) of section 20 of the Indian Trusts Act, 1882 (2 of 1882), as may be prescribed;]

(b) “banking” means the accepting, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdrawal by cheque, draft, order or otherwise;

(c) “banking company” means any company which transacts the business of banking [10] [in India]. Explanation.—Any company which is engaged in the manufacture of goods or carries on any trade and which accepts deposits of money from the public merely for the purpose of financing its business as such manufacturer or trader shall not be deemed to transact the business of banking within the meaning of this clause;

[11] [(ca) “banking policy” means any policy which is specified from time to time by the Reserve Bank in the interest of the banking system or in the interest of monetary stability or sound economic growth, having due regard to the interests of the depositors, the volume of deposits and other resources of the bank and the need for equitable allocation and the efficient use of these deposits and resources;]

[12] [(cc) “branch” or “branch office”, in relation to a banking company, means any branch or branch office, whether called a pay office or sub-pay office or by any other name, at which deposits are received, cheques cashed or moneys lent, and for the purposes of section 35 includes any place of business where any other form of business referred to in sub-section (1) of section 6 is transacted;]

[13] [(d) “company” means any company as defined in section 3 of the Companies Act, 1956 (1 of 1956); and includes a foreign company within the meaning of section 591 of that Act;]

[14] [(da) “corresponding new bank” means a corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 (5 of 1970); or under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 (40 of 1980);] [15] [***]

(f) “demand liabilities” means liabilities which must be met on demand, and “time liabilities” means liabilities which are not demand liabilities;

[16] [(ff) “Deposit Insurance Corporation” means the Deposit Insurance Corporation established under section 3 of the Deposit Insurance Corporation Act, 1961 (47 of 1961);] [17] [***]

(ffb) “Exim Bank” means the Export-Import Bank of India established under section 3 of the Export-Import Bank of India Act, 1981 (28 of 1981);]

[18] [(ffc) “Reconstruction Bank” means the Industrial Reconstruction Bank of India established under section 3 of the Industrial Reconstruction Bank of India Act, 1984 (62 of 1984);]

[19] [(ffd) “National Housing Bank” means the National Housing Bank established under section 3 of the National Housing Bank Act, 1987;]

(g) “gold” includes gold in the form of coin, whether legal tender or not, or in the form of bullion or ingot, whether refined or not;

[20] [(gg) “managing agent” includes,—

(i) Secretaries and Treasurers;

(ii) where the managing agent is a company, and director of such company, and any member thereof who holds substantial interest in such company;

(iii) where the managing agent is a firm, any partner of such firm;]

[21] [(h) “managing director”, in relation to a banking company, means a director who, by virtue of an agreement with the banking company or of a resolution passed by the banking company in general meeting or by its Board of directors or, by virtue of its memorandum or articles of association, is entrusted with the management of the whole, or substantially the whole of the affairs of the company, and includes a director occupying the position of a managing director, by whatever name called:] [22] [Provided that the managing director shall exercise his powers subject to the superintendence, control and direction of the Board of Directors;]

[23] [(ha) “National Bank” means the National Bank for Agriculture and Rural Development established under section 3 of the National Bank for Agriculture and Rural Development Act, 1981;] [24] [***]

(j) “prescribed” means prescribed by rules made under this Act;

[25] [(ja) “regional rural bank” means a regional rural bank established under section 3 of the Regional Rural Banks Act, 1976 (21 of 1976);] [26] [***]

[27] [(l) “Reserve Bank” means the Reserve Bank of India constituted under section 3 of the Reserve Bank of India Act, 1934 (2 of 1934);] [28] [***]

(n) “secured loan or advance” means a loan or advance made on the security of assets the market value of which is not at any time less than the amount of such loan or advance; and “unsecured loan or advance” means a loan or advance not so secured;

[29] [(ni) “Small Industries Bank” means the Small Industries Development Bank of India established under section 3 of the Small Industries Development Bank of India Act, 1989;]

[30] [(na) “small-scale industrial concern” means an industrial concern in which the investment in plant and machinery is not in excess of seven and a half lakhs of rupees or such higher amount, not exceeding twenty lakhs of rupees, as the Central Government may, by notification in the Official Gazette, specify in this behalf, having regard to the trends in industrial development and other relevant factors;]

[31] [(nb) “Sponsor Bank” has the meaning assigned to it in the Regional Rural Banks Act, 1976 (21 of 1976);

(nc) "State Bank of India" means the State Bank of India constituted under section 3 of the State Bank of India Act, 1955 (23 of 1955);] [32] [[33] [(nd)] "subsidiary bank" has the meaning assigned to it in the State Bank of India (Subsidiary Banks) Act, 1959;] [34] [[35] [(ne)] "substantial interest",—

(i) in relation to a company, means the holding of a beneficial interest by an individual or his spouse or minor child, whether singly or taken together, in the shares thereof, the amount paid upon which exceeds five lakhs of rupees or ten per cent. of the paid-up capital of the company, whichever is less;

(ii) in relation to a firm, means the beneficial interest held therein by an individual or his spouse or minor child, whether singly or taken together, which represents more than ten per cent of the total capital subscribed by all the partners of the said firm;]

[36] [(o) all other words and expressions used herein but not defined and defined in the Companies Act, 1956 (1 of 1956), shall have the meanings respectively assigned to them in that Act.] [37] [***]
COMMENTS

(i) "Banking" does not include other commercial activities of the banking institution; Rustom Cavasjee Cooper v. Union of India, AIR 1970 SC 564.

(ii) The essential characteristic of banking is the ability to receive money by way of deposit from the customers and also to honour the customers' cheque. If there is an inability to do so, then the mere fact that the company has a power to grant loans will not make it a 'banking company'; Mahaluxmi Bank Ltd. v. Registrar of Companies, West Bengal, AIR 1961 Cal 666.

(iii) A "banking company" means a company which carries on the business of banking, no matter, if the same is not carried on for some time; Kalipada Sinha v. Mahaluxmi Bank Ltd., AIR 1961 Cal 188.

(iv) Until the court orders for the liquidation of a banking company, it continues to exist in its original form, even though the proceedings for its liquidation are started under section 194 of the Companies Act; K.V.S. Vassan Bros. v. The Official Liquidator, The B.B. Corp. I. Ltd., AIR 1952 Trav 170.

[38] [5A. Act to override memorandum, articles, etc.—Save as otherwise expressly provided in this Act,—

(a) the provisions of this Act shall have effect notwithstanding anything to the contrary contained in the memorandum or articles of a banking company, or in any agreement executed by it, or in any resolution passed by the banking company in general meeting or by its Board of Directors, whether the same be registered, executed or passed, as the case may be, before or after the commencement of the Banking Companies (Amendment) Act, 1959 (33 of 1959); and

(b) any provision contained in the memorandum, articles, agreement or resolution aforesaid shall, to the extent to which it is repugnant to the provisions of this Act, become or be void, as the case may be.]
Comments Since the Reserve Bank directs the loan transactions of the banks with their customers, they are not statutory agreements and thus courts are not entitled to apply Act to cut down the interest according to the overriding effect under this section; D.S. Gowda v. Corporation Bank, AIR 1983 Kant 143.

6. Forms of business in which banking companies may engage.—

(1) In addition to the business of banking, a banking company may engage in any one or more of the following forms of business, namely:—

(a) the borrowing, raising, or taking up of money; the lending or advancing of money either upon or without security; the drawing, making, accepting, discounting, buying, selling, collecting and dealing in bills of exchange, hoondees, promissory notes, coupons, drafts, bills of lading, railway receipts, warrants, debentures, certificates, scrips and other instruments and securities whether transferable or negotiable or not; the granting and issuing of letters of credit, traveller's cheques and circular notes; the buying, selling and dealing in bullion and specie; the buying and selling of foreign exchange including foreign bank notes; the acquiring, holding, issuing on commission, underwriting and dealing in stock, funds, shares, debentures, debenture stock, bonds, obligations, securities and investments of all kinds; the purchasing and selling of bonds, scrips or other forms of securities on behalf of constituents or others, the negotiating of loans and advances; the receiving of all kinds of bonds, scrips or valuables on deposit or for safe custody or otherwise; the providing of safe deposit vaults; the collecting and transmitting of money and securities;

(b) acting as agents for any Government or local authority or any other person or persons; the carrying on of agency business of any description including the clearing and forwarding of goods, giving of receipts and discharges and otherwise acting as an attorney on behalf of customers, but excluding the business of a [39] [managing agent or secretary and treasurer] of a company;

(c) contracting for public and private loans and negotiating and issuing the same;

(d) the effecting, insuring, guaranteeing, underwriting, participating in managing and carrying out of any issue, public or private, of State, municipal or other loans or of shares, stock, debentures, or debenture stock of any company, corporation or association and the lending of money for the purpose of any such issue;

(e) carrying on and transacting every kind of guarantee and indemnity business;

(f) managing, selling and realising any property which may come into the possession of the company in satisfaction or part satisfaction of any of its claims;

(g) acquiring and holding and generally dealing with any property or any right, title or interest in any such property which may form the security or part of the security for any loans or advances or which may be connected with any such security;

(h) undertaking and executing trusts;

(i) undertaking the administration of estates as executor, trustee or otherwise;

(j) establishing and supporting or aiding in the establishment and support of associations, institutions, funds, trusts and conveniences calculated to benefit employees or ex-employees of the company or the dependents or connections of such persons; granting pensions and allowances and making payments towards insurance; subscribing to or guaranteeing moneys for charitable or benevolent objects or for any exhibition or for any public, general or useful object;

(k) the acquisition, construction, maintenance and alteration of any building or works necessary or convenient for the purposes of the company;

(l) selling, improving, managing, developing, exchanging, leasing, mortgaging, disposing of or turning into account or otherwise dealing with all or any part of the property and rights of the company;

(m) acquiring and undertaking the whole or any part of the business of any person or company, when such business is of a nature enumerated or described in this sub-section;

(n) doing all such other things as are incidental or conducive to the promotion or advancement of the business of the company;

(o) any other form of business which the Central Government may, by notification in the Official Gazette, specify as a form of business in which it is lawful for a banking company to engage.

(2) No banking company shall engage in any form of business other than those referred to in sub-section (1).

[40] [7. Use of words "bank", "banker", ''banking'' or "banking company".—

(1) No company other than a banking company shall use as part of its name [41] [or in connection with its business] any of the words "bank", "banker" or "banking" and no company shall carry on the business of banking in India unless it uses as part of its name at least one of such words.

(2) No firm, individual or group of individuals shall, for the purpose of carrying on any business, use as part of its or his name any of the words "bank", "banking" or "banking company".

(3) Nothing in this section shall apply to—

(a) a subsidiary of a banking company formed for one or more of the purposes mentioned in sub-section (1) of section 19, whose name indicates that it is a subsidiary of that banking company;

(b) any association of banks formed for the protection of their mutual interests and registered under section 25 of the Companies Act, 1956 (1 of 1956).]

8. Prohibition of trading.—Notwithstanding anything contained in section 6 or in any contract, no banking company shall directly or indirectly deal in the buying or selling or bartering of goods, except in connection with the realisation of security given to or held by it, or engage in any trade, or buy, sell or barter goods for others otherwise than in connection with bills of exchange received for collection or negotiation or with such of its business as is referred to in clause

(i) of sub-section (1) of section 6: [42] [Provided that this section shall not apply to any such business as is specified in pursuance of clause (o) of sub-section (1) of section 6.] Explanation.—For the purposes of this section, "goods" means every kind of movable property, other than actionable claims, stocks, shares, money, bullion and specie, and all instruments referred to in clause (a) of sub-section (1) of section 6.

9. Disposal of non-banking assets.—Notwithstanding anything contained in section 6, no banking company shall hold any immovable property howsoever acquired, except such as is required for its own use, for any period exceeding seven years from the acquisition thereof or from the commencement of this Act, whichever is later or any extension of such period as in this section provided, and such property shall be disposed of within such period or extended period, as the case may be: Provided that the banking company may, within the period of seven years as aforesaid deal or trade in any such property for the purpose of facilitating the disposal thereof: Provided further that the Reserve Bank may in any particular case extend the aforesaid period of seven years by such period not exceeding five years where it is satisfied that such extension would be in the interests of the depositors of the banking company..

[43] [10. Prohibition of employment of managing agents and restrictions on certain forms of employment.—

(1) No banking company—

(a) shall employ or be managed by a managing agent; or

(b) shall employ or continue the employment of any person—

(i) who is, or at any time has been, adjudicated insolvent, or has suspended payment or has compounded with his creditors,or who is, or has been, convicted by a criminal court of an offence involving moral turpitude; or

(ii) whose remuneration or part of whose remuneration takes the form of commission or of a share in the profits of the company: [44] [Provided that nothing contained in this sub-clause shall apply to the payment by a banking company of—

(a) any bonus in pursuance of a settlement or award arrived at or made under any law relating to industrial disputes or in accordance with any scheme framed by such banking company or in accordance with the usual practice prevailing in banking business;

(b) any commission to any broker (including guarantee broker), cashier-contractor, clearing and forwarding agent, auctioneer or any other person, employed by the banking company under a contract otherwise than as a regular member of the staff of the company; or]

(iii) whose remuneration is, in the opinion of the Reserve Bank, excessive; or

(c) shall be managed by any person—

[45] [(i) who is a director of any other company not being—

(a) a subsidiary of the banking company, or

(b) a company registered under section 25 of the Companies Act, 1956 (1 of 1956): Provided that the prohibition in this sub-clause shall not apply in respect of any such director for a temporary period not exceeding three months or such further period not exceeding nine months as the Reserve Bank may allow; or]

(ii) who is engaged in any other business or vocation; or

(iii) [46] [whose term of office as a person managing the company is] for period exceeding five years at any one time: [47] [Provided that the term of office of any such person may be renewed or extended by further periods not exceeding five years on each occasion subject to the condition that such renewal/extension shall not be sanctioned earlier than two years from the date on which it is to come into force: Provided also that where the term of office of such person is for an indefinite period, such term, unless it otherwise comes to an end eallier, shall come to an end immediately on the expiry of five years from the date of his appointment or on the expiry of three months from the date of commencement of section 8 of the Banking Laws (Miscellaneous Provisions) Act, 1963 (55 of 1963), whichever is later:] Provided further that nothing in this clause shall apply to a director, other than the managing director, of a banking company by reason only of his being such director. Explanation.—For the purpose of sub-clause (iii) of clause (b), the expression "remuneration", in relation to person employed or continued in employment, shall include salary, fees and perquisites but shall not include any allowances or other amounts paid to him for the purpose of reimbursing him in respect of the expense actually incurred by him in the performance of his duties.

(2) In forming its opinion under sub-clause (iii) of clause (b) of sub-section (1), the Reserve Bank may have regard among other matters to the following:—

(i) the financial condition and history of the banking company, its size and area of operation, its resources, the volume of its business, and the trend of its earning capacity;

(ii) the number of its branches or offices;

(iii) the qualifications, age and experience of the person concerned;

(iv) the remuneration paid to other persons employed by the banking company or to any person occupying a similar position in any other banking company similarly situated; and

(v) the interests of its depositors.

[48] [***]

(6) Any decision or order of the Reserve Bank made under this section shall be final for all purposes.]

[49] [10A. Board of directors to include persons with professional or other experience.—

(1) Notwithstanding anything contained in any other law for the time being in force, every banking company,—

(a) in existence on the commencement of section 3 of the Banking Laws (Amendment) Act, 1968 (58 of 1968), or

(b) which comes into existence thereafter, shall comply with the requirements of this section: Provided that nothing contained in this sub-section shall apply to a banking company referred to in clause (a) for a period of three months from such commencement.

(2) Not less than fifty-one per cent. of the total number of members of the Board of directors of a banking company shall consist of persons, who—

(a) shall have special knowledge or practical experience in respect of one or more of the following matters, namely:—

(i) accountancy,

(ii) agriculture and rural economy,

(iii) banking,

(iv) co-operation,

(v) economics,

(vi) finance,

(vii) law,

(viii) small-scale industry,

(ix) any other matter the special knowledge of, and practical experience in, which would, in the opinion of the Reserve Bank, be useful to the banking company: Provided that out of the aforesaid number of directors, not less than two shall be persons having special knowledge or practical experience in respect of agriculture and rural economy, co-operation or small-scale industry; and

(b) shall not—

(1) have substantial interest in, or be connected with, whether as employee, manager or managing agent,—

(i) any company, not being a company registered under section 25 of the Companies Act, 1956 (1 of 1956), or

(ii) any firm, which carries on any trade, commerce or industry and which, in either case, is not a small-scale industrial concern, or

(2) be proprietors of any trading, commercial or industrial concern, not being a small-scale industrial concern.

[50] [(2A) Notwithstanding anything to the contrary contained in the Companies Act, 1956 (1 of 1956), or in any other law for the time being in force,—

(i) no director of a banking company, other than its chairman or whole-time director, by whatever name called, shall hold office continuously for a period exceeding eight years;

(ii) a chairman or other whole-time director of a banking company who has been removed from office as such chairman, or whole-time director, as the case may be, under the provisions of this Act shall also cease to be a director of the banking company and shall also not be eligible to be appointed as a director of such banking company, whether by election or co-option or otherwise, for a period of four years from the date of his ceasing to be the chairman or whole-time director as the case may be.]

(3) If, in respect of any banking company the requirements, as laid down in sub-section (2), are not fulfilled at any time, the Board of directors of such banking company shall re-constitute such Board so as to ensure that the said requirements are fulfilled.

(4) If, for the purpose of re-constituting the Board under sub-section (3), it is necessary to retire any director or directors, the Board may, by lots drawn in such manner as may be prescribed, decide which director or directors shall cease to hold office and such decision shall be binding on every director of the Board.

(5) Where the Reserve Bank is of opinion that the composition of the Board of directors of a banking company is such that it does not fulfil the requirements of sub-section (2), it may, after giving to such banking company a reasonable opportunity of being heard, by an order in writing, direct the banking company to so re-constitute its Board of directors as to ensure that the said requirements are fulfilled and, if within two months from the date of receipt of that order, the banking company does not comply with the directions made by the Reserve Bank, that Bank may, after determining, by lots drawn in such manner as may be prescribed, the person who ought to be removed from the membership of the Board of directors, remove such person from the office of the director of banking company and with a view to complying with the provision of sub-section (2) appoint a suitable person as a member of the Board of directors in the place of the person so removed whereupon the person so appointed shall be deemed to have been duly elected by the banking company as its director.

(6) Every appointment, removal or reconstitution duly made, and every election duly held, under this section shall be final and shall not be called into question in any court.

(7) Every director elected or, as the case may be, appointed under this section shall hold office until the date up to which his predecessor would have held office, if the election had not been held, or, as the case may be, the appointment had not been made.

(8) No act or proceeding of the Board of directors of a banking company shall be invalid by reason only of any defect in the composition thereof or on the ground that it is subsequently discovered that any of its members did not fulfil the requirements of this section.]

[51] [10B. Banking company to be managed by whole time chairman.— [52] [

(1) Notwithstanding anything contained in any law for the time being in force or in any contract to the contrary, every banking company in existence on the commencement of the Banking Regulation (Amendment) Act, 1994 (20 of 1994), or which comes into existence thereafter shall have one of its directors, who may be appointed on a whole-time or a part-time basis, as chairman of its Board of directors, and where he is appointed on a whole-time basis, as chairman of its Board of directors, he shall be entrusted with the management of the whole of the affairs of the banking company: Provided that the chairman shall exercise his powers subject to the superintendence, control and direction of the Board of directors.

(1A) Where a chairman is appointed on a part-time basis,—

(i) such appointment shall be with the previous approval of the Reserve Bank and be subject to such conditions as the Reserve Bank may specify while giving such approval;

(ii) the management of the whole of the affairs of such banking company shall be entrusted to a managing director who shall exercise his powers subject to the superintendence, control and direction of the Board of directors.]

(2) [53] [Every chairman of the Board of directors who is appointed on a whole-time basis and every managing director] of a banking company shall be in the whole-time employment of such company and shall hold office for such period, not exceeding five years, as the Board of directors may fix, but shall, subject to the provisions of this section, be eligible for re-election of reappointment: Provided that nothing in this sub-section shall be construed as prohibiting a chairman from being a director of a subsidiary of the banking company or a director of a company registered under section 25 of the Companies Act, 1956 (1 of 1956).

(3) Every person holding office on the commencement of section 3 of the Banking Laws (Amendment) Act, 1968 (58 of 1968), as managing director of a banking company shall—

(a) if there is a chairman of its Board of directors, vacate office on such commencement, or

(b) if there is no chairman of its Board of directors, vacate office on the date on which the chairman of its Board of directors is elected or appointed in accordance with the provisions of this section.

(4) [54] [Every chairman who is appointed on a whole-time basis and every managing director of a banking company appointed under sub-section (1A)] shall be person who has special knowledge and practical experience of—

(a) the working of a banking company, or of the State Bank of India or any subsidiary bank or a financial institution, or

(b) financial, economic or business administration: Provided that a person shall be disqualified for being a [55] [chairman who is appoiinted on a whole time basis or a managing director], if he—

(a) is a director of any company other than a company referred to in the proviso to sub-section (2), or

(b) is a partner of any firm which carries on any trade, business or industry, or

(c) has substantial interest in any other company or firm, or

(d) is a director, manager, managing agent, partner or proprietor of any trading, commercial or industrial concern, or

(e) is engaged in any other business or vocation.

(5) [56] [A chairman of the Board of directors appointed on a whole-time basis or a managing director] of a banking company may, by writing, under his hand addressed to the company, resign his office, [57] [***].

[58] [(5A) 6[A chairman of the Board of directors appointed on a whole-time basis or a managing director] whose term of office has come to an end, either by reason of his resignation or by reason of expiry of the period of his office, shall, subject to the approval of the Reserve Bank, continue in office until his successor assumes office.

(6) Without prejudice to the provisions of section 36AA where the Reserve Bank is of opinion that any person who, is, or has been elected to be, the [59] [chairman of the Board of directors who is appointed on a whole-time basis or the managing director] of a banking company is not a fit and proper person to hold such office, it may, after giving to such person and to the banking company a reasonable opportunity of being heard by order in writing, require the banking company to elect or appoint any other person as the [60] [chairman of the Board of directors who is appointed on a whole-time basis or the managing director] and if, within a period of two months from the date of receipt of such order, the banking company fails to elect or appoint a suitable person as the [56] [chairman of the Board of directors who is appointed on a whole-time basis or the managing director], the Reserve Bank may, by order, remove the first-mentioned person from the office of the [60] [chairman of the Board of directors who is appointed on a whole-time basis or the managing director] of the banking company and appoint a suitable person in his place whereupon the person so appointed shall be deemed to have been duly elected or appointed, as the case may be, as the 9[chairman of the board of directors who is appointed on a whole-time basis or the managing director] of such banking company and any person elected or [61] [appointed as chairman on a whole-time basis or managing director] under this sub-section shall hold office for the residue of the period of office of the person in whose place he has been so elected or appointed.

(7) The banking company and any person against whom an order of removal is made under sub-section (6) may, within thirty days from the date of communication to it or to him of the order, prefer an appeal to the Central Government and the decision of the Central Government thereon, and subject thereto, the order made by the Reserve Bank under sub-section (6), shall be final and shall not be called into question in any court.

(8) Notwithstanding anything contained in this section, the Reserve Bank may, if in its opinion it is necessary in the public interest so to do, permit [62] [the chairman of the Board of directors who is

appointed on a whole-time basis or the managing director] to undertake such part-time honorary work as is not likely to interfere with his duties as [63] [such chairman or managing director].

(9) Notwithstanding anything contained in this section, where a person [64] [appointed on a whol

time basis, as chairman of the Board of directors or the managing director] dies or resigns or is by infirmity or otherwise rendered incapable of carrying out his duties or is absent on leave or otherwise in circumstances not involving the vacation of his office, the banking company may, with the approval of the Reserve Bank, make suitable arrangements for carrying out the [65] [duties of chairman or managing director] for a total period not exceeding four months.]

[66] [10BB. Power of Reserve Bank to appoint [67] [chairman of the Board of directors appointed on a whole-time basis or a managing director] of a banking company.—

(1) Where the office, of the [67] [chairman of the Board of directors appointed on a whole-time basis or a managing director] of a banking company is vacant, the Reserve Bank may, if it is of opinion that the continuation of such vacancy is likely to adversely affect the interests of the banking company, appoint a person eligible under sub-section (4) of section 10B to be so appointed, to be the [67] [chairman of the Board of directors appointed on a whole-time basis or a managing director] of the banking company and where the person so appointed is not a director of such banking company, he shall, so long as he holds the office of the [67] [chairman of the Board of directors appointed on a whole-time basis or a managing director], be deemed to be director of the banking company.

(2) The [67] [chairman of the Board of directors appointed on a whole-time basis or a managing director] so appointed by the Reserve Bank shall be in the whole-time employment of the banking company and shall hold office for such period not exceeding three years, as the Reserve Bank may specify, but shall, subject to other provisions of this Act, be eligible for re-appointment.

(3) The [67] [chairman of the Board of directors appointed on a whole-time basis or a managing director] so appointed by the Reserve Bank shall draw from the banking company such pay and allowances as the Reserve Bank may determine and may be removed from office only by the Reserve Bank.

(4) Save as otherwise provided in this section, the provisions of section 10B shall, as far as may be, apply to the [67] [chairman of the Board of directors appointed on a whole-time basis or a managing director] appointed by the Reserve Bank under sub-section (1) as they apply to a [67] [chairman of the Board of directors appointed on a whole-time basis or a managing director] appointed by the banking company.]

[68] [10C. Chairman and certain directors not to be required to hold qualification shares.— [69] [Chairman of the Board of directors who is appointed on a whole-time basis or a managing director] of a banking company (by whomsoever appointed) and a director of a banking company (appointed by the Reserve Bank under section 10A) shall not be required to hold qualification shares in the banking company.]

[70] [10D. Provisions of sections 10A and 10B to override all other laws, contracts, etc.—Any appointment or removal of a [71] [director, chairman of the Board of directors who is appointed on a whole-time basis or a managing director] in pursuance of section 10A or section 10B [72] [or section 10BB] shall have effect

and any such person shall not be entitled to claim any compensation for the loss or termination of office, notwithstanding anything contained in any law or in any contract, memorandum or articles of association.]

11. Requirement as to minimum paid-up capital and reserves.—

(1) Notwithstanding anything contained in [73] [section 149 of the Companies Act, 1956 (1 of 1956)], no banking company in existence on the commencement of this Act, shall, after the expiry of three years from such commencement or of such further period not exceeding one year as the Reserve Bank, having regard to the interests of the depositors of the company, may think fit in any particular case to allow, carry on business [74] [in India], and no other banking company shall after the commencement of this Act, commence or carry on business [74] [in India] [75] [unless it complies with such of the requirements of this section as are applicable to it].

[76] [(2) In the case of a banking company incorporated outside India—

(a) the aggregate value of its paid-up capital and reserves shall not be less than fifteen lakhs of rupees and if it has a place or places of business in the city of Bombay or Calcutta or both, twenty lakhs of rupees; and

(b) [77] [the banking company shall deposit and keep deposited with the Reserve Bank either in cash or in the form of unencumbered approved securities, or partly in cash and partly in the form of such securities—

(i) an amount which shall not be less than the minimum required by clause (a); and

(ii) as soon as may be after the expiration of each [78] [***] year, an amount calculated at twenty per cent of its profit for that year in respect of all business transacted through its branches in India, as disclosed in the profit and loss account prepared with reference to that year under section 29:] Provided that any such banking company may at any time replace—

(i) any securities so deposited by cash or by any other unencumbered approved securities or partly by cash and partly by other such securities, so however, that the total amount deposited is not affected;

(ii) any cash so deposited by unencumbered approved securities of an equal value.]

[79] [(2A) Notwithstanding anything contained in sub-section (2), the Central Government may, on the recommendation of the Reserve Bank, and having regard to the adequacy of the amounts already deposited and kept deposited by a banking company under sub-section (2), in relation to its deposit liabilities in India, declare by order in writing that the provisions of sub-clause (ii) of clause (b) of sub-section (2) shall not apply to such banking company for such period as may be specified in the order.]

(3) In the case of any banking company to which the provisions of sub-section (2) do not apply, the aggregate value of its paid-up capital and reserves shall not be less than—

(i) if it has places of business in more than one State, five lakhs of rupees, and if any such place or places of business is or are situated in the city of Bombay or Calcutta or both, ten lakhs of rupees;

(ii) if it has all its places of business in one State none of which is situated in the city of Bombay or Calcutta, one lakh of rupees in respect of its principal place of business, plus ten thousand rupees in respect of each of its other places of business situated in the same district in which it has its principal place of business, plus twenty-five thousand rupees in respect of each place of business situated elsewhere in the State otherwise than in the same district: Provided that no banking company to which this clause applies shall be required to have paid-up capital and reserves exceeding an aggregate value of five lakhs of rupees: Provided further that no banking company to which this clause applies and which has only one place of business, shall be required to have paid-up capital and reserves exceeding an aggregate value of fifty thousand rupees: [80] [Provided further that in the case of every banking company to which this clause applies and which commences banking business for the first time after the commencement of the Banking Companies (Amendment) Act, 1962 (36 of 1962), the value of its paid-up capital shall not be less than five lakhs of rupees;]

(iii) if it has all its places of business in one State, one or more of which is or are situated in the city of Bombay or Calcutta, five lakhs of rupees, plus twenty-five thousand rupees in respect of each place of business situated outside the city of Bombay or Calcutta, as the case may be: Provided that no banking company to which this clause applies shall be required to have paid-up capital and reserves exceeding an aggregate value of ten lakhs of rupees. Explanation.—For the purposes of this sub-section, a place of business situated [81] [in a State] other than that in which the principal place of business of the banking company is situated shall, if it is not more than twenty-five miles distant from such principal place of business, be deemed to be situated within the same State as such principal place of business.

(4) Any amount deposited and kept deposited with the Reserve Bank under [82] [***] sub-section (2) by any banking company incorporated [83] [outside India] shall, in the event of the company ceasing for any reason to carry on banking business [84] [in India], be an asset of the company on which the claims of all the creditors of the company [84] [in India] shall be a first charge.

[85] [(5) For the purposes of this section,—

(a) "place of business" means any office, sub-office, sub-pay office and any place of business at which deposits are received, cheques cashed, or moneys lent;

(b) "value" means the real or exchangeable value, and not the nominal value which may be shown in the books of the banking company concerned.]

(6) If any dispute arises in computing the aggregate value of the paid-up capital and reserves of any banking company, a determination thereof by the Reserve Bank shall be final for the purposes of this section.

[86] [12. Regulation of paid-up capital, subscribed capital and authorised capital and voting rights of shareholders.—

(1) No banking company shall carry on business in India, unless it satisfies the following conditions, namely:—

(i) that the subscribed capital of the company is not less than one-half of the authorised capital, and the paid-up capital is not less than one-half of the subscribed capital and that, if the capital is increased, it complies with the conditions prescribed in this clause within such period not exceeding two years as the Reserve Bank may allow;

(ii) that the capital of the company consists of ordinary shares only or of ordinary shares or equity shares and such preferential shares as may have been issued prior to the 1st day of July, 1944: Provided that nothing contained in this sub-section shall apply to any banking company incorporated before the 15th day of January, 1937.

(2) No person holding shares in a banking company shall, in respect of any shares held by him, exercise voting rights [87] [on poll] [88] [in excess of [89] [ten per cent.]] of the total voting rights of all the shareholders of the banking company.

(3) Notwithstanding anything contained in any law for the time being in force or in any contract or instrument no suit or other proceeding shall be maintained against any person registered as the holder of a share in a banking company on the ground that the title to the said share vests in a person other than the registered holder: Provided that nothing contained in this sub-section shall bar a suit or other proceeding—

(a) by a transferee of the share on the ground that he has obtained from the registered holder a transfer of the share in accordance with any law relating to such transfer; or

(b) on behalf of a minor or a lunatic on the ground that the registered holder holds the share on behalf of the minor or lunatic.

(4) Every chairman, managing director or chief executive officer by whatever name called of a banking company shall furnish to the Reserve Bank through that banking company returns containing full particulars of the extent and value of his holding of shares, whether directly or indirectly, in the banking company and of any change in the extent of such holding or any variation in the rights attaching thereto and such other information relating to those shares as the Reserve Bank may, by order, require and in such form and at such time as may be specified in the order.]

[90] [12A. Election of new directors.—

(1) The Reserve Bank may, by order, require any banking company to call a general meeting of the shareholders of the company within such time, not less than two months from the date of the order, as may be specified in the order or within such further time as the Reserve Bank may allow in this behalf, to elect in accordance with the voting rights permissible under this Act fresh directors, and the banking company shall be bound to comply with the order.

(2) Every director elected under sub-section (1) shall hold office until the date up to which his predecessor would have held office, if the election had not been held.

(3) Any election duly held under this section shall not be called in question in any court.]

13. Restriction on commission, brokerage, discount, etc., on sale of shares.—Notwithstanding anything to the contrary contained in [91] [sections 76 and 79 of the Companies Act, 1956 (1 of 1956)], no banking company shall pay out directly or indirectly by way of commission, brokerage, discount or remuneration in any form in respect of any shares issued by it, any amount exceeding in the aggregate two and one-half per cent. of the paid-up value of the said shares.

14. Prohibition of charge on unpaid capital.—No banking company shall create any charge upon any unpaid capital of the company, and any such charge shall be invalid..

[92] [14A. Prohibition of floating charge on assets.—

(1) Notwithstanding anything contained in section 6, no banking company shall create a floating charge on the undertaking or any property of the company or any part thereof, unless the creation of such floating charge is certified in writing by the Reserve Bank as not being detrimental to the interests of the depositors of such company.

(2) Any such charge created without obtaining the certificate of the Reserve Bank shall be invalid.

(3) Any banking company aggrieved by the refusal of a certificate under sub-section (1) may, within ninety days from the date on which such refusal is communicated to it, appeal to the Central Government.

(4) The decision of the Central Government where an appeal has been preferred to it under sub-section (3) or of the Reserve Bank where no such appeal has been preferred shall be final.]

15. Restrictions as to payment of dividend.— [93] [

(1)] No banking company shall pay any dividend on its shares until all its capitalised expenses (including preliminary expenses, organisation expenses, share-selling commission, brokerage, amounts of losses incurred and any other item of expenditure not represented by tangible assets) have been completely written off.

[94] [(2) Notwithstanding anything to the contrary contained in sub-section (1) or in the Companies Act, 1956 (1 of 1956), a banking company may pay dividends on its shares without writing off—

(i) the depreciation, if any, in the value of its investments in approved securities in any case where such depreciation has not actually been capitalised or otherwise accounted for as a loss;

(ii) the depreciation, if any, in the value of its investments in shares, debentures or bonds (other than approved securities) in any case where adequate provision for such depreciation has been made to the satisfaction of the auditor of the banking company;

(iii) the bad debts, if any, in any case where adequate provision for such debts has been made to the satisfaction of the auditor of the banking company.]

[95] [16. Prohibition of common directors.— [96] [

(1) No banking company incorporated in India shall have as a director in its Board of directors any person who is a director of any other banking company.

(1A) No banking company referred to in sub-section (1) shall have in its Board of directors, more than three directors who are directors of companies which among themselves are entitled to exercise voting rights in excess of twenty per cent. of the total voting rights of all the shareholders to that banking company.]

(2) If immediately before the commencement of the Banking Companies (Amendment) Act, 1956 (95 of 1956), any person holding office as a director of a banking company is also a director of companies which among themselves are entitled to exercise voting rights in excess of twenty per cent. of the total voting rights of all the shareholders of the banking company, he shall, within such period from such commencement as the Reserve Bank may specify in this behalf—

(a) either resign his office as a director of the banking company; or

(b) choose such number of companies as among themselves are not entitled to exercise voting rights in excess of twenty per cent, of the total voting rights of all the shareholders of the banking company as companies in which he wishes to continue to hold the office of a director and resign his office as a director in the other companies.]

[97] [(3) Nothing in sub-section (1) shall apply to, or in relation to, any director appointed by the Reserve Bank.]

[98] [17. Reserve Fund.—

(1) Every banking company incorporated in India shall create a reserve fund and [99] [***] shall, out of the balance of profit of each year as disclosed in the profit and loss account prepared under section 29 and before any dividend is declared, transfer to the reserve fund a sum equivalent to not less than twenty per cent of such profit.

[100] [(1A) Notwithstanding anything contained in sub-section (1), the Central Government may, on the recommendation of the Reserve Bank and having regard to the adequacy of the paid-up capital and reserves of a banking company in relation to its deposit liabilities, declare by order in writing that the provisions of sub-section (1) shall not apply to the banking company for such period as may be specified in the order: Provided that no such order shall be made unless, at the time it is made, the amount in the reserve fund under sub-section (1), together with the amount in the share premium account is not less than the paid-up capital of the banking company.]

(2) Where a banking company appropriates any sum or sums from the reserve fund or the share premium account, it shall, within twenty-one days from the date of such appropriation, report the fact to the Reserve Bank, explaining the circumstances relating to such appropriation: Provided that the Reserve Bank may, in any particular case, extend the said period of twenty-one days by such period as it thinks fit or condone any delay in the making of such report.]

[101] [18. Cash reserve.—

(1) Every banking company, not being a scheduled bank, shall maintain in India by way of cash reserve with itself or by way of balance in a current account with the Reserve Bank, or by way of net balance in current accounts or in one or more of the aforesaid ways, a sum equivalent to at least three per cent of the total of its demand and time liabilities in India as on the last Friday of the second preceding fortnight and shall submit to the Reserve Bank before the twentieth day of every month a return showing the amount so held on alternate Fridays during a month with particulars of its demand and time liabilities in India on such Fridays or if any such Friday is a public holiday under the Negotiable Instruments Act, 1881 (26 of 1881), at the close of business on the preceding working day. Explanation.—In this section, and in section 24,—

(a) "liabilities in India" shall not include—

(i) the paid-up capital or the reserves or any credit balance in the profit and loss account of the banking company;

(ii) any advance taken from the Reserve Bank or from the Development Bank or from the Exim Bank [102] [or from the Reconstruction Bank] [103] [or from the National Housing Bank] or from the National Bank [104] [or from the Small Industries Bank] by the banking company;

(iii) in the case of a Regional Rural Bank, also any loan taken by such bank from its Sponsor Bank;

(b) "fortnight" shall mean the period from Saturday to the second following Friday, both days inclusive;

(c) "net balance in current accounts" shall, in relation to a banking company, mean the excess, if any, of the aggregate of the credit balances in current account maintained by that banking company with State Bank of India or a subsidiary bank or a corresponding new bank over the aggregate of the credit balances in current account held by the said banks with such banking company;

(d) for the purposes of computation of liabilities, the aggregate of the liabilities of a banking company to the State Bank of India, a subsidiary bank, a corresponding new bank, a regional rural bank, another banking company, a co-operative bank or any other financial institution notified by the Central Government in this behalf, shall be reduced by the aggregate of the liabilities of all such banks and institutions to the banking company;

(e) the expression "co-operative bank" shall have the meaning assigned to it in clause (cci) of section 56.

(2) The Reserve Bank may, for the purposes of this section and section 24, specify from time to time, with reference to any transaction or class of transactions, that such transaction or transactions shall be regarded as liability in India of abanking company and, if any question arises as to whether any transaction or class of transactions shall be regarded for the purposes of this section and section 24 as liability in India of a banking company, the decision of the Reserve Bank thereon shall be final.]

19. Restriction on nature of subsidiary companies.— [105] [

(1) A banking company shall not form any subsidiary company except a subsidiary company formed for one or more of the following purposes, namely:—

(a) the undertaking of any business which, under clauses (a) to (o) of sub-section (1) of section 6, is permissible for a banking company to undertake, or

(b) with the previous permission in writing of the Reserve Bank, the carrying on of the business of banking exclusively outside India, or

(c) the undertaking of such other business, which the Reserve Bank may, with the prior approval of the Central Government, consider to be conducive to the spread of banking in India or to be other wise useful or necessary in the public interest. Explanation.—For the purposes of section 8, a banking company shall not be deemed, by reason of its forming or having a subsidiary company, to be engaged indirectly in the business carried on by such subsidiary company.]

(2) Save as provided in sub-section (1), no banking company shall hold shares in any company, whether as pledgee, mortgagee or absolute owner, of an amount exceeding thirty per cent. of the paid-up share capital of that company or thirty per cent. of its own paid-up share capital and reserves, whichever is less: Provided that any banking company which is on the date of the commencement of this Act holding any shares in contravention of the provisions of this sub-section shall not be liable to any penalty therefor if it reports the matter without delay to the Reserve Bank and if it brings its holding of shares into conformity with the said provisions within such period, not exceeding two years, as the Reserve Bank may think fit to allow.

(3) Save as provided in sub-section (1) and notwithstanding anything contained in sub-section (2), a banking company shall not, after the expiry of one year from the date of the commencement of this Act, hold shares, whether as pledgee, mortagagee or absolute owner, in any company in the management of which any managing director or manager of the banking company is in any manner concerned or interested.

[106] [(4) Save as provided in clause (c) of sub-section (1), a banking company may form a subsidiary company to carry on the business of credit information in accordance with the Credit Information Companies (Regulation) Act, 2005.]

[107] [20. Restrictions on loans and advances.—

(1) Notwithstanding anything to the contrary contained in section 77 of the Companies Act, 1956 (1 of 1956), no banking company shall,—

(a) grant any loans or advances on the security of its own shares, or—

(b) enter into any commitment for granting any loan or advance to or on behalf of—

(i) any of its directors,

(ii) any firm in which any of its directors is interested as partner, manager, employee or guarantor, or

(iii) any company [not being a subsidiary of the banking company or a company registered under section 25 of the Companies Act, 1956 (1 of 1956), or a Government company] of which [108] [or the subsidiary or the holding company of which] any of the directors of the banking company is a director, managing agent, manager, employee or guarantor or in which he holds substantial interest, or

(iv) any individual in respect of whom any of its directors is a partner or guarantor.

(2) Where any loan or advance granted by a banking company is such that a commitment for granting it could not have been made if clause (b) of sub-section (1) had been in force on the date on which the loan or advance was made, or is granted by a banking company after the commencement of section 5 of the Banking Laws (Amendment) Act, 1968 (58 of 1968), but in pursuance of a commitment entered into before such commencement, steps shall be taken to recover the amounts due to the banking company on account of the loan, or advance together with interest, if any, due thereon within the period stipulated at the time of the grant of the loan or advance, or where no such period has been stipulated, before the expiry of one year from the commencement of the said section 5: Provided that the Reserve Bank may, in any case, on an application in writing made to it by the banking company in this behalf, extend the period for the recovery of the loan or advance until such date, not being a date beyond the period of three years from the commencement of the said section 5, and subject to such terms and conditions, as the Reserve Bank may deem fit: Provided further that this sub-section shall not apply if and when the director concerned vacates the office of the director of the banking company, whether by death, retirement, resignation or otherwise.

(3) No loan or advance, referred to in sub-section (2), or any part thereof shall be remitted without the previous approval of the Reserve Bank, and any remission without such approval shall be void and of no effect.

(4) Where any loan or advance referred to in sub-section (2), payable by any person, has not been repaid to the banking company within the period specified in that sub-section, then, such person shall, if he is a director of such banking company on the date of the expiry of the said period, be deemed to have vacated his office as such on the said date. Explanation.— In this section—

(a) “loans or advance” shall not include any transaction which the Reserve Bank may, having regard to the nature of the transaction, the period within which, and the manner and circumstances in which, any amount due on account of the transaction is likely to be realised, the interest of the depositors and other relevant considerations, specify by general or special order as not being a loan or advance for the purpose of this section;

(b) “director” includes a member of any board or committee in India constituted by a banking company for the purpose of managing, or for the purpose of advising it in regard to the management of, all or any of its affairs.

(5) If any question arises whether any transaction is a loan or advance for the purposes of this section, it shall be referred to the Reserve Bank, whose decision thereon shall be final.]

[109] [20A. Restrictions on power to remit debts.—

(1) Notwithstanding anything to the contrary contained in section 293 of the Companies Act, 1956 (1 of 1956), a banking company shall not, except with the prior approval of the Reserve Bank, remit in whole or in part any debt due to it by—

(a) any of its directors, or

(b) any firm or company in which any of its directors is interested as director, partner, managing agent or guarantor, or

(c) any individual if any of its directors is his partner or guarantor.

(2) Any remission made in contravention of the provisions of sub-section (1) shall be void and of no effect.]

21. Power of Reserve Bank to control advances by banking companies.—

(1) Where the Reserve Bank is satisfied that it is necessary or expedient in the public interest [110] [or in the interests of depositors] [111] [or banking policy] so to do, it may determine the policy in relation to advances to be followed by banking companies generally or by any banking company in particular, and when the policy has been so determined, all banking companies or the banking company concerned, as the case may be, shall be bound to follow the policy as so determined.

(2) Without prejudice to the generality of the power vested in the Reserve Bank under sub-section (1) the Reserve Bank may give directions to banking companies, either generally or to any banking company or group of banking companies in particular, [112] [as to—

(a) the purposes for which advances may or may not be made,

(b) the margins to be maintained in respect of secured advances,

(c) the maximum amount of advances or other financial accommodation which, having regard to the paid-up capital, reserves and deposits of a banking company and other relevant considerations, may be made by that banking company to any one company, firm, association of persons or individual,

(d) the maximum amount up to which, having regard to the considerations referred to in clause (c), guarantees may be given by a banking company on behalf of any one company, firm, association of persons or individual, and

(e) the rate of interest and other terms and conditions on which advances or other financial accommodation may be made or guarantees may be given.]

[110] [(3) Every banking company shall be bound to comply with any directions given to it under this section.]

[113] [21A. Rates of interest charged by banking companies not to be subject to scrutiny by courts.—Notwithstanding anything contained in the Usurious Loans Act, 1918 (10 of 1918), or any other law relating to indebtedness in force in any State, a transaction between a banking company and its debtor shall not be re-opened by any court on the ground that the rate of interest charged by the banking company in respect of such transaction is excessive.]

22. Licensing of banking companies.—1[

(1) Save as hereinafter provided, no company shall carry on banking business in India unless it holds a licence issued in that behalf by the Reserve Bank and any such licence may b

legal provisions relating to the preparation of final accounts

Companies are governed by the Companies Act, 1956. Therefore, it is statutory obligation that all companies are expected to follow the relevant section for the Act that governs the maintaining of accounts.

Section 209 and 210 of the companies act specifies regarding preparation of final accounts. Section 2.9 to 217 of the Companies Act deals with the preparation and presentations of accounts by the company.

The Companies Act requires every company to prepare every year a Profit and Loss Account or Income and Expenditure Account and Balance Sheet of the end of the year – Final Accounts of company including Trading Account, Profit and Loss Account, Profit and loss Appropriation Account and Balance Sheet.

The Act does not specify form to which the Profit and Loss Account to be presented. But it has laid down that all such information's which help in presenting a true and fair view of operations of the company disclosed in Profit and Loss Account.

The period to which the accounts relate is known as the financial year of it may be less then, equal to or greater than 12 months but cannot exceed the 18 months.

Section 209 of the Companies Act makes it compulsory for every company to keep proper books of an account with respect to:

1. All sums of money received and spent by the company and the money in respect of which the receipt and expenditure take place.

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All sale and purchases of goods by the company.

3. The assets and liabilities of the company. The books of accounts and the relevant vouchers to any entry relating to period of at least eight immediately preceding the current must be preserved.

Final Accounts:

Section 210 of the Companies Act governs the preparation of final account of a Company. The Board of Directors of a Company must, within 18 month from the date of incorporation, and subsequently once a year, lay take the company in general meeting the Balance Sheet of the Company and a Profit and Loss Account.

In case of non-profit Companies, an Income and expenditure Account should be submitted. The period to which the account relates is called a Financial Year of the Company. It may be less or more of a calendar year but must not exceed 15 months. It may also be extended to 18 months provided the Register has granted special permission.

The Profit and Loss Account or Income and Expenditure Account the relate, in the case of the first Annual General Meeting of the Company, in a period from the date of a incorporation to a day which shall not precede the day of the meeting by more than nine months.

And in case of any subsequent Annual General Meeting, the period runs from the date of the previous accounts to a date not more than six months prior to the date of meeting.

Section 211 prescribes the form of Balance Sheet and contents of Profit and Loss Account. Every Balance Sheet of Company shall give a true and fair view of the state of affairs of the Company as at the end of the financial year.

It shall also be in the form set out in part 1 of Schedule VI, or in such other form as may be approved by the Central Government [211 (1)].

Provided that nothing contained in this sub-section shall apply to any Insurance or Banking Company or any Company engaged in the generation of supply of electricity or to any other class of Company for which a form of Balance Sheet been specified in or under the Act governing such class of Company.

Every Profit and Loss Account of a Company shall give a true and, fair view of the profit and loss the Company for the financial year. It shall also comply with the requirements of part II of Schedule VI, so far as they are applicable thereto [Sec. 211 (2)].

This requirement does not apply to any Insurance or Banking Company or any Company engaged in the generation of supply of electricity, or any other class of company for which a form of Profit and Loss Account has been specified in or under the Act governing such class of Company.

Every Balance Sheet and every Profit and Loss Account of a Company shall be duly signed on behalf of the Board of Directors by the Manager or Secretary, if any, and by not less than two Directors of the Company.

One of the Directors who sign shall be a Managing Director where there is one. The Balance Sheet and Profit and Loss Account must be approved by the Board before they are submitted to the auditors who must in turn attach their report thereto.

The Profit and Loss Account shall be annexed to the Balance Sheet and the auditor's report shall be attached thereto. If there is any separate, special supplementary report by the auditor, it shall also be attached to the Balance Sheet.

If any person, being a Director of a Company, fails to take all reasonable step to company with the previsions, he shall, in respect of each offence, be punishable with imprisonment for a term which may extend to six months, or with imprisonment for a term which may extend to six months, or with fine which may extend to Rs. 1,000 or with both.

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However, the punishment of imprisonment is given only when the offence is committed willfully.

Profit and Loss Account:

The Indian Companies Act is silent as to the form of Profit and Loss Account. But part II of Schedule VI contains a list of items of incomes and expenditure which should be included in the Profit and Loss Account.

The profit and Loss Account of a Company should give a true and fair view of the profit or loss of the Company for the financial year. The first account covers the period since the incorporation of the Company, and subsequent accounts cover the period since the date of the preceding account.

Statutory Requirements:

Profit and Loss Account shall be so made out as to clearly disclose the result of the working of the Company during the period covered by the account and shall disclose every material feature including credits or receipts and debits or expenses in respect of non-recurring expenditure or expenditure of an exceptional nature. It shall set out the various items relating to the income and expenditure of the Company under the most convenient heads and in particular shall disclose the following information in respect of the accounting period.

The Profit and Loss Account must be prepared with the directions given in part II Schedule VI of the Act. The important provisions are given below:

1. (a) The turnover, that is, the aggregate amount for which sales are effected by the Company, giving the amount of sales in respect of each class of goods dealt with by the Company, and indicating the quantities of such sales for each class Separately.

(b) Commission paid to sole selling agent within the meaning of section 294 of the Act

(c) Commission paid to other selling agents.

(d) Brokerage and discount on sales other than sales trade discount.

2. (a) In the case of manufacturing concerns, the purchase of raw material including consumption and the opening and closing stocks of the good produced indicating the quantity produced.

(b) In the case of trading concerns the purchases made and the opening and the Closing stocks.

(c) In the case of Companies rendering or supplying services, the gross income derived from service rendered or supplied.

(d) In the case of Company which falls under more than one of the categories mentioned in (a), (b) and (c) above, it shall be sufficient compliance with the requirements herein if the

total amounts are shown in respect of the opening and closing stocks, purchases, sales up and the gross income from services rendered is shown. (e) In the case of other Companies, the gross income derived under different heads.

3. In the case of all concerns having work-in-progress, the amounts for which (such works have been completed) at the commencement and at the end of the accounting period.

4. The amount provided for depreciation, renewals or diminution in value of fixed assets. If such provision is not made by means of a depreciation charge, the method adopted for making such provision.

If not provision is made for depreciation, the fact that no provision has been made shall be stated and the quantum of arrears of depreciation computed in accordance with Section 205 (2) of the Act shall be disclosed by way of a note.

The amount of interest on the Company's debentures and other fixed loans, that is to say loans for fixed periods stating separately the amount of interest if any, paid or payable to the Managing Director, and the Manager, if any.

The amount of charge for Indian Income-tax and other Indian taxation on profit and distinguishing them.

The amount reserved for:

(a) Repayment of share capital and

(b) Repayment of loans.

(a) The aggregate, if material, of any amounts set aside or proposed to be set aside to reserves but not including provisions made to meet any specific liability, contingency or commitment known to exist at the date of the Balance Sheet.

(b) The aggregate, if material, of any amount withdraws from such reserves.

(a) The aggregate, if material of the amounts set aside to provisions made for meeting specific liabilities, contingencies or commitments.

(c) The aggregate, if material, of the amounts withdrawn from such provisions, as no longer required.

Expenditure incurred on each of the following items separately for each item:

(a) Consumption of stores and spare parts.

(b) Power and fuel.

(c) Rent.

(d) Repairs to Buildings.

(e) Repairs to Machinery.

(f) (i) Salaries, Wages and Bonus.

(ii) Contribution to provident and other funds.

(iii) Workmen and staff welfare expenses to the extent not adjusted from any previous provision or reserve.

(g) Insurance

(h) Rates and taxes including taxes on income.

(i) Miscellaneous expenses.

Provided that any item under which the expenses exceed 1% of the total revenue of the Company or Rs. 5,000, whichever is higher, shall be shown as a separate and distinct item against an appropriate account head in the Profit and Loss Account and shall not be combined with any other items to be shown under Miscellaneous Expenses.

(a) The amount of income from investments, distinguishing between trade Investments.

(b) Other income by way of interest, specifying the nature of the income.

(c) The amount of income tax deducted if the gross income is stated under subparagraphs (a) and (b) above.

(a) Profit and losses on investments (showing distinctly the extent of the profits or losses earned or incurred on account of membership of a partnership firm) to the extent not adjusted from any previous provision or reserve.

(b) Profit and losses in respect of transactions of a kind not usually undertaken by the Company or undertaken in circumstances of an exceptional or non-recurring if material in amount.

(c) Miscellaneous income.

(a) Dividends from Subsidiary Companies.

(b) Provisions for losses of Subsidiary Companies.

The aggregate amount of dividends paid and proposed, and stating whether such amounts are subject to deduction of income tax or not.

Amount, if material, by which any items shown in the Profit and Loss Account is affected by any change in the basis of accounting. The Profit and Loss Account shall contain by way of a note detailed information showing separately the following payments provided or made during the financial year to the Directors (including Managing Directors) the Managing Agents, Secretaries and Treasurers or Manager, if any, by the Company.

The subsidiaries the Company, the subsidiaries of the Company of any other person:

Managerial remuneration under Section 198 of the Act paid or payable during the financial year.

Expenses reimbursed to the Managing Agent under Section 345.

Commission or other remuneration payable separately to a Managing Agent or his associate under Section 356,357 and 358.

Commission received or receivable under Section 356 by the Managing Agent or his associate as selling agent of other concerns in respect of contracts entered into by such concerns with the Company.

The money value of the contracts for the sale or purchase of goods and materials or supply of services, entered into by the Company with the Managing Agent or his associate under Section 360 during the financial year.

Other allowances and commission including guarantee commission. Any other perquisites or benefits in cash or in kind stating the money value where practicable.

Pensions, gratuities, payments from provident funds in excess of own subscription and interest thereon, compensation for loss of office, consideration in connection with retirement from office.

The Profit and Loss Account shall contain or give by way of a note a statement showing the computation of net profits in accordance with Section 340 of the Act with the relevant details of the calculation of the commission's payable by way of percentage of such profits to the directors including Managing Directors or Managers, if any.

The Profit and Loss Account also contains by way of note detailed information in regard to amounts paid to the auditors whether as fees, expenses or otherwise for services rendered as auditor and in any other capacity.

Provision and Reserves as per Company Act:

Provision:

Provision is a change against profits and finds its places on the debit side of Profit and Loss Account. The net profit is arrived at after taking into account all provisions. The provisions are in the nature of expense.

Thus Profit is subjected to further any adjustment that is in order to make it available for distribution of dividend to shareholders. It is popularly known as above line adjustments.

Provisions that are generally charged to the debit side of Profit and Loss Account.

Provision for Depreciation

Provision for Reserve for Doubtful Debts on Debtors

Provision for Managerial Remuneration payable

Provisions for any expenses that may become payable

Reserve:

Reserve is an appropriation out of net profits (i.e., the Profits after adjustment of provision).

The adjustments to reserve are made in Profit and Loss Appropriation Account. It is popularly known as below line adjustments.

(Note: line denotes the stage at which the Net profit is arrived at)

Reserves that are generally appropriated out of profits

Reserve for Taxation i.e., provision for taxation though it is called a provision the meaning of provision is not applied to this and have to be treated as reserve. Moreover tax can be provided only after all the expenses are provided for.

Provision for Dividends as per law dividends can be paid out of profits. Profit means profit available after taking into all the statutory expenses and provision. This is applicable for interim dividend, final dividend and proposed dividend.

Transfers to Reserves specifically like general reserve, sinking fund, and other specific reserves.

The items usually appearing in the Profit and Loss Appropriation Account are as shown below:

PROFIT ANS LOSS APPROPRIATION ACCOUNT FOR THE YEAR ENDED

Dr. Cr.

	Rs.		Rs.
To Transfer to Reserves		By Balance brought forward	
To General Reserve		From last year	
To Sinking Fund		By Net Profit from the Profit	
To Expenses of Last year		And Loss A/c	
To Interim Dividend		By Transfer from Reserves	
To Proposed Dividend		By Transfer from Reserves no	
To Surplus Carried to Balance Sheet		Longer required	

	3. securities premium A/c 4. other reserves specifying the nature of each reserve and the amount in respect thereof. *Less*: Debit balance in P & L A/c (if any) 5. Surplus i.e., Balance in P & L A.c after providing for proposed allocations, namely dividend, bonus or reserves. 6. proposed additions to reserves 7. sinking funds *secured loans* 1. Debentures 2. loans and advances from banks to 3. loans and advances from subsidiaries 4. Other loans & advances *Unsecured loans*: 1. Fixed deposits 2. Loans and advances from subsidiaries 3. short term loans and advances 4. other loans and advances (a) From banks (b) From other *Current liabilities and provisions*: (A) *Current liabilities*: 1. Acceptances 2. Sundry creditors 3. Subsidiary companies 4. advance payments and-unexpired discounts for the portions for which value has still to be given i.e., in case of the following companies: Newspaper, fire insurance, theatres, clubs			(c) Loose tools (d) Stock-in-trade (e) Work-in-progress (f) Sundry debtors (g) Debts outstanding for a period exceeding six months (ii) Other debts *Less*: Provisions (g) (i) Cash balance in hand (ii) Bank Balance (i) with scheduled banks and (ii) With others. ***II loans and Advances***: (h) (i) Advances & Loans to subsidiaries (ii) Advances and Loans to partnership firm (i) Bill of exchange (ii) Advances recoverable in cash or in kind or for value to be received e.g., rates, taxes, insurance. Etc. (k) Balance on current account with managing agents or secretaries and treasurer (l) Balances with customs, part trust, etc, (where payable on demand) Miscellaneous expenditure (To the extent not written off or adjusted) 1. Preliminary expenses 2. Expenses incurred commission or brokerage on under writing or subscription of shares or debentures 3. Discount allowed on the issue of shares or debentures. 4. Interest paid out of capital during contraction (also stating	

	banking, steamship companies, etc, 5. Unclaimed dividends 6. other liabilities (if any) 7. Interest accrued but not due on loans **(B) Provisions:** 1. Provisions for taxation 2. Proposed dividends 3. for contingencies 4. for provident funds schemes 5. for insurance pension and similar staff benefit schemes 6. Other provisions (a foot note to be Balance Sheet may be added to show separately) 1. Claims against the company not acknowledged as debts. 2. Uncalled liability on shares, partly paid 3. Arrears of fixed cumulative dividends 4. Estimated amount of contracts remaining to be executed on c capital account and not provided for. 5. Other money for which the company is contingently liable			the rate of interest) 5. Development expenditure not adjusted 6. Other items (specifying nature) *Profit & Loss A/c* (show here the debit balances of P & L A/c carried forward, after deduction of the uncommitted reserves, if any)	

B. Vertical Form

Name of the Company

Balance Sheet as at

			Schedule No.	Figures at the end of current financial year Rs.	Figures at the end of previous financial year Rs.
	Source of funds:				
	(1) Shareholders funds:				
	(a) Capital				
	(b) Reserves and surplus				
	(2) *Loan funds*				
	(a) Secured loans				
	(b) Unsecured Loans				
	Total				
	Application of funds:				
	(1) Fixed assets				
	(a) Gross block				
	(b) Less depreciation				
	(c) Net block				
	(d) Capital work-in-progress				
	(2) Investments				
	(3) Current assets, Loans & Advances				
	(a) Inventories				
	(b) Sundry debtors				
	(c) Cash & Bank Balances				
	(d) Other current assets				
	(e) Loans and advances				
	Less: Current liabilities & Provisions				
	(a) Liabilities				
	(b) Provision				
	Net current assets				
	(4) (a) Miscellaneous expenditure to the extent not written off or adjusted				
	(b) Profit & Loss A/c				
	Total				

Note:

1. Details under each of the above items shall be given in separate schedules. The schedules shall incorporate all the information required to be given under A. Horizontal form read with notes containing general instructions for preparation of Balance Sheet.

2. The schedules, referred to above, accounting policies and explanatory notes that may be attached shall form an integral pan of the Balance Sheet.

3. The figures in the Balance Sheet may be rounded off to the nearest '000' or '00' as may be expressed in terms of decimals of thousands.

4. A foot note to the Balance Sheet may be added to show separately the contingent liabilities.

(VIII) Special points to be remembered while preparing Balance Sheet:

1. Calls-in-arrears:

It refers to the amount not paid by the shareholders on the calls made on them by the company. This item is usually given in the trial balance. It should be deducted from the called up the liabilities side of the Balance Sheet to find paid up capital.

If the Trial balance shows only the paid up capital and the call-in-arrears is given in the adjustment, the amount is first added to the paid up capital to show the called up capital and then deducted against so that the paid up capital can be shown in the outer column.

2. Unclaimed dividend:

It refers to the amount of dividend not collected by the shareholders from the company. This item is always shown on the credit side of Trial Balance. It is shown on the liabilities side of the Balance Sheet under the heading "Current Liabilities".

3. Forfeited shares account:

This item appears as a credit item in the Trial Balance and is shown on the liabilities side of the Balance sheet by adding it to the paid up capital.

4. Securities premium account:

This item is shown on the liabilities side of the Balance Sheet under the heading "Reserves and Surplus".

Illustration 1:

A Ltd. was registered with an authorized capital of Rs. 6, 00,000 in equity shares of Rs. 10 each. The following is its Trial Balance on 31 March 2008.

Prepare Profit & Loss Account, Profit & Loss Appropriation A/c and Balance Sheet in proper form after making the following adjustments:

(i) Depreciate plant and machinery by 15%

(j) Write off Rs.500 from preliminary expenses

(k) Provide for 6 months interest on debentures

(l) Leave bad and doubtful debts provision at 5% on sundry debtors

(m) Provide for income tax at 50%

(n) Stock on 31.3.2008 was Rs. 95,000.

Illustration – 2:

The Mafatlal manufacturing company Ltd. Chennai was registered with a nominal capital Rs. 12, 00,000 in equity shares of Rs.10 each. The following is the list of balances extracted from its books on 31s’ March 2008.

The following adjustments have to be made:

(i) Stock on 31st March 2008 was valued at Rs. 1, 90,000

(ii) Write off Rs.2, 000 from preliminary expenses

(iii) Provide for half year's debenture interest

(iv) The provision for doubtful debts on 31st March 2008 should be equal to 1% on sales

(v) Directors' fees are outstanding to the extent of Rs.550 and salaries Rs.1000

(vi) Depreciate Plant & Machinery by 5% premises by 2 % and write off Rs.2, 400 on furniture.

(vii) Goods to the value of Rs.3, 000 were distributed as free samples during the year. But no entry in this respect had been made.

You are required to prepare the Trading and Profit & Loss account and Profit & Loss Appropriation account for the year ended 31st March 2008 and the Balance Sheet as on the same date.

Solution:

The Mafatlal Manufacturing Co. Ltd.

Balance Sheet as on 31.03.08

		Rs.			Rs.
Share capital:			*Fixed assets:*		
Authorized:			Goodwill		68,000
1,20,000 shares of			Premises	6,00,000	
Rs. 10 each		12,00,000	*Less:* Depreciation	12,000	5,88,000
Issued & paid up:			Plant &		
80,000 shares of Rs.10 each			Machinery	6,60,000	
Fully paid			*Less:* Depreciation	33,000	6,27,000
Called up	8,00,000				
Less: Calls-in-arrears	15,000	7,85,000			
			Furniture	14,400	
Reserves& surplus:					
			Less: Depreciation	2,400	12,000
General reserve		50,000			
P & L Appropriation A/c		83,950	Investments		Nil
			Current assets:		
Secured Loans:			Stock		1,90,000
6% debentures		6,00,000			
Debentures interest			Debtors	1,74,000	
Outstanding		18,000	*Less:* Provision for		
Unsecured loans		Nil	Doubtful debts	8,300	1,65,700
Current liabilities &					
Provisions:					
			Cash & Bank balance		63,300
Creditors		1,00,000	*Miscellaneous expenses:*		
Bills payable		76,000	Preliminary exp.	10,000	
Salaries outstanding		1,000	*Less:* written off	2,000	8,000
Directors fees					
		550			
Outstanding		7,500			
Dividend tax payable					
		17,22,000			17,22,000

Note:

Since interim dividend is for current year, dividend tax should also be provided in the current year. Surcharge on dividend tax is ignored since it changes from year to year.

Illustration 3:

The following information has been extracted from the books of account of Hema Ltd. As at 31st March 2009:-

	Dr (Rs. '000)	Cr (Rs. '000)
Administration expenses	248	
Cash at bank and on hand	114	
Cash received on sale of fittings		5
Long-term loan		35
Interest on long-term loan	7	
Investments	100	
Income from investments		15
Depreciation on fixtures, fittings, tools and Equipment as on 1st April, 1999		130
Distribution costs	51	
Factory closure costs	30	
Fixtures,fittings,tools and equipment, at cost	340	
Profit and loss account at 1st April, 1999		40
Purchase of equipment	60	
Purchase of goods for resale	855	
Sales (net of excise duty)		1500
Share capital (50,000 shares of Rs. 10 each, fully paid)		500
Stock at 1st April, 2008	70	
Trade creditors		40
Trade debtors	390	
	2,265	2,265

The following additional information is provided to you:

(i) The stock at 31st March 2009 (valued at the lower of cost or net realizable value) was estimated to be worth Rs. 1, 00,000.

(ii) Fixtures, fittings, tools and equipment all related to administration. Depreciation is charged @20% per annum on cost. A full year's depreciation is charged in the year of acquisition, but no depreciation is charged in the year of disposal.

(iii) During the year to 31″ March, 2000, the company purchased Rs.60, 000 of equipment also sold some fittings (which had originally cost Rs.30, 000) for Rs. 5,000 and for which depreciation of Rs. 15,000 had been set aside.

(iv) Make a provision for income – tax @40%. Factory closure cost is to be pressured as an allowable expenditure for income tax purposes. Assume depreciation for the year under the Income – tax Act comes to Rs. 84,000.

(v) The company transfers Rs. 15000 to general reserve and purpose to pay a dividend @20%. A provision for corporate dividend tax @10% is also mode.

Prepare Hema Ltd.'s profit and loss Account for the year ended 31st March, 2009 and a Balance sheet as that date in accordance with the Companies Act, 1956 in the vertical form along with the Notes on Accounts containing only the significance accounting policies. Details of the schedulers are not required.

Solution:

Balance Sheet as at 31st March, 2009

	(Rs. In thousands)	(Rs. In thousands)
I. SOURCES OF FUNDS		
(1) Shareholders' funds:		
(a) Capital	500	
(b) Reserves and surplus	92	
TOTAL		592
(2) Loan funds:		
(a) Secured loans	35	
(b) Unsecured loans	—	35
TOTAL		627

II. APPLICATION OF FUNDS

(1) Fixed asserts:		
(a) Gross block	370	
(b) Less: Depreciation	189	
(c) Net block	181	
(d) Capital work in progress	—	181
(2) Investments		100
(3) Current asserts, loans and advances:		
(a) Inventories	100	
(b) Sundry debtors	390	
(c) Cash and bank balances	114	
(d) Other current assert	—	
(e) Loans and advances	—	
	604	
Less: Current liabilities and provisions:		
(a) Current Liabilities	40	
(b) Provisions	218	
	258	
Net current asserts		346
(4) Miscellaneous expenditure		
(to the extent not written off or adjusted)		
TOTAL		627
Contingent liabilities		Nil

Profit and Loss Account
For the year ended 31st March, 2009

	(Rs. In thousands)	(Rs. In thousands)
INCOME		
Sales (net of excise duty)		1500
Increase in stock		30
Income from investments		15
		1,545
EXPENDITURE		
Purchase of goods for resale	855	
Administration expenses	248	
Distribution costs	51	
Loss on sale of fittings	10	
Depreciation	74	
Interest on long term loan	7	1,245
Profit before Extraordinary Item		300
Factory closure costs		30
Profit before Taxation		270
Provision for income – tax @ 40%		108
Net Profit		162
Balance brought forward from previous year		40
Profit Available for Appropriations		202
Appropriations:		
Transfer to general reserve	15	
Proposed dividend @ 20%	100	
Provision for corporate dividend tax @ 10%	10	125
Balance Carried to Balance Sheet		77

Notes of Accounts:

Significant Accounting Policies:

(i) Basis of preparation of financial statements:

The financial statements have been prepared on the basis of historical cost concept in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956.

(ii) Valuation of Inventories:

Inventories are valued at the lower of historical cost or the net realizable value.

(iii) Valuation of Investments:

Investments are valued at lower of cost or net realizable value.

(iv) Depreciation:

Depreciation on fixed asserts is provided using the straight-line method, based on the period of five years. Depreciation on addition is provided for the full year but no depreciation is provided on the asserts sold in the year of their disposal.

Working Notes:

		Rs in thousands	Rs in thousands
(*i*)	Fixtures, fittings, tools and equipment:		
	Gross block as on 1.4.2008	340	
	Additions during the year	60	
		400	
	Deductions during the year	30	
	Gross block as on 31.3.2009		370
	Depreciation provision as on 1.3.2008	130	
	Depreciation for the year @ 20%	74	
		204	
	Deductions during the year	15	
	Depreciation provision as on 31.3.2009		189
	Net block		181
(*ii*)	Calculation of provision for income-tax		
	Profit as per profit and loss account		270
	Add back: Loss on sale of fittings	10	
	Depreciation	74	84
			354
	Less: Depreciation under the Income-tax Act		84
			270
	Provisions for income tax @ 40%		108
(*iii*)	Provisions:		
	Provision for income tax		108
	Provision for corporate dividend tax		10
	Proposed dividend		100
			218

Alteration of Share Capital and Internal Reconstruction:

According to sections94, 95 and 97 Of the Companies Act, a company can, if authorized by its Articles, alter the capital clause of its Memorandum of Association in any of the following ways:

(1) Increase its share capital by issue of news shares.

(2) Consolidate the existing shares of smaller amounts into shares of larger amounts. For example, the existing 1, 00,000 shares Rs.1 each may be consolidated into 10,000 shares of Re. 10 each.

The entry in the books of the company will be:

Share Capital A/c (Re.1 each)	Dr.	1,00,00	
To Share Capital A/c (Rs. 10 each)			1.00.000

Thus the total share capital remains the same, but the number of shares stands reduces and its face value is increased.

(3) Subdivide the shares of larger amounts into shares of smaller amounts.

The entry will be:

Share Capital A/c (Rs. 100 each)	Dr .	1,00,000

(4) Reduction may take place in different forms:

(a) Extinguishing or reducing the liability of any of the shares in respect of the unpaid amount. For example, the company has 10,000 shares of Rs. 10 each, Rs. 8 paid-up, and the company decides not to call the remaining Rs.2 per share. In such a case, the shareholders' liability gets reduced and the partly paid – up (shares of Rs. 10 each, Rs8 paid – up) become shares of Rs.8 each fully paid – up, the total paid – up share capital remaining the same.

The entry will be:

Share Capital A/c (Rs. 10)	Dr.	80,000	
To Share capital A/c (Rs. 8)			80,000

(b) Paying beck the already paid-up capital which is in excess of the needs of the company. For example, a company having 10,000 shares of Rs. 10 each, fully paid-up, decides to pay back Rs. 2 per share.

The entry will be:

1. Share Capital A/c	Dr.	20,000	
To Sundry Shareholders A/c			20,000
2. Sundry Shareholders A/c	Dr.	20,000	
To Bank			20,000

(c) Writing off any paid-up, share capital which is lost or unrepresented by available assets. This is otherwise known as 'Internal reconstruction' (discussed in detail below).

Reduction of capital by a company would be possible if it is authorized by Articles and by a special resolution and conformation of the Court (Section 100-105). The Court confirms reeducation after consulting the creditors.

The Court may be also order the company to add the words 'and reduced' to the name of the company for such period as it deems fit.

Internal Reconstruction:

When a company has been suffering losses continuously for any reason, its real capital is gradually lost and will not be represented by the available, tangible assets. Internal reconstruction refers to the reduction of capital to cancel any paid-up capital which is so lost or unrepresented by available assets.

This is generally resorted to, to write off the past accumulated losses and to make the Balance sheet show the true and fair value of the assets and capital. The capital written off is used to eliminate the losses accumulated and to bring down the assets to their true values. Consider the following Balance Sheet of X Company.

Balance Sheet of X Company

Liabilities	Rs.	Assets	Rs.
Share capital - 1,00,00 Share of Rs.10 each	10,00,000	Sundry assets	5,00,000
		Loses	5,00,000
	10,00,000		10,00,000

In the example given above the paid – up capital of the company is Rs. 10,00,0 00 whereas the real worth of its assets is only Rs. ,00,000 and the remaining capital of Rs. 5,00,000 is already lost and, therefore, unrepresented by the available assets.

The company, resorting to internal reconstruction, decides to write off the capital to the extent of Rs. 5, 00,000 which is already lost and eliminate the accumulated losses from the books.

The entry will be:

(1) For reducing the capital:

(1) For reducing the capital:

Share Capital A/c (Rs. 10 each)	Dr.	10,00,000	
To Share Capital (Rs. 5 each)			5,00,000
To Capital Reduction A/c			5,00,000

Thus the share of Rs. 10 each are now reduced to share of Rs. 5 each and the balance used for eliminating the losses.

(2) For eliminating past losses, writing off fictitious assets and excess value of assets:

Capital Reduction A/c	Dr.	5,00,000	
To Accumulated losses			5,00,000

(Profit and Loss A/c, Goodwill A/c, preliminary expenses,

Plant and machinery, other assets)

It is to be noted that the capital is not reduced just because we make an entry for it, but we make an entry to record the is already lost.

After the above steps, the Balance Sheet will appear follows:

Balance Sheet of X Company (and reduced)

Liabilities	Rs.	Assets	Rs.
Share capital	5,00,000	Sundry assets	5,00,000
	5,00,000		5,00,000

The Capital reeducation Accounts is a temporary account opened for carrying out the internal reconstruction and will be closed when the scheme is carried out. If this account shows any balance after the scheme, it will be transferred to a Capital Reserve Account.

The equity shareholders bear the losses and will be agreeing to a reduction of their capital for an internal reconstruction since the alternative would be to force the company into liquidation and in such an event their loss would be much heavier because the assets may be realized only at a loss on a forced sale.

Further, after internal reconstruction, there is every possibility of a company making sufficient profits and in such a case it is only the ordinary shareholders who are going to be benefited. Hence, they generally prefer reduction of their capital to liquidation.

If the losses accumulated are so heavy that the sacrifice made by ordinary shareholders alone would not be sufficient to wipe out the entire losses from the books, then the Preference

Shareholders and Debenture holders and/or creditors would be involved in the scheme of reconstruction and their claims against the company would be reduced.

For example, if 2,000, 6% preference shares of Rs. 100 each are converted into 2,000, 7% preference shares of Rs. 60 each, the entry will be

6% Preference Share Capital A/c	2,00,000	
To 7% Preference Share Capital A/c		1,20,000
To Capital Reduction A/c		80,000

In this case, the 6% preference shares are converted into 7% preference shares and shares of Rs. 100 each are reduced to shares of Rs. 60 each. Thus, there is a conversion and redaction.

If the borrowed capital is reduced, the entry will be:

Debentures/Creditors A/c	Dr.
To Capital Reduction A/c	

If the scheme of reconstruction involves the sacrifice of debenture holders and other creditors also, it may be more appropriately known as a Reorganisation Scheme and the amount may be credited to a Reorganisation Account instead of to a capital Reduction Account.

Illustration 1:

Balance Sheet of X Ltd.

Liabilities	Rs.	Assets	Rs.
Issued and paid-up Share capital: 10,000 equity shares of Rs.10 Each, fully paid	1,00,000	Goodwill	10,000
		Other fixed assets	90,000
		Stock-in-trade	25,000
		Debtors	30,000
10,000, 7% preference shares Of Rs.10 each, fully paid	1,00,000	P and L A/c	45,000
	2,00,000		2,00,000

It was resolved that equity share capital of Rs.10 each be reduced to fully paid shares of Rs.6 each and 7% preference shares of Rs. 10 each reduced at 7 ½% fully paid preference shares of Rs.7 each. Number of shares in each case remained the same.

It was further resolved the amount so available be used for writing off the debit balance of the Profit and Loss Account, and Goodwill Account and other fixed assets to the extent possible.

There were arrears of reference dividends for the last three years and it was decided that they be cancelled. Draft the Journal entries and prepare the revised Balance Sheet.

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		Dr. Rs.	Cr. Rs.
Equity Share Capital A/c(Rs.10 each) Dr. To Equity Share Capital A/c(Rs.6 each) To Capital Reduction A/c (Being the reduction of equity shares of Rs.10 each into shares of Rs.6 each)		1,00,000	 60,000 40,000
7% Preference Share Capital A/c Dr. To 7 ½% Preference Share Capital A/c To Capital Reduction A/c (Being the conversion of 7% preference shares of Rs.10 each into 7 ½% preference shares of Rs.7 each and the balance reduced)		1,00,000	70,000 30,000
Capital reduction A/c Dr. To P and L A/c To Goodwill A/c To Other Fixed Assets A/c (Being the past losses eliminated, good will written off and other assets reduced)		70,000	45,000 10,000 15,000

Balance Sheet of X. Ltd

Liabilities	Rs.	Assets		Rs.
Issued and paid-up Share capital: 10,000 equity shares of Rs.6 each Fully paid 10,000, 7 ½% preference shares Of Rs.7 each, fully paid	 60,000 70,000	Fixed assets Less: written of Stock in trade Debtors	90,000 15,000	 75,000 25,000 30,000
	1,30,000			1,30,000

Illustration 2:

Balance Sheet of Indian Construction Ltd. As on December 31,2008

Liabilities		Rs.	Assets		Rs.
Authorised Capital			Goodwill		10,000
20,000 equity shares of Rs.10each					
Issued, Subscribed and					
Paid-p capital:			Land and buildings		20,500
12,000 equity shares		2,00,000	Machinery		50,850
Of Rs.10 each	1,20,000		Preliminary expenses		1,500
Less: Calls in arrears			Stock		10,275
(Rs.3 per share on			Book debts		15,000
3,000 shares)	9,000		Cash at Bank		1,500
Sundry creditors			Profit and Loss A/c:		
Provision for taxes			Balance as per last		
		1,11,000	Balance Sheet	22,000	
		15,425	Less:Profit for the year	1,200	20,800
		4,000			
		1,30,425			1,30,425

A valuation of machinery reveals that it is over-valued by Rs. 10,000. It is proposed to write down this asset to its true value, to eliminate the deficiency in the Profit and loss Account and to write off goodwill and preliminary expenses by adopting the following course:

(1) Forfeit the shares on which call is outstanding.

(2) Reduce the paid-up capital by Rs.3 per share; face value remaining the same.

(3) Reissue the forfeited shares at Rs.5 per share.

(4) Utilize the provision for taxes if necessary.

All the above were duly put into action Pass necessary Journal entries and draw p the Balance sheet of the Company after carrying out the terms of the scheme.

Solution:

JOURNAL

		Dr. Rs.	Cr. Rs.
Equity Share Capital A/c Dr. To Calls in Arrears A/c To Shares Forfeited A/c (Being the forfeiture of 3,000 shares on which Rs.3 per share is in arrear)		30,000	9,000 21,000
Equity Shares Capital A/c Dr. To Capital Reduction A/c (Being the reduction of Rs.3 per share on the equity shares)		27,000	27,000
Bank A/c Dr. Shares Forfeited A/c Dr. To Equity Share Capital A/c (Being the reissue of 3,000 shares credited as Rs.7 paid p for Rs.5 per share)		15,000 6,000	21,000
Shares Forfeited A/c Dr. To Capital Reductions A/c (Being the profit on forfeiture reissue transferred to Capital Reduction A/c		15,000	15,000
Provision for taxes A/c Dr. To Capital Reduction A/c (Being the balance amount required For reconstruction transferred)		300	300
Capital Reductions A/c Dr. To Profit and Loss A/c To Goodwill To Preliminary expenses (Being the losses written off and machinery reduced)		42,300	20,800 10,000 1,500 10,000

Illustration 3:

On January 1, 2008, the Balance Sheet of Wise men Ltd., was as follows:

On January 1, 2008, a scheme to reduce the capital implemented the following:

(a) The ordinary shares were reduced to Rs.0.25 each.

(b) The preference shares were reduced to Rs.3.75 each, and the rate of dividend on them to 5%.

(c) The 'A' and 'B' debenture holders waived payment of Rs.42, 000 interests (which were included in 'Creditors' Rs.2, 00,000).

(d) The Directors were to refund Rs.50, 000 fees they had received.

(e) The 'B' debenture holders formed a new Company to take over the Calcutta Works for Rs.5, 00,000, and this price was satisfied on the same date, by the surrender of the 'B' debentures and the allotment of 50,000 fully paid shares of Rs.5 each in the new Company.

The investments were valued at Rs.25, 000 Stock at Rs.50, 000, and the debtors at Rs.40, 000. There was no actual liability to workmen at Calcutta. The assets were to be written down accordingly; any fictitious assets were to be eliminated; only necessary reserves were to be retained and the balance available was to be written off the book value of the Bombay Works. Journalise these transactions and prepare the Balance Sheet after this scheme is carried out.

Solution:

Solution:

Illustration 3:

On January 1, 2008, the Balance Sheet of Wisemen Ltd. was as follows:

On January 1, 2008, scheme to reduce the capital implemented the following:

(a) The ordinary shares were reduced to Re. 0.25 each

(b) The preference shares were reduced to Rs. 3.75 each, and the rate of dividend on them to 5%.

(c) The ‘A’ and ‘B’ debenture holders waived payment of Rs. 42,000 interest (which was included in ‘Creditors’ Rs. 2, 00,000).

(d) The Directors were to refund Rs. 50,000 fees they had received.

(e) The ‘B’ debenture holders formed a new Company to take over the Calcutta Works for Rs. 5, 00,000, and this price was satisfied on the same date, by the surrender of the’ B’ debentures and the allotment of 50,000 fully paid shares of Rs. 5 each in the new Company.

The investments were valued at Rs. 25,000. Stock at Rs. 50,000 and the debtors at Rs. 40, 00. There was not actual liability to workmen at Calcutta. The assets were to be written down accordingly; any fictitious assets were to be eliminated; only necessary reserves were to be retained and the balance available was to be written off the book value of the Bombay Works. Journalise these transactions and prepare the Balance Sheet after scheme is carried out.

Solution:

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books and registers to be maintained by banks real case studies

- Cash Book: The cash book is used to record all cash transactions, including deposits, withdrawals, and transfers.

- General Ledger: The general ledger contains a record of all financial transactions, including details such as date, description, and amount. It provides an overview of the bank's financial position.

- Subsidiary Ledgers: Subsidiary ledgers are used to track specific types of accounts, such as customer accounts, loan accounts, and investment accounts. These ledgers provide detailed information about individual accounts within the bank.

- Deposit Register: The deposit register records all customer deposits made to the bank, including the account holder's name, account number, date, an

1. oan Register: The loan register maintains information about loans granted by the bank, including the borrower's details, loan amount, interest rate, repayment schedule, and collateral (if applicable).
2. Investment Register: The investment register tracks the bank's investments in various securities, such as bonds, stocks, and mutual funds. It includes details like the security name, purchase price, quantity, and valuation.
3. Suspense Account Register: The suspense account register is used to record any discrepancies or unallocated transactions that require further investigation or clarification.

These are just a few examples of the books and registers maintained by banks. The specific books and registers may vary depending on the regulatory requirements of each jurisdiction and the nature of the bank's operations. It's important for banks to maintain accurate and up-to-date records to ensure transparency, accountability, and regulatory compliance.

a general overview of the components typically included in the final accounts of banks. These components include the balance sheet, income statement, cash flow statement, and accompanying notes. However, please note that the specific content and format of the final accounts can vary based on jurisdiction, accounting standards, and regulatory requirements.

Balance Sheet: The balance sheet of a bank reflects its financial position at a specific point in time. It includes assets such as cash, loans, investments, and property, as well as liabilities such as deposits, borrowings, and equity. The balance sheet provides insights into the bank's liquidity, solvency, and capital adequacy.

Income Statement: The income statement of a bank summarizes its revenue, expenses, and net profit or loss over a specified period. It includes income sources like interest income, fees, commissions, and other operating income, as well as expenses such as operating costs, provisions for loan losses, and taxes. The income statement provides information on the bank's profitability and performance.

Cash Flow Statement: The cash flow statement presents the cash inflows and outflows of a bank during a specific period, categorized into operating, investing, and financing activities. It highlights the bank's ability to generate and manage cash, as well as its cash flow from operating activities, investing in assets, and financing activities.

Notes to the Financial Statements: The notes provide additional information and explanations regarding specific items in the financial statements. They include details about accounting policies, significant accounting estimates, contingent liabilities, and other relevant disclosures. The notes provide clarity and transparency to the financial statements.

It's important to note that real case studies related to final accounts for banks may involve specific instances of financial misreporting, fraudulent activities, or regulatory compliance issues