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SUBJECT ANNUAL CLOSING OF ACCOUNTS ON DECEMBER 31, 1977	PAGE 18
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	QUERIES TO:

The Annual closing of accounts of our Bank will take place on December 31, 1977. Branch Managers should properly assign the work to members of staff, and should ensure that they understand the details of the work assigned to them. All statements required to be submitted must be correctly prepared. Branches in the Middle East Region should send their returns, in duplicate, to Regional Office, Abu Dhabi and branches in all other regions should send them, in duplicate to Regional Office, London.

NOTE: Conversion to US Dollars - Rate of Exchange

The rate of exchange for converting local currency figures (of all relevant statements) to US Dollars will be the middle rate of buying/selling local currency into US Dollars on December 30, 1977 or the last working day of the year. For branches in the U.K. and in the UAE, the figures shall be reported in Pounds Sterling and Dirhams respectively and will be converted into US Dollars at their Regional Offices.

The other details are as under:

PART 'A' - EXPENDITURE HEADS

1) Interest/Service charges on Current Accounts

Interest is not paid on Current Accounts in terms of Inter-Bank Agreement. However, a minimum service charge may be charged on small and un-remunerative current accounts at the discretion of the Manager. Service charge rates for the branches will be separately notified by the Regional offices.

2) Interest on Savings Accounts

Interest on Savings Accounts will be applied as usual. All Savings Account Ledgers should be balanced before application of interest and should again be balanced after interest has been applied. Interest should be applied on the balance outstanding on the date of interest application. No adjustment should be made for any variation in the balance during the remaining days of December.

3) Interest on Call Deposit/Term Deposits

Interest on the above deposits should be calculated at the agreed rates upto December 31, 1977 and booked as under:

DEBIT: Profit & Loss A/C (Expenditure) -
Interest Paid on _____ Deposit

CREDIT: Interest on _____ Deposit

NOTE: (Under the current Accrual Accounting System, the monthly liability for interest on the above accounts is already being booked each month as above. As such only the interest for the month of December, 1977 will be required to be booked).



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4) Interest on Deposits from Banks

Interest should be calculated until December 31, 1977 from dates of deposit and provision already made upto November, 1977 deducted therefrom. Entries should be passed for interest amount as under:

DEBIT: Profit & Loss A/C (Expenditure) - Interest
Paid on Deposits from Bank.

CREDIT: Sundry Creditor - Expenditure Payable
Interest on Deposit from Banks.

NOTE: (Same as in item 3)

5) Interest on Borrowings from Banks

Interest on such borrowings, if any, must be provided at the agreed rate from the date of borrowing or the date of the last credit given upto December 31, 1977.

NOTE: (Same as in item 3)

6) Interest on Inter-Branch Accounts

Interest on Inter-Branch Accounts should be applied at the notified rates. The balance as on the date of application of interest shall be treated as the balance maintained for the rest of December and no adjustment should be made. The Interest Advice should be originated by the Account Holding Branch which should convey the interest figure by telegram/telex to the Account Maintaining Branch. The account maintaining branch should respond the interest amount in their books immediately on receiving telegram/telex to the Account Maintaining Branch. The account maintaining branch should respond the interest amount in their books immediately on receiving telegram/telex from the account holding branch. Adjustment for the difference, if any, should be made after receipt of interest advice, in consultation with the account holding branch,

7) Salary and Allowances to Staff Members

Salary and Allowances to Staff members for the month of December, 1977 should be disbursed as per calendar attached.

8) Depreciation of Furniture and Equipment Account and Capitalised Expenditure

Provision for depreciation on furniture and equipment should be calculated at the rates mentioned below:

	<u>UAE Region</u>	<u>Other Regions</u>
a) Furniture & Fixture	10% p.a.	10% p.a.
b) Carpets	25% p.a.	25% p.a.
c) Vehicles	20% p.a.	25% p.a.
d) Machines & Equipment	20% p.a.	20% p.a.



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- | | <u>UAE Region</u> | <u>Other Regions</u> |
|--|-------------------|----------------------|
| e) Capital Expenditure | 25% p.a. | xxx |
| xxx -1) Spread over period of lease | | |
| 2) For freehold properties, provide 25% on capitalised expenditure incurred, such as renovations etc. No depreciation should be provided on the cost of acquisition of such properties. However Branches in <u>UK Region will provide at 12.5%</u> . | | |

Under the Accrual Accounting System, provision for depreciation should have been charged upto November 30, 1977. The additional depreciation should now be calculated for the remaining period upto December 31, 1977 in accordance with the earlier instructions.

NOTE: According to the current system, provision for Depreciation on all the above items should already have been made upto November 30, 1977 by debiting Profit & Loss A/C (Expenditure) Depreciation on _____ and crediting Sundry Creditors Expenditure Payable A/C provision for Depreciation on _____

Entries for December Provision

DEBIT: Profit & Loss A/C (Expenditure) Depreciation _____

CREDIT: Sundry Creditors - Expenditure Payable A/C.

Provision for Depreciation on _____

Thereafter the full provision made for the year should be set off against the corresponding book value of the concerned assets by passing following entries:

DEBIT: Sundry Creditors - Expenditure payable A/C.
Provision for Depreciation.

CREDIT: Furniture and Equipment Account Code 20900
Real Estate Code 20551/552

Capitalised Expenditure Code 200000 etc. (as the case may be)

- NOTE: (i) The opening balances of all items of Furniture & Equipment on 1.1.1977 must agree with the Closing balances as on 31.12.1976
- (ii) The entries for depreciation should be passed in the books on the date shown in the calendar although depreciation will be calculated upto December 31, 1977.
- (iii) Depreciation should be calculated in such a manner that the written down value of items is rounded off to the nearest Local Currency e.g. Dirham, pound Sterling.
- (iv) The amount of depreciation on items (a) to (d) should be calculated on prorata basis according to the period for which the relative item has been in use/purchased.
- U.K. branches should provide depreciation on assets and on capitalised expenditure at the rates shown above on the balance outstanding in the respective account as at December 31, 1977.

9) Stationery Consumed

Stationery consumed upto the date of passing the entries should be debited to Profit & Loss Expenditure A/C - Stationery, and credited to Other Assets - Stock of Stationery Account.



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The stock of Stationery Account should be properly balanced after passing the entries for the stationery consumed during the period and the stock on hand should be verified by proper stock taking.

INCOME HEADS

10) Interest on loans and Advances

Interest on all categories of Loans/Advances chargeable at monthly rest must be calculated upto December 31, 1977 and charged to respective party account and credited to respective income account. For all interest chargeable other than on monthly rest (by regulatory or special arrangement) the accrued income should be computed and booked as under:

DEBIT: Other Assets Suspense A/C - Income Receivable -
Code 206597/12 Interest on Loan _____

CREDIT: Income A/C. Interest Receivable on _____

11) Interest on Placements/Deposits with Banks

Interests on all such accounts must be properly computed at agreed rates, upto December 31, 1977. If the deposits are on Demand interest bearing current Account, the respective Account will be debited directly. If the deposits are on Term Deposits, the computed interest should be debited to Other Assets A/C. Income Receivable - Interest on Deposits with banks and credited to Income A/C - Interest on deposit with bank.

12) Interest receivable on Borrowings by other Banks

Interest receivable on such borrowing by other banks should be computed upto December 31, 1977 and provided for as under:

DEBIT: Other Assets (Interest Receivable) Interest on Borrowings
by other banks.

CREDIT: Income A/C - Interest on Borrowings by other Banks.

13) Interest on Inter Branch (Receivable) Account

Account maintaining branch will receive Telex/Telegrams (or telephone) intimation of the Interest due to them on their credit balances. They would provide for this amount in the account. "Interest Received on Inter-Branch A/C" for the purpose of Annual Closing (subsequently a credit advice should be received from the branch holding the account to confirm the above credit amount).

14) Accrued Income/Accrued Expenditure

The accounting and booking-in of all provision made for accrued income and expenditure are clearly laid down on our "Introduction of Accrued Account" System Circular No. 016 dated 20.11.74 - all aspects of which should be carefully implemented.



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All year ending accruals will be posted to the heads "Other Assets Income Receivable" Code 20659 and "Sundry Creditors (General) Expenditure Payable" Code 10540 and will remain in these accounts during the subsequent year for adjustment as and when Incomes are actually received or Expenditure actually paid/become due for payment. No Accounts either on the General Ledger or the Income/Expenditure subsidiary ledger will therefore have a MINUS Opening balance (i.e. Debit Balance on Liability Head/Income Head or Credit balance on Asset Head/Expenditure Head).

NOTE: Separate Statements have been included in the closing stationery set in which sub-headwise details of "Income Receivable" and "Expenditure Payable" are to be properly filled-in and the totals of these should agree with the figures given in Code 20659 and Code 10540 respectively, appearing at the back of the Statement of Affairs.

15) Prepaid Expenses/Income Received in Advance

The accounting for prepaid Expenses/Income Received in Advance has been clearly laid down in the System Circular No.016 dated 20.11.1974 "Introduction of Accrual Accounting". (Points mentioned in paragraph 13 regarding Adjusting A/C Credit & Debit will be applicable to Prepaid Expenses/Income Received in advance).

16) Statement of Income & Expenditure

A consolidated Statement of Income and Expenditure on Form ACT-F-31 and ACT-F-31/A should be prepared to arrive at the Profit or Loss position of your branch as on December 31, 1977 including adjustment for all accrued and prepaid income and expenditure.

The net profit or loss position of the branch, after making proper provision as mentioned above, should be conveyed by telegram or telex to reach the respective Regional Office at Abu Dhabi, London, Paris, Cairo and Central Office (Accounts Division) London latest by January 1, 1978.

17) Disposal of Profit/Loss

After making provision for Income and Expenses as mentioned above, balances outstanding in Profit and Loss (Income) and Profit and Loss (Expenditure) should be merged and the net result (whether Profit or Loss) reflected on liability or Assets side should be retained at the Branch pending further instructions from us.

PART 'B' - STATEMENT OF AFFAIRS (ASSETS SIDE)

1) Excess Cash Amount

Entries pertaining to excess in cash outstanding upto September 30, 1977 should be adjusted by crediting the amount to Profit & Loss-Income-Miscellaneous Earnings.



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2) Due From Banks/Branches/Affiliates

These should be shown under three categories - Demand, Short Term upto 30 days, and Term over 30 days. The subsidiary ledger should be balanced Bank/Branch-wise and currency-wise.

As the Luxembourg Banking Commission require information regarding the location of the "Due From" fund, Branches are instructed to mention in their statement of "Due From Banks" Affiliates the location of the Branch (of the concerned bank/Affiliate) from which the fund is due.

3) Borrowings from Banks

As far as possible, borrowings from Banks and other Financial Institutions, if any, should be settled before the end of December, 1977. This, however, does not apply to deposits received from Banks and other financial Institutions in the normal course of business.

4) P.A.D.

The current procedure provides for monthly accrual and charging of interest on PAD. The PAD accounts must accordingly reflect the above position.

5) Temporary Overdrafts

Efforts should be made to have all Temporary Overdrafts and Excess over Limits allowed to various customers adjusted as soon as possible so that such temporary facilities may not remain outstanding at the time of annual closing.

6) Revaluation of Foreign Currency Holdings

Foreign currency balances held with various banks and correspondents as well as foreign currency notes in hand should be revalued at the current ruling rate on December 31, 1977.

The resulting profit or loss, if any, on such holdings should be booked to the credit or debit of Profit/Loss on Exchange Trading. Similarly, profit or loss, on forward purchase or sale contracts for foreign currencies, outstanding on December 31, 1977 should be computed and booked in as laid down in the Circular for Accounting/Recording of Foreign Exchange Transactions bearing No.015 dated 20.11.1974.

7) Revaluation of Investments

Bank's investments in stock and other securities should be reviewed and depreciation, if any, in such investments should be accounted for by making suitable provision as laid down in the Accrual Accounting Circular No. 016 dated 20.11.1974. Appreciation if any, in investment may be taken into account only after obtaining prior approval from the Regional Office.

8) Other Assets (Stock of Stationery/Stamps/Adv. Dep)

The annual closing stationery contains separate statements wherein details of the above accounts have to be filled in and fully



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reconciled with the corresponding heads in the Statement of Affairs.

9) Other Assets - Advance Rent

A Separate format for advance Rent has been designed which should be clearly filled in.

10) Suspense Account

Endeavour should be made to have all the entries in Suspense Account adjusted before the Annual Closing of Accounts. Special attention should be paid to adjust all the entries outstanding in Sundry Debtors Accounts and Other Suspense Accounts. You should also ensure that entries pertaining to expenses incurred for opening of branches have either been debited to capitalized expenditure and is being regularly written off as per rate fixed or debited directly to, Expenditure A/C.

11) Other Assets - Income Receivable

This should be fully reconciled with the subsidiary head contained therein.

12) Capitalised Expenditure

Details must be provided in the relative statements.

13) Furniture/Fixtures

The relative statements should be correctly filled in after applying current rates of depreciation. The opening balance must agree with the closing balance of December 31, 1976 (Form ACT-F-35A and ACT-F-37).

14) Contra Accounts/Assets/Liabilities

All heads under this series on Assets side must fully agree with the corresponding contra heads on the liabilities side.

LIABILITY SIDE

1) Due to Banks/Branches/Affiliates

Please note contents of paragraph 2 of Part B. As we are required to completely knock-off the Inter Branch holdings of deposits, great care should be taken to fully reconcile your branch's position as on December 31, 1977 with all other branches with whom accounts are maintained.

2) Confirmation of Balances from Customers

Letters requesting confirmation of balances to customers maintaining credit balances (Form No. DEP-F-4) & debit balances (Form No. ADV-F-5) should be mailed to the customers alongwith statements of their accounts and confirmation letters received from them duly signed should be filled in the respective confirmation file, after verifying the signatures of customers thereon. Letters requesting confirmation of balances are not required to be sent to customers maintaining fixed/term deposits where special Receipts are issued and where cheque books are not issued for withdrawal of funds on maturity.



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PART 'C' - CLOSING STATIONERY

1) Annual Closing Statements

Three sets of forms required for preparing Annual closing statements are being sent to all the branches. The Managers are advised to obtain additional quantity of forms, if required, well in advance so that submission of statements to Regional Office is not held up due to non-availability of relative forms.

2) Method of Submission of Annual Returns to Regional Office & Head Office

The branches in M/E Region will submit two copies of the statements to the Regional Office, Abu Dhabi, separately packed in two specially printed envelopes marked to Regional Office and Head Office. Branches in other than M/E Region will submit their statements in a similar way to Regional Office, London in the specially printed envelopes supplied to them. After scrutiny Regional Offices at Abu Dhabi and London will forward Head Office set of statements to the Head Office, Luxembourg for BCCI SA branches and to Paris Office for BCCI (Overseas) Branches. It may please be noted that the Statements detailed in this Circular are in addition to daily, weekly, fortnightly, monthly and quarterly statements prescribed earlier. It is necessary that all the statements are correctly prepared and mailed as soon as possible after the annual closing but not later than the dates mentioned in the attached closing calendar.

3) Telex/Telegraphic Submission of Basic Data

The following figures of your branch, as on 31st December, 1977 (after closing of Accounts) should be communicated by Telegram/Telex/Telephone to the Accounting Control Department of the respective Regional Offices and the Central Office (Accounts Division) London as soon as possible after the closing but not later than January 1, 1978.

- a) Deposits from customers
- b) Deposits from banks
- c) Borrowings from banks
- d) Borrowings from Central Bank
- e) Deposits with Banks (Our placements)
- f) Borrowings by banks
- g) Sundry creditors
- h) Other Assets
- i) Total Advances
- j) Total Letters of Guarantee outstanding
- k) (i) Letters of Credit Outstanding
(ii) Acceptances Outstanding
- l) Total Outstanding - forward Sale Contracts of Foreign Currency
- m) Total Outstanding - forward Purchase Contracts of Foreign Currency
- n) Total number of Current Accounts
- o) Total number of Savings Bank Accounts
- p) Profit/Loss position



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- q) (i) No. of Loan Accounts
(ii) No. of O.D. Accounts
- r) No. of officers & staff (separately)

Monthly end figures under 17 columns should be reported to the Special Cell, Regional Office as usual.

NOTE: The following are attached with the circulars for the guidance of the branches and subsidiaries.

- 1) List of statement to be submitted as on 31st December, 1977
- 2) Annual closing calendar in Annexure 'B' for different regions.


MASIHUR RAHMAN


A. HAFEEZ