

All Branch Managers

INTRODUCTION OF ACCRUAL ACCOUNTING

1. It has been decided by management that in keeping with international practice, the bank shall switch over to an ACCRUAL PROFIT & LOSS ACCOUNTING SYSTEM effective from the current month i.e. Nov. 1974.
  - Up to now the accounts have been maintained in each Branch, on an ACTUAL basis - i.e. Debit/Credit vouchers (of expenditure/income) have been raised only at the time of the transaction or at the time receipts/payments have actually been made, subsequently at the end of each month, the "accrued" income receivable, and "accrued" expenditure payable have been reflected only (in memorandum form) in the Provisional Income & Provisional Expenditure statements under the column "Further Anticipate to....." without actually posting these accruals into the books.
  - Effective from this month the following changed procedure will be adopted:-
    - a) The provision of accruals will have to be done more accurately, as provided hereunder in this circular.
    - b) The amount of accrual so computed shall be actually booked in by debiting or crediting the respective Expenditure/Income Heads and Contra crediting or debiting "Expenditure Payable" and "Income Receivable" Accounts respective; these later accounts are now to be introduced in the books.
  - This circular further elaborates the treatment under each sub-head of Expenditure & Income and also the entries to be subsequently made when the accrued income/expenditure is actually received/paid or becomes due for receipt/payment on prespecified due dates.

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2. INTRODUCTION OF NEW HEADS OF ACCOUNTS

The following two heads of accounts are to be introduced to provide for the booking-in of "Accrued Expenditure" and "Accrued Income".

- (A) On the Liability Side: (Under the Series: Short Term Payables) Account GLL-03 Bills Payable-General maintain in the General Ledger will have a new Subsidiary Head:

GLL-03/09 - "EXPENDITURE PAYABLE"

(This new account which has been given a new serial number will in fact replace the previous subsidiary account GLL-03/08 - Adjusting Account Credit which will now become inoperative).

- (B) On the Assets Side (Under the General Ledger Head "Other Assets" (GLA-31) a new subsidiar Head will be opened:

GLL-31/12 (OTHER ASSETS) "INCOME RECEIVABLE"

(This new account will replace the previous subsidiary head GLA-31/11: Adjusting Account Debit which will now become inoperative.)

3. INTRODUCTION OF 'ACCRUAL' SUBSIDIARY LEDGERS

In support of the above two newly opened accounts, TWO Subsidiary Ledgers Expenditure Payable Ledger and Income Receivable Ledger will be introduced wherein the accrued expenditure & accrued income under each sub-head of expenditure and income respectively, will be calculated and booked every month. Till such time that new Ledgers are printed for this purpose, branches are advised to use Foreign Bankers Ledger Exch. B-8 using only local currency column where the accrual is in local currency and both foreign & local currency where the accruals are in foreign currency.

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- 29. " " - Machine & Equipment
- 30. " " - Real Estate
- 31. " " - Rented Premises
- 32. " -- Loss on Non-Banking Assets
- 33. " -- Depreciation on Investments
- 34. " -- Loss on Investments
- 35. " -- Stationery consumed
- 36. " -- Publicity
- 37. " -- Other Expenses

(B) The Subsidiary Ledger in support of the "Income Receivable" head will contain the following Sub-Heads:

Income Receivable

- 1. " - Interest on Loans
- 2. " - Interest on Overdrafts
- 3. " - Interest on Deposits with Banks
- 4. " - Interest on Call Loans to Banks
- 5. " - Discount
- 6. " - Inter-Branch Interest
- 7. " - Commission
- 8. " - Profit on Exchange Trading
- 9. " - Brokerage/Underwriting Commission
- 10. " - Rent - Lockers/Godowns
- 11. " - Interest on Securities/Bonds
- 12. " - Interest on Debentures
- 13. " - Dividends on Shares
- 14. " - Profit on Sale of Investments
- 15. " - Income from Real Estate
- 16. " - Income on Other Investments
- 17. " - Profit Revaluation of Investment
- 18. " - Other Receipts

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4. MONTHLY PROVISION AND ACCOUNTING

(A) EXPENDITURE SIDE:

4.1. Interest on Savings Deposits:

Interest on Saving Deposit is payable once every six months in June & December.

In the interim months, the monthly accrued interest on Savings Deposit should be computed at the prescribed rate from the average of daily balances in the Saving Deposit Account in the General Ledger, and should be booked in as under:-

Debit: Expenditure A/C - Interest Paid on Savings  
Deposit

Credit: Expenditure Payable A/C - Interest on  
Saving Deposit

At the end of June & December each year the interest on each SB Account shall be calculated as usual, and credited to the parties account and debited to the Expenditure Payable A/C - Interest on Savings Deposits. The treatment of surplus (or under-provision) in the Expenditure Payable Account - Interest on Saving Deposits has been dealt with in para 7.2 of this Circular.

4.2 Interest on - Call Deposit

Since Interest is paid on maturity/withdrawal work out accrued interest at the end of each month on interest bearing deposit and pass vouchers for the total as follows:-

Debit: Expenditure A/C - Int. paid on Call Deposit

Credit: Expenditure Payable A/C - Int. on Call Deposit

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4.3 Interest on Term Deposit

Interest is paid on maturity/withdrawal work out interest for each month and post the total as follows:-

Debit: Expenditure A/C - Int. Paid on Term Deposit  
Credit: Expenditure Payable A/C - Int. on Term  
Deposits

Under the new Term Deposit Accounts procedure (system Circular No. 013 dated 16th Nov. 1974) individual cards have been opened for each Term Deposit and the monthly interest accrued on each Term Deposit is to be separately recorded in the individual cards.

4.4 Interest on Deposit from Banks

Interest is usually paid on maturity/withdrawal. Work out interest accrued for each month on deposits held with you as per detailed procedure laid down in System Circular No. 017 dated 20th November 74. The total accrued interest worked out should be accounted for as under:-

Debit: Expenditure A/C - Int. Paid on Deposit from  
Banks  
Credit: Expenditure Payable A/C - Int. on Deposits  
from Banks

(Bankwise interest accrued each month is recorded in the individual cards which have been introduced as per the above System Circular)

4.5 Interest - Borrowing from Banks

(a) If the borrowing is on current account, the interest is automatically debited at the end of each month to Expenditure Account and credited to the respective accounts calculated in the manner and at the rate predetermined as per detailed procedure laid down in System Circular No. 017 dated 20th Nov. '74 by passing the following vouchers:-

Debit: Expenditure A/C - Int. Paid on Borrowings  
from Banks

Credit: Banker's Current Account

- (b) If the Borrowings are for fixed amount and for fixed period in your accounts with them the accrued amount of interest for each month should be calculated and the following entries passed:

Debit: Expenditure A/C - Interest Paid on  
Borrowings from Banks

Credit: Expenditure Payable A/C - Int. on Borrowings  
from Banks

NOTE: Under the new system, Individual Ledger cards have been introduced Bankwise to record borrowings from each bank. The cards have provision for recording (accrued) interest payable each month on the body of the card.

#### 4.6 Discount

Normally the entries regarding discount are booked when the payment is actually effected, and are posted directly to the Debit of Expenditure Account "Discount Paid to Banks/Discount Paid to Others" as the case may be. The accrual sub-head "Expenditure Payable A/C - Discount" therefore remains inoperative. However, in case any substantial amount of expenditure exists under this Head, the amount should be brought into the books as follows:

Debit: Expenditure A/C - Discount Paid to Banks/Others

Credit: Expenditure Payable A/C - Discount

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4.7. Interest to Branches

The interest payable to the Branch maintaining credit balances, should be calculated by the holding branch as on 25th of each month, and debited directly to the Expenditure Account - Inter-Branch Interest Paid. A credit advice/telex intimation should immediately be sent to the Branches. The accrual head "Expenditure Payable A/C - Inter Branch Interest", in the Accrual Subsidiary Ledger should normally remain inoperative except for those balances where Term Deposit have been placed by other branches and provision shall be made as per procedure laid down in System Circular No. dated

4.8. Commission/Brokerage

Entries regarding Commission and Brokerage payments should be passed as and when the payments are made and by directly debiting to the corresponding Expenditure Account. As such the subsidiary accrual "Expenditure Payable A/C - Commission/Brokerage" will normally remain inoperative. Where however any item of commission/brokerage is substantial the amount concerned should be brought into the books as follows:

Debit: Expenditure A/C - Commission/Brokerage paid  
Credit: Expenditure Payable A/C - Commission/Brokerage

4.9. Salary & Allowances

The procedure laid down in the bank is that all salaries and allowances are computed some time in last week of the month, and physically paid and the expenditure booked in the corresponding expenditure account before the end of the month. As such the accrual Sub-Heads "Expenditure Payable A/C - Salary & Allowances" should remain inoperative.

4.10. Social Security

Actual payment procedure differs from place to place. If the accrued amount is substantial for the month, the provision should be made as under:-

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Debit: Expenditure A/C - Social Security  
Credit: Expenditure Payable - Social Security

4.11. Provident Fund

Not applicable at present.

4.12. Gratuity

Not applicable at present.

4.13. Bonus

Not applicable at present.

4.14. Directors Fees

This heading relates to only Head Office. Provision if any will be made in the Head Office books.

4.15. Rent - Offices/Residences/Godowns

The rent for offices, residences and godowns are normally paid in advance by directly debiting Other Assets - Advance Rents GLA 31-04. Each month the proportionate rent amount is debited to the corresponding Expenditure Account - Rent Paid. This procedure should continue.

In certain cases the rent may be payable on a monthly basis at the beginning or at the end of the month and will, therefore, be automatically debited at the time of payment to the concerned expenditure during the month.

If however the rent has not been paid in advance or during the month (which would be very rare) then the accrued liability for that month should be computed (on the fixed/negotiated rate basis) and booked in as follows:-

Debit: Expenditure A/C - Rent paid (Offices/Residences/  
Godowns)

Credit: Expenditure Payable A/C - Rent

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4.16. Rates & Taxes

Rates & Taxes are normally payable for specific period on periodic receipts of bills. These bills should normally be paid by debiting the Expenditure Account. If they have been paid in advance, the advance is substantial it should be paid through a new sub-head of Other Assets GLA-31-03 adv. Rent Rates Tax and the actual liability amount upto the end of each month will be transferred to the corresponding expenditure account every month. To the extent that any rates/taxes are outstanding, the amount should be computed on the basis of the average of last six months and booked in as follows:-

Debit: Expenditure A/C - Rates & Taxes Paid  
 Credit: Expenditure Payable A/C - Rates & Taxes.

4.17. Electricity Charges (Offices-Residences)

Bills are received at regular intervals covering specified periods. To the extent that the amount payable does not cover the full period upto the end of the month, compute a reasonable provision based on the last three months Billing or in the case of new branches on realistic basis and book in the accrued amount as follows:-

Debit: Expenditure A/C - Electricity Charges Off./Res. Paid  
 Credit: Expenditure Payable A/C - Electricity Charges Off./  
 Res.

4.18. Insurance

Currently insurance premiums are booked directly to the appropriate expenditure Account at the time of payment. In most cases the Insurance Premiums are payable in advance and in future they would be booked a new Account Advance Deposit Insurance No. GLA 31-13 to be opened as sub-head of Other Assets. This amount should be adjusted monthly over the period of the cover, to the debit of appropriate Insurance (Paid) Account. Where the amount concerned is small entries should continue to be passed directly to the appropriate Insurance Paid Account as and when the payment is made. In

Cont..ll..

above case the accrual Sub-Head "Expenditure Payable Account-Insurance will remain inoperative. If an insurance liability of a known amount or amount is outstanding for payment a provision has to be made and accrued for as under:

Debit: Expenditure A/c - Insurance Paid (.....)  
Credit: Expenditure Payable A/c - Insurance

4.19. Legal Expenses

Normally entries under this Head should be passed as and when actual payments are made on this account. The accrual ledger sub-head remains inoperative in such case. Branches which have to pay large expenditures during each year for legal expenses, or have any specified liability outstanding under this head, should make proportionate provision for every month and bring it into the books as follows:

Debit: Expenditure A/c - Legal Expenses Paid  
(Professional/Stamps and Court fees).  
Credit: Expenditure Payable A/c - Legal Expenses

4.20. Auditors Fee

This Head applies to the Head Office or Regional Office only and will remain inoperative in Branches. At the Regional/Head Office, a monthly provision should be calculated on the basis of the fees determined and provided for as under:-

Debit: Expenditure A/c - Auditor's fees paid  
Credit: Expenditure Payable A/c - Auditors fee

4.21. Postage/Cables/Telephones/Telex

Postage/Cables:

Expenditure Account for Postage & Cables would be debited directly through Imprest System to the

respective Expenditure Accounts. Branches should ensure that the expenditure vouchers are passed as on the last day of every month, replenishing fully the advance drawn for postage and cables.

Telephones (Office - Residences) Telex

Since bills for Telephones and Telexes are generally received late provision for the period for which bills have not been paid should be made each month on the basis of average cost of the last six months, and provided for as under:

Debit: Expenditure A/c - Telephones (Off./Res)  
charges paid  
Credit: Expenditure Payable A/c - Telephone (Office/  
Residence)

Telex

4.22 Same as for Telephones

4.22. Depreciation/Improvement (Vehicles, Furniture & Fixture,  
Machine & Equipments, Real Estate,  
Rented Premises)

Rates of depreciation applicable to the various categories of the above Assets owned/leased by the Bank have been separately notified to all Branches. Every month, a proportionate charge should be computed under each category of assets and booked in as follows:

Debit: Expenditure A/C - Depreciation on Vehicles.....  
Rented Premises  
Credit: Expenditure Payable A/c - Provision for Dep. on  
Vehicles .... Rented Premises.

4.23. Repairs/Improvement/Maintenance (Vehicles, F&F .. Rented  
Premises)

Normally the amounts involved are not very large and as

such they should be accounted for as and when they are paid, by directly debiting the concerned expenditure account. However, if the quantum of repair or improvement or maintenance is likely to be large, a proportionate monthly provision must be booked in the accrual account as under:-

Debit: Expenditure A/c - Repairs/Improvement/  
Maintenance Paid...  
Credit: Expenditure Payable A/c - Repairs/Improvement/  
Maintenance

If an advance payment for repair/Improvement/Maintenance is to be made the amount should initially be debited to a new account Other Assets Advance for Repairs/Improvement/Maintenance No. GLA 31-14 and should be subsequently accounted for by crediting the above accrual A/c and debiting Expenditure A/c Repairs/Improvement/Maintenance Paid....

4.24 Loss on Sale of Non-Banking Assets

This account will only be operative as and when the loss is incurred, by direct debit to the expenditure account concerned. (This should be done with prior approval of the Regional Office) No accrual accounting will be done for this Head, and the accrual Sub-Head in the subsidiary ledger will remain inoperative.

4.25 Depreciation on Investment

Branches would not normally hold investment portfolio on behalf of the Bank. Monthly provision, if any, will therefore be made only at Head Office provided also such a depreciation anticipated in a falling investment market. The entry at Head Office will be as follows:

Debit: Expenditure A/c - Depreciation on Investment.  
Credit: Expenditure Payable A/C - Provision for  
Depreciation on Investment.

Cont..14..

4.26 Loss on Sale of Investment

This is normally Head Office item and the amount of loss, if any, should be booked directly to the Expenditure A/C Loss on Sale of Investment when the sale is effected. The concerned accrual subsidiary head will remain inoperative.

4.27 Stationery - Security/Printed/Others

- For petty (other) Stationery the amount is normally small and should be debited directly to the concerned Exp. Head as and when payment is made.
  
- Security/Printed Stationery - at the time of purchase of this stationery the amount is to be debited to the Asset A/c - Stock of Stationery (under the Head Other Assets). To provide for the monthly consumption of various stationery. The amount of Stationery consumed should be computed each month as per standard procedure, and debited to the appropriate Exp. A/c Stationery.....  
The concerned accrual subsidiary head will therefore remain inoperative.

4.28 Publicity

Publicity is normally handled by Regional Office/Head Office and the Branches should therefore not have any such expenses. The corresponding head in their accrual subsidiary ledger will therefore remain inoperative. At Regional Office or Head Office, the amount if small should be dealt on the basis of booking the expenditure when incurred and payment made. If however the Budget for publicity is large a monthly provision should be made at Regional Office/Head Office as under:-

Debit: Expenditure A/c - Publicity

Credit: Expenditure Payable A/c - Provision for Publicity.

4.29 Other Expenses

A single accrual head is being maintained for misc. expenditures covered under the above expenditure head.

Cont..15..

Most Sub-Head of Accounts under this Head of Expenditure should be dealt with on cash basis and debited to the corresponding expenditure A/c as and when the expenses are incurred. The accrual account in the subsidiary ledger will, in such situation remain inoperative. However, where any expenditure of a substantial nature has been incurred but not paid for under any of sub-heads - car expenses, publications, travelling etc. an adequate monthly provision should be made as under:

Debit: Expenditure A/C - Other Expenses (...) Paid  
Credit: Exp. Payable A/C - Other Expenses (...) Paid

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(B) INCOME SIDE

5.01 Interest Received

(LAFB, PC, PAD, LTR, LIM, CC, OD, LOAN - Other)

- (a) For all such accounts where interest is chargeable at monthly rest, the monthly interest income should be calculated as per standard procedure and booked in as under:

Debit: Loan/O.D.....A/C Customer  
Credit: Income A/C - Interest Received on Loan/O.D...  
The accrual subsidiary head will be inoperative in this case.

- (b) In some cases where interest is charged other than on monthly rest, a provision should be computed on the basis of outstanding balances during the month and as per the standard procedure. The amount so computed should be brought into the books as follows:

Cont...16..

Debit: Income Receivable A/c - Interest on Loan/OD...

Credit: Income Account - Interest Received Loan/OD...

- (c) Interest on P.A.D. - A separate system circular No. 014 dated 16.11.74 has been issued introducing individual ledger cards for each P.A.D. The procedure for providing interest accrued each month on each P.A.D. and its booking in the concerned P.A.D. Cards has been clearly laid down in the circular.

#### 5.02 Interest on Deposits with Other Banks

If such deposits are in the interest bearing current A/c or on call the accrued interest for the month should be calculated at the agreed note and booked in as under:

Debit: Income Receivable A/c - Interest on Deposit  
with other Banks

Credit: Income A/c - Interest on Deposit with other Banks.

If the deposits are term deposits the interest accrued & receivable thereon each month should be properly computed and provided for as under:

Debit: Income Receivable A/c - Interest on Deposits  
with other Banks

Credit: Income A/C - Interest on Deposit with other Banks

(The recently issued System Circular No. 017 dealing with Due to and Due From Banks A/cs has laid down detailed procedures for the provisioning of interest each month.

#### 5.03 Interest on Borrowings by Banks

If such borrowing (Call Loans) are for very short periods and maturing within the month, the interest receivable thereon would have been accounted for within the month by crediting the interest account - Interest on borrowing, directly. No month ending provision would therefore be necessary.

- Call Loans extending beyond month-ending date required accrued interest receivable upto end of month to be provided for as under:

Cont...17..

Debit: Interest Receivable Account - Interest on borrowing by Banks/Others  
Credit: Income Account - Interest on borrowing by Banks (Others).

The System Circular No. 017....(Due to/Due from....A/cs) has provided for individual cards to be opened for each such account and gives the detailed procedure for month-end provisioning of interest receivables.

5.04 Discount Received (FBP.....TREASURY Bills)

Normally the discount income is booked-in at the time when it is received and is credited directly to the concerned income Account. If however a discount is receivable under any of the above Sub-Heads and has not actually been received, provision for appropriate amount for the month should be made as under:-

Debit: Income Receivable A/c - Discount.....  
Credit: Income A/c - Discount Received.....

5.05 Inter Branch Interest

The Inter Branch interest Credit Advice/Telex Advices (for Debit balances in the account of other branches should always be received by them before the end of the month, for interest receivable for that month. The concerned income A/C should be directly credited on receipt of this Advice. The subsidiary Accrual A/C Head should therefore remain inoperative.

If however a branch has placed funds with other branch, as Term Deposits, the interest receivable shall be calculated and booked in as under:

Debit: Income Receivable Account - Inter Branch Interest  
Credit: Income Account - Inter Branch Interest

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5.06 Commission (FBP, LBP.....MISC)

As in the case of the Discount, income on Commission on the above Sub-Heads is normally booked as and when received to the Credit of the corresponding Commission (Income Account). As such the accrual Head in the subsidiary Ledger will remain inoperative. In any Branch if a substantial amount of Commission is due and not received, a provision should be booked-in as under:

Debit: Income Receivable A/C - Commission.....  
Credit: Income A/C - Commission Received.....

5.07 Exchange Income

(a) Exchange on Bills and Remittances

Income under this head would be credited to the Income Account as and when received. The concerned Accrual Sub-Head will remain inoperative.

(b) Profit on Exchange Trading

The newly introduced Exchange Accounting/Revaluation Procedure (System Circular No. 16) has clearly laid down the treatment of accrual accounting under this head. The procedure lays down that the accrued profit on Foreign Exchange upto the end of each month should be booked-in at the end of each month.

5.08 Brokerage

Treatment is as in the case of Commission.

RENT:

5.09 (Lockers/Godowns)

These are normally credited as and when received. The Income Receivable Account shall normally remain inoperative. However, if any substantial amount is due and not received, the corresponding amount should be booked as under:-

Cont..19..

Debit: Income Receivable A/c - Rent.....  
Credit: Income Account - Rent .....

5.10 Income on Investment

(A) Interest on Securities & Bonds

This head is normally operated only at Head Office & occasionally at Regional Office. The provision should only be made at H.O./R.O. if it is a fixed income bearing security/bond.

Debit: Income Receivable A/C - Interest on Securities/  
Bonds  
Credit: Income A/C - interest on Securities/Bonds

(B) Interest on Debentures

This Head is also operated only at HO (& occasionally at R.O.). Normally Debentures have fixed interest rates and fixed dates of interest payment. For interim periods provision should be made for the accrued income. (Entries similar as above).

(C) Dividends on Shares

This Head applies normally to H.O./R.O. in rare occasions it may also apply to certain branches. Provision under this Head should only be made if a dividend has actually been declared and not received.

Debit: Income Receivable - Dividend on Shares  
Credit: Income A/C - Dividend on Shares

(D) Profit on Sale of Investment

As in the case of Loss on Sale of Investment (Item 4, 23 on Expenditure Side), the Income account should be credited directly.

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(E) Income from Real Estates

Such income should normally be received in advance, and if it extends for periods well beyond the month of receipt, the amount should initially be credited to sundry creditors (Miscl.). Monthly accrued income should be transferred from the above account to Income - Real Estates each month. In the rare case some income from Real Estates is due to the Bank/Branch the accrued amount should be booked in as under:-

Debit: Income .. Receivable - A/C - Real Estates  
Credit: Income Account - Real Estates

(F) Income on Other Investments

Treatment should be according to the Investment. However, normally such income should be booked-in when received.

5.11. Profit on Revaluation of Investment

This is normally a Head Office account only, and is dealt with annually. No monthly provision is therefore necessary to be made. The accrual sub-head concerned remains inoperative.

5.12. Other Receipts

As in the case of Other Expenditures, the sub-heads of Other Receipts are all covered under this Head. Various incomes received under the various sub-heads of this account should normally be booked as and when received. However, if any large amount is outstanding under any of the sub-head adequate provision should be made for this as under:

Debit: Income Receivable A/c - Other Receipts  
Credit: Income A/C - Other Receipts

6. ACCRUAL ACCOUNTING FOR INCOME/EXPENDITURE

RECEIVABLE AND PAYABLE - IN FOREIGN CURRENCIES

6.1 This circular has upto now dealt with ACCRUAL ACCOUNTING for

'Income Receivable and 'Expenditure Payable' in local currencies. Since the Bank is dealing in Foreign Currency Placement/Deposits and Lendings/Borrowings, interest Receivable and Payable on the such accounts shall be in the Foreign Currency related to the Currency of the Deposit/Borrowing etc.

As such in Branches where Foreign Currency Deposits are received from Clients/Banks or are Placed with Other Banks or where Foreign Currency Borrowings and Lendings are dealt with Accounting for Interest will have to be done in Dual Currency, i.e. both in Currency of Deposit and in local currency. To account for the dual currency accruals of interest Receivable/Payable, the corresponding Accrual Subsidiary Ledgers will have separate section where the subsidiary accounts will be maintained in dual Currency Columns allocating a separate folio for each category of deposit/placement and lendings/borrowings and within each such category allotting separate folios for every Foreign Currency in which such transactions take place or are expected to take place.

6.2 The dual currency accrual sub-heads folios should be for following categories of accounts

(A) ON LIABILITY SIDE

The Subsidiary Ledger for Expenditures Payable shall have sufficient dual currency folios for the following accounts:

- a) Expenditure Payable A/C - Interest on Call Deposits
- b) Expenditure Payable A/C - Interest on Term Deposits
- c) Expenditure Payable A/C - Interest on Saving Deposits
- d) Expenditure Payable A/C - Interest on Deposit from Banks
- e) Expenditure Payable A/C - Interest on Borrowings from Banks
- f) Expenditure Payable A/C - Inter-Branch Interest

(each of these above accounts will have supporting sub-folios for each foreign currency in which the above deposits are maintained).

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(B) ON ASSETS SIDE

The Subsidiary Ledger for income Receivable will have separate dual currency column folios, for the following types of accounts:

- a) Income Receivable A/C - Interest on Call Deposits with the Banks
- b) Income Receivable A/C - Interest on Term Deposits with the Banks
- c) Income Receivable A/C - Interest on Call Loans to Banks
- d) Income Receivable A/C - Inter-Branch Interest  
(Separate sub-folios for each Foreign Currency dealt with should be maintained under each of the above heads).

6.3 EXAMPLE (EXPENDITURE ITEM)

If a Branch in U.A.E. holds some £ and \$ deposits in their Term Deposit series, the Expenditure Payable as interest on £ Deposit and \$ Deposit shall be calculated in both £/\$ and equivalent local currency, and will be credited to the following accounts in the individual Deposit/Currency folio in the Expenditure Payable subsidiary Ledger (Expenditure Payable A/C).

EXPENDITURE PAYABLE & INTEREST ON TERM DEPOSITS £  
(SIMILARLY FOR DOLLARS)

Date	Particulars	Foreign Currency			Local Currency		
		Debit	Credit	Balance	Debit	Credit	Balance

For this purpose all vouchers and supplementaries relating to these accounts shall be in dual currency. For month-end accounting/provisions also dual currency vouchers and supplementaries should be used.

7. TREATMENT IN ACCOUNTING AT THE TIME INCOME/EXPENDITURE RECEIVED/PAID

(or become due for Receipt/Payment on specified due date)

7.1 Under the new ACCRUAL ACCOUNTING SYSTEM, monthly provision are being made for ALL accruals of income and expenditure and these provisions are ACTUALLY BEING BOOKED IN CONTRA crediting or debiting them to the two general ledger heads of "Income Receivable" and "Expenditure Payable" (as well as to the individual sub-heads of Income Receivable and Expenditure Payable in the Accrual Subsidiary Ledgers).

- All subsequent income or payment when actually received or paid (or when they become due for payment or adjusted on certain fixed due dates) will be directly credited or debited in the respective to newly opened Accounts ("ACCRUED") INCOME RECEIVABLE A/C" AND (ACCRUED)"EXPENDITURE PAYABLE A/C" (and in the Accrual Subsidiary Ledgers against the concerned sub heads) instead of being credited to the Income Account or debited to the Expenditure Account in the General Ledger (and the Income/Expenditure Subsidiary Ledger Heads concerned).

- The above concept will however not apply to such heads of Expenditure & Income which as per this circular are initially booked direct to the corresponding Expenditure/Income Head at the time they are paid/received and for which no monthly accrual is being made.

7.2 SHORT/EXCESS PROVISION OF ACCRUAL

When the concerned income or expenditure is actually received/paid/adjusted and credited/debited to the above mentioned (Two) Accounts (and the corresponding accrual subsidiary ledger) if it is found that the provision made-to-date against that particular head of income or expenditure is "short" or "excess" then corresponding adjustment(s) will have to be made in the Income Receivable and Expenditure Payable Accounts and the accrual subsidiary ledger sub-head concerned, as follows:

Cont..24..

- a) If the provision for an expenditure is SHORT (i.e. insufficient) as compared to the accrual expenditure incurred/paid then the exact short-fall would have to be made up by immediately providing the corresponding short fall amount to the accrual account as follows:

Debit: Expenditure A/C - Concerned Head of Expenditure  
Credit: Expenditure Payable A/C - Concerned Head of  
Expenditure

- b) If the amount of Expenditure provision is found to be in EXCESS, the normal procedure would be to leave the excess provision in the Exp. Payable A/C. Every six months in June & December the excess provision left in the Expenditure Payable A/C should be transferred to the Expenditure Concerned Account (and the accrual subsidiary Ledger Sub-Head concerned as follows:

Debit: Expenditure Payable A/C (Sub-Head Concerned)  
Credit: Expenditure A/C - (Sub Head Concerned)

- Similar principles will be followed for short/excess provision in the income side.
- Expenditures/Incomes which are dealt with at the end of each year as in the case of Depreciation, Revaluation of Investment etc. will be subject to similar year ending adjustment for short provision and excess provision.

8. MODIFICATION OF THE FORM OF PROVISIONAL INCOME & PROVISIONAL EXPENDITURE STATEMENTS (ACT-F-24A & 24B)

In view of the fact that the accrued Income & the accrued Expenditure will hence forth be booked in each month and posted to the corresponding Income Receivable Accounts and

Cont..25..

Expenditure Payable Account, it is no longer necessary to have the columns "Further Anticipated upto...." and "Adjustment, if any", in the above two statements. The revised form of these statements will be as follows:

Code No.	Account Head	Balance end of previous month:	Actual during the month	Balance end of current month	Income/Exp. in U.S. Dollars
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Till such time as the revised monthly Income and monthly Expenditure Statements have been printed and distributed to the branches, all branches are required to use the previous stationery - Statement of Provisional Income & Statement of Provision Expenditure (ACT-F-24A & 24B) for submitting the monthly Income/Expenditure returns. The columns "Further Anticipated to....." Adjustment, if any" should no longer be operative in these statements and should be left blank.

9. MONTHLY RETURN OF INCOME RECEIVABLE/EXPENDITURE PAYABLE  
DETAILS

Each month branches will be required to send the following statement to regional Office.

Statement of Income Receivable

Statement of Expenditure Payable

These statements should be prepared in following form:-

Code No.	Sub-Head of Account	Balance at end of previous month	Provided during the month	Balance at end of current month	Income Receivable Expenditure Payable in U.S. Dollars
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Sd/-

Swaleh Naqvi  
 GENERAL MANAGER