

	PAGE
Foreword	I-3
Recommended Reading	I-5
Syllabus	I-7
Chapter-heads	I-9

MODULE A : FUNDAMENTALS OF ACCOUNTING

CHAPTER 1

ACCOUNTING: AN INTRODUCTION (FINANCIAL ACCOUNTING/COST ACCOUNTING/MANAGEMENT ACCOUNTING)

1.0	Objectives	5
1.1	Introduction	5
1.2	Nature and Purpose of Accounting	6
1.3	Historical Perspectives	9
1.4	Origins of Accounting Principles	11
1.5	Let Us Sum Up	12
1.6	Keywords	13
1.7	Terminal Questions	13
1.8	Multiple Choice Questions	13
Answ	vers	14

CHAPTER 2 ACCOUNTING PROCESS (MANUAL/COMPUTER-ISED)

2.0 Objectives

17

		PAGE
2.1	Introduction	17
2.2	Accounting Process	18
2.3	Manual Accounting	20
2.4	Computerized Accounting System (CAS)	21
2.5	Manual Accounting v. Computerized Accounting	21
2.6	Differences Between Manual & Computerized Accounting Systems	22
2.7	Let Us Sum Up	23
2.8	Keywords	24
2.9	Terminal Questions	24
2.10	Multiple Choice Questions	24
Answe	ers	25
0		
3.0	Objectives	29
3.1	Introduction	29
3.2	Use of Journal in Accounting Systems of Banks	31
3.3	Types of Transactions	32
3.4	Types of Vouchers	32 25
3.5 3.6	Accounting Systems of Different Banks Let Us Sum Up	35 37
3.7	Keywords	37
3.8	Terminal Questions	37
3.9	Multiple Choice Questions	37
Answe		38
C	HAPTER 4 ANK RECONCILIATION STATEMENT	-

41

4.0 Objectives

4.1	Introduction	41
4.2	Meaning	41
4.3	Need and Importance	42
4.4	Reasons for Differences Between Cash Book and Pass Book	42
4.5	Specimen of BRS	51
4.6	Preparation of Bank Reconciliation Statement	52
4. 7	Advantages of BRS	54
4.8	Illustrations	55
4.9	Let Us Sum Up	61
4.10	Keywords	63
4.11	Terminal Questions	63
4.12	Multiple Choice Questions	63
Answe	ers	64
	HAPTER 5 EPRECIATION ACCOUNTING	
5.0	Objectives	67
5.1	Meaning of Depreciation	67
5.2	Causes of Depreciation	68
5.3	Need for Depreciation	68
5.4	Factors of Depreciation	69
5.5	Accounting Entries	70
5.6	Methods of Depreciation	70
5.7	Straight Line Method	70
5.8	Written Down Value (WDV) Method	72
5.9	Difference Between Straight Line Method and Written Down Value Method	74
5.10	Advantages and Disadvantages of Straight Line Depreciation Method	75

5.11 Advantages and Disadvantages of Reducing Balance 75 Method of Depreciation

		PAGE
5.12	Sum of the Years' Digits Method	76
5.13	Replacement of A Fixed Asset and Creation of Sinking Fund	77
5.14	Let Us Sum Up	77
5.15	Keywords	78
5.16	Terminal Questions	78
5.17	Multiple Choice Questions	78
Answe	ers	80
	HAPTER 6 ASSIFICATION OF INCOME AND EXPENDITURE	
6.0 6.1	Objectives Introduction	83 83
6.2		03 84
6.2 6.3	Expenditure Difference Between Capital Expenditure and Persona	86
0.5	Difference Between Capital Expenditure and Revenue Expenditure	00
6.4	Capital and Revenue Receipts	86
6.5	Let Us Sum Up	87
6.6	Keywords	88
6.7	Terminal Questions	88
6.8	Multiple Choice Questions	88
Answe	ers	<i>89</i>
C	HAPTER 7	-
	ANKING OPERATIONS AND ACCOUNTING	
7.0	Objectives	93
7.1	Introduction	93
7.2	Functions of A Bank	93
7.3	Outsourcing of Services By Banks	101
7.4	Need for Clear Formal Operating Instructions in Banks	102
7.5	Banking Operations Manual	102
7.6	Contents of Banking Operational Manual	103

		PAGE					
7.7	Let Us Sum Up	104					
7.8	Keywords	104					
7.9	Terminal Questions	104					
7.10	Multiple Choice Questions	104					
Answ	ers	105					
MOI	DULEB: FINANCIAL STATEMENTS OF BANKS						
	HAPTER 8 N INTRODUCTION TO FINANCIAL STATEMENTS F BANK	-					
8.0	Objectives	111					
8.1	Introduction	111					
8.2 Business of Banking Companies							
8.3							
8.4	4 Bank's Book-Keeping System						
8.5							
8.6	Keywords	117					
8.7	Terminal Questions	118					
8.8	Multiple Choice Questions	118					
Answ		119					
	HAPTER 9 DVANCES	-					
9.0	Objectives	123					
9.1	Presentation of Advances (Schedule 9)	123					
9.2	Principal Accounting Policy with Respect to Advances	126					
9.3	Disclosure Requirements of Accounting Policy with respect to advances	127					
9.4	Restrictions on Loans and Advances (Section 20)	127					
9.5	Secured and Unsecured Advance	128					

Let Us Sum Up

9.6

		PAGE							
9.7	Keywords	129							
9.8	Terminal Questions	130							
9.9	Multiple Choice Questions								
Answe	ers	131							
C	HAPTER 10	-							
	SSET CLASSIFICATION, INCOME RECOGNITION								
10.0	Objectives	135							
10.1	Introduction	135							
10.2	Recognition of Income	135							
10.3	Classification of Assets	137							
10.4	Illustrations	140							
10.5	Let Us Sum Up	145							
10.6	Keywords	146							
10.7	Terminal Questions	146							
10.8	Multiple Choice Questions	146							
Answe	ers	147							
C	HAPTER 11								
	ASH, BALANCES WITH RBI AND OTHER BANKS, ND MONEY AT CALL AND SHORT NOTICE	-							
11.0	Objectives	151							
11.1	Presentation of Cash and Balances with Reserve Bank of India (Schedule 6)	151							
11.2	Understanding the Items in the Schedule on Cash and Balance With Reserve Bank of India	152							
11.3	Presentation of Balances With Other Bank and Money at Call and Short Notice (Schedule 7)	152							
11.4	Understanding Items in Schedule "Balances With Other Banks and Money at Call and Short Notice"	153							
11.5	Operating Instructions on Cash	153							

PAGE
157
158

- - - - - - -

.

11.7	Keywords	158
11.8	Terminal Questions	158
11.9	Multiple Choice Questions	158
Answe	ers	159

Answers

CHAPTER 12

11.6 Let Us Sum Up

_	_	_	_	-	_	_	_	_	-	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	-
F	K	E)	F	15	5 5	E	T	S		4	N	D	(01	٢ŀ	łE	R	2	A	S	S	E1	r \$	5	

12.0	Objectives	163
12.1	Presentation of Fixed Assets (Schedule 10)	163
12.2	Comments on the Constituents of the Fixed Asset Schedule	164
12.3	Principal Accounting Policies w.r.t. Fixed Assets	164
12.4	Disclosure of Accounting Policies w.r.t. Fixed Assets	165
12.5	Presentation of Other Assets (Schedule 11)	165
12.6	Constituents of other Assets' Schedule	165
12.7	Let Us Sum Up	166
12.8	Keywords	167
12.9	Terminal Questions	167
12.10	Multiple Choice Questions	167
Answe	rs	168

CHAPTER 13

BORROWING AND DEPOSITS

13.0	Objectives	171
13.1	Presentation of Deposits (Schedule 3)	171
13.2	Comments on Schedule 3 - Deposits Items	171
13.3	Presentation of Borrowings (Schedule 4)	172
13.4	Comments on Schedule 4 - Borrowings Items	173
13.5	Special Consideration	174
13.6	Let Us Sum Up	174

		PAGE
13.7	Keywords	174
13.8	Terminal Questions	174
13.9	Multiple Choice Questions	174
Answe	ers	176
C	HAPTER 14	
CA	APITAL, RESERVES AND SURPLUS	
14.0	Objectives	179
14.1	Special Provisions of the Banking Regulation Act, 1949	179
14.2	Presentation of Capital Account (Schedule 1)	182
14.3	Comments on Capital Account Items	183
14.4	Presentation of Reserves and Surplus (Schedule 2)	184
14.5	Comments on Items of Reserve and Surplus (Sche- dule 2)	184
14.6	Let Us Sum Up	185
14.7	Keywords	185
14.8	Terminal Questions	186
14.9	Multiple Choice Questions	186
Answe	ers	187
C	HAPTER 15	
	THER LIABILITIES AND PROVISIONS	
15.0	Objectives	191
15.1	Presentation of Other Liabilities and Provisions (Schedule 5)	191
15.2	Comments on Other Liabilities and Provisions (Sche- dule 5)	191
15.3	Let Us Sum Up	193
15.4	Keywords	193
15.5	Terminal Questions	193
15.6	Multiple Choice Questions	193
Answe	ers	194





PAGE

C	HAPTER 16	
	ONTINGENT LIABILITIES AND BILLS FOR DILECTION	
16.0	Objectives	197
16.1	Presentation of Contingent Liabilities (Schedule 12)	197
16.2	Comments on the Contingent Liabilities (Schedule 12)	<i>19</i> 8
16.3	Detailed Discussion of Acceptances, Endorsements and Other Obligations	198
16.4	Bills for Collection	200
16.5	Let Us Sum Up	201
16.6	Keywords	201
16.7	Terminal Questions	201
16.8	Multiple Choice Questions	202
Answers 2		
	HAPTER 17 VESTMENTS	
17.0	Objectives	205
17.1	Presentation of Investments (Schedule 8)	205
17.2	Comments on Constituents of Schedule 8 - Investments	206
17.3	Principal Accounting Requirements of Investments	207
17.4	Disclosure Requirements of Investments	207
17.5	Let Us Sum Up	211
17.6	Keywords	211
17.7	Terminal Questions	211
17.8	Multiple Choice Questions	212
Answers		
	HAPTER 18	
PF	ROFIT AND LOSS ACCOUNT	

18.0 Objectives

18.1	Form of Profit and Loss Account				
18.2	Presentation of Schedules of Profit and Loss Account				
18.3	Comments on Items of Profit and Loss Account and its Schedules				
18.4	Illustrations	224			
18.5	Let Us Sum Up	231			
18.6	Keywords	231			
18.7	Terminal Questions	231			
18.8	Multiple Choice Questions	232			
Answe	rs	232			
	IAPTER 19				
	SCLOSURE REQUIREMENTS IN FINANCIAL ATEMENTS				
19.0	Objectives	235			
19.1	Disclosure of Accounting Policies	235			
19.2	Disclosure Requirements of Banks to be Added as Notes to Accounts	237			
19.3	Disclosures Prescribed by RBI Under Basel-III	239			
19.4	Let Us Sum Up	241			
19.5	Keywords	241			
19.6	Terminal Questions	242			
19.7	Multiple Choice Questions	242			
Answe	rs	243			
	APTER 20 INSOLIDATION OF FINANCIAL STATEMENTS				
20.0	Objectives	247			
20.0	Introduction	247			
20.1	Responsibility of A Bank	247			
20.2	Responsibility of the Statutory Central Auditor (SCA)	248			
20. <i>3</i> 20.4	Some Important CFS Considerations	240 248			
20. T	Some important Cr 5 Considerations	270			



20.5

22.9

Answer

Multiple Choice Question

Let Us Sum Up

I-23

20.6	Keywords	251		
20.7	Terminal Questions			
20.8	Multiple Choice Questions 2			
Answe	ers	252		
C	HAPTER 21			
С	DNSOLIDATION OF BRANCH ACCOUNTS			
21.0	Objective	255		
21.1	Introduction	255		
21.2	Process of Consolidation	256		
21.3	Let Us Sum Up	258		
21.4	Keywords	258		
21.5	Terminal Questions	258		
21.6	21.6 Multiple Choice Questions			
Answe	ers	259		
C	HAPTER 22			
	TER OFFICE TRANSACTIONS			
22.0	Objectives	263		
22.1	Meaning	263		
22.2	Balancing of Books/Reconciliation of Control and Subsidiary Records	263		
22.3				
	Reconciliation of Inter Branch/office Entries	265		
22.4		265 267		
	Reconciliation of Inter Branch/office Entries			
22.4	Reconciliation of Inter Branch/office Entries RBI Guidelines Regarding Inter office Entries	267		
22.4 22.5	Reconciliation of Inter Branch/office Entries RBI Guidelines Regarding Inter office Entries Reconciliation Set Up and Process At the Banks	267 269		

BF

PAGE

MODULE C: PREPARATION OF FINANCIAL STATEMENTS OF BANKS & TAXATION

CHAPTER 23

PREPARATION OF FINAL ACCOUNTS OF BANKS

23.0	Objectives	277
23.1	Some Special Transactions	277
23.2	Illustrations	284
23.3	Let Us Sum Up	302
23.4	Keywords	302
23.5	Terminal Questions	302
23.6	Multiple Choice Questions	302
Answe	ers	304

CHAPTER 24

PREPA	RATION	OF	CASH	FLOW	AND	FUND
FLOW	STATEM	ENT	S			

24.0	Objectives	307
24.1	Introduction : Cash Flow Statement	307
24.2	Benefits of Cash Flow Information	308
24.3	Objectives of Preparing Cash Flow Statement	308
24.4	General Terms	309
24.5	Classification of Activities : Cash Flow Statement	309
24.6	Advantages and Disadvantages of Cash Flow Statement	313
24.7	Methods of Preparation of Cash Flow Statement	314
24.8	Funds Flow Statement : An Introduction	316
24.9	Benefits of Funds Flow Statement	317
24.10	Preparation of Funds Flow Statement	317

		PAGE
24.11	Difference Between Funds Flow Statement and Cash Flow Statement	320
24.12	Let Us Sum Up	321
24.13	Keywords	321
24.14	Terminal Questions	322
24.15	Multiple Choice Questions	322
Answe	rs	324
M	IAPTER 25 Anagement information system (MIS) Id Financial Reporting	_
25.0	Objectives	327
25.1	Types of Information Systems	327
25.2	Benefits of Using Information Systems	328
25.3	Need for MIS in Banking	328
25.4	Management Information System (MIS)	329
25.5	Organisation's Computing Resources	330
25.6	Relationship of MIS With TPS	331
25.7	Let Us Sum Up	332
25.8	Keywords	332
25.9	Terminal Questions	332
25.10	Multiple Choice Questions	332
Answe	rs	333
AC	APTER 26 COUNTING IN COMPUTERISED ENVIRON- ENT	-
26.0	Objectives	337
26.1	Concept of Computerised Accounting System	337
26.2	Features of Computerised Accounting	339
26.3	Terms Used in Computerised Accounting	340

I-25

		PAGE
26.4	Comparison Between Manual and Computerised Accounting	341
26.5	Advantages of Computerised Accounting System	342
26.6	Limitations of Computerised Accounting System	345
26.7	Functions of Computerised Accounting Software	346
26.8	Accounting Software	347
26.9	The Core Banking Components	351
26.10	Information Security	356
26.11	Internet and World Wide Web - Influences on Banking	359
26.12	Let Us Sum Up	361
26.13	Keywords	361
26.14	Terminal Questions	362
26.15	Multiple Choice Questions	362
Answe	rs	364

CHAPTER 27

INTRODUCTION TO DIRECT TAX & INDIRECT TAX

27.0	Objectives	367
27.1	Understanding Direct Tax	367
27.2	Income Tax : The Basics	368
27.3	Understanding Indirect Tax	374
27.4	Direct Tax and Indirect Tax : A Comparison	374
27.5	Let Us Sum Up	377
27.6	Keywords	377
27.7	Terminal Questions	377
27.8	Multiple Choice Questions	377
Answe	rs	379



C	HAPTER 28	
PF DI	REPARING AND FILING OF RETURNS UNDER RECT AND INDIRECT TAX	
28.0	Objectives	383
28.1	Income Tax Provisions : Filing and Preparation of Return	383
28.2	Provisions Relating to Tax Deduction at Source	386
28.3	GST Provisions : Payment, Filing and Preparation of Returns	392
28.4	Let Us Sum Up	394
28.5	Keywords	395
28.6	Terminal Questions	395
28.7	Multiple Choice Questions	395
Answe	ers	396
CI	HAPTER 29	
	AX PROVISIONS RELATING TO INCOME TAX GST	
29.0	Objective	399
29.1	Specific Considerations of Income Tax with Respect to Banks	399
29.2	GST Provisions with Respect to Banks	400
29.3	Let Us Sum Up	403
29.4	Keywords	403
29.5	Terminal Questions	403
29.6	Multiple Choice Questions	403
Answe	ers	404
CI	HAPTER 30	
D	EFERRED TAX AND TAX PLANNING	
30.0	Objective	407
30.1	Deferred Tax Analysis	407

			PAGE
:	30.2	Difference Between AS 22 and Ind AS 12	414
	30.3	Tax Planning	415
:	30.4	Let Us Sum Up	417
:	30.5	Keywords	418
:	30.6	Terminal Questions	418
	30. 7	Multiple Choice Questions	418
	Answe	ers	419
Ν	AOD	ULE D : ACCOUNTING STANDARDS (IND-AS)	
	sc	HAPTER 31 OPE, STATUTORY PROVISIONS AND COM- IANCES	_
:	31.0	Objectives	425
	31.1	·	425
	31.2	Meaning and Objective of Ind AS	427
	31.3		427
	31.4	e	430
í	31.5	Keywords	430
i	31.6	Terminal Questions	430
	31.7	Multiple Choice Questions	431
L	Answe	ers	432
	AF	HAPTER 32 PPLICABILITY OF IND AS TO BANKS FIS & PRPORATES	-
:	32.0	Objectives	435
-	32.1	Applicability as Per MCA	435
:	32.2	Meaning of NBFC for Ind AS	436
:	32.3	Net Worth of Companies for the Purpose of Ind AS	437
:	32.4	Companies Not Covered in the Rule for Application of Ind AS	438

		PAGE
32.5	Applicability of Ind AS Provisions for Listed Companies	438
32.6	Applicability as Per RBI	439
32.7	Let Us Sum Up	440
32.8	Keywords	440
32.9	Terminal Questions	440
32.10	Multiple Choice Questions	441
Answe	215	442
C	HAPTER 33	
	FINITIONS	_
33.0	Objectives	445
33.1	Terms; Definitions and an Understanding	445
33.2	Let Us Sum Up	453
33.3	Keywords	454
33.4	Terminal Questions	454
33.5	Multiple Choice Questions	454
Answers		456
C	HAPTER 34	
sc	COPE OF CONSOLIDATED FINANCIAL	_
ST	ATEMENTS (CFS)	
34.0	Objectives	459
34.1	Scope of Consolidated Financial Statements	459
34.2	Statutory Requirements	460
34.3	Components of Consolidated Financial Statements	462
34.4	Let Us Sum Up	462
34.5	Keywords	463
34.6	Terminal Questions	463
34.7	Multiple Choice Questions	463
Answe	ers	465

CHAPTER 35

CONSOLIDATION PROCEDURES AND ACCOUNT-ING FOR INVESTMENT IN SUBSIDIARIES

35.0	Objectives	469
35.1	Introduction - Consolidation Procedures	469
35.2	Acquisition of Interest in Subsidiaries at Different Dates	471
35.3	Uniform Accounting Policies	474
35.4	Measurement	474
35.5	Let Us Sum Up	479
35.6	Keywords	479
35.7	Terminal Questions	479
35.8	Multiple Choice Questions	480
Answers		481

CHAPTER 36

STANDALONE FINANCIAL STATEMENTS

36.0	Objectives	485
36.1	Introduction	485
36.2	Balance Sheet	486
36.3	Statement of Changes in Equity	488
36.4	Statement of Profit and Loss Accounts	489
36.5	Statement of Cash Flows	490
36.6	Notes to Financial Statements	491
36.7	Comparative Information	492
36.8	RBI Circulars Pertaining to Implementation of Ind AS in Banks	492
36.9	Let Us Sum Up	493
36.10	Terminal Questions	494
36.11	Multiple Choice Questions	494
Answers		494

PAGE

ð

CHAPTER 37 JOINTLY CONTROLLED ENTITIES AND ASSOCI-**IN SEPARATE FINANCIAL STATEMENTS** ATES 497 37.0 Objectives Introduction 497 37.1 37.2 Scope 497 37.3 Significant Influence 497 37.4 Potential Voting Rights 502 Equity Method 37.5 502 Application of Equity Method 37.6 503 Let Us Sum Up 37.7 503 504 37.8 Keywords 504 37.9 Terminal Questions 37.10 Multiple Choice Questions 504 Answers 505 **CHAPTER 38** DISCLOSURES, TECHNICAL ISSUES AND **CHALLENGES** 509 38.0 Objectives 509 38.1 Ind AS 107 38.2 Qualitative Disclosure 509 38.3 Quantitative Disclosures 510 523 38.4 Let Us Sum Up Keywords 524 38.5 38.6 **Terminal Questions** 524 Multiple Choice Questions 38.7 524 Answers 526