Rayat Shikshan Sanstha's

Annasaheb Awate College, Manchar, Pune

Department of Commerce 2021 – 2022

Students Notes

Subject : **Advanced Accounting**

Subject Teaches : **Dr. S. S. Ughade**

Topic :- **Final Accounts of Banking Companies**

- ## Bank Word

The bank word can be traced to the French word "Banque" and the Italian word "Banco" meaning "chest" and "bench" respectively. These word sum up the two basic function that commercial banks perform.

A bank is a financial institution that accepts deposits and recurring accounts from the people and creates Demand Deposit.[1] Lending activities can be performed either directly or indirectly through capital markets. Due to their importance in the financial stability of a country, banks are highly regulated in most countries. Most nations have institutionalized a system known as fractional reserve banking under which banks hold liquid assets equal to only a portion of their current liabilities. In addition to other regulations intended to ensure liquidity, banks are generally subject to minimum capital requirements based on an international set of capital standards, known as the Basel Accords.

- ## The Banking Regulation Act 1949

The Banking Regulations Act was enacted in February 1949 with the following objectives To prevent random opening of new branches and ensure balanced development of banks through the system of licensing. Assigning power to RBI to appoint, reappoint and remove the chairman, director and officers of the banks.

- ## The Companies Act 2013

The Companies Act, 2013 passed by the Parliament has received the assent of the President of India on 29th August, 2013. The Act consolidates and amends the law relating to companies. The Companies Act, 2013 has been notified in the Official Gazette on 30th August, 2013. Some of the provisions of the Act have been implemented by a notification published on 12th September, 2013. The provisions of Companies Act, 1956 is still in force

Banking Companies

Definition : The banking Regulation act, 1949 under section 5 (b) defines banking as " Accepting for the purpose of lending or investment of deposits of money from the public to be payable on demand or otherwise and withdraw able by cheque, draft, order or otherwise".

- **Bank Assets**

1) Land and Building
2) Investment
3) Cash Balance
4) Loan and Advances

- **Legal Provision**

1) Restriction on business Sec. 8
2) Non – banking assets and its disposal sec. 9
3) Capital structure sec. 12
4) Reserve fund sec. 29
5) Statutory reserve sec. 17
6) Cash reserve sec. 42
7) Restriction on loans and advances sec. 20
8) Bills for collection
9) Acceptances, Endorsements and other obligations
10) Rebate on bills discounted
11) Letters of credit and travellers cheques
12) Bills payable
13) Interest on doubtful debts
14) Provision for bad and doubtful debts
15) Provision for taxation
16) Provision and contingencies
17) Accounting year

- ## Non Performing Assets (NPA)

Assets in Banking Sector (Advances)

A) Performing Assets i) Standard Assets

B) Non performing Assets

i) Sub standard Assets
ii)Doubtful Assets
iii) Loss Assets

- ## Core Banking System

1) Basis of banking
2) CBS
3) Banking Processes
4) Money Laundering

A core banking system is a software that is mainly utilized to support a bank's most frequent transactions. This mainly includes calculating interest, making and servicing loans, opening up brand new accounts, establishing interest rates and keeping a track of records for all the bank transactions. The system essentially includes deposit, loan and credit processing. Among the integral core banking services are floating new accounts, servicing loans, calculating interests, processing deposits and withdrawals, and customer relationship management activities. It also enables greater accountability of the customers.

Functions of core banking

1) Transaction Accounting
2) Loans
3) Mortgages
4) Payments

Advantages of Core Banking System

1) Advantages of centralised Accounting
2) Advantages of Head Office
3) Administrative Advantages
4) Advantages of Customer