

Banking Companies

Sum on Cash Reserve ratio and statutory liquidity ratio

Illustration 1

Also calculate cash reserves required and statutory liquid reserves required.

	Dr.	Rs. in lakhs Cr.
Share Capital		198.00
19,80,000 Shares of Rs. 10 each		
Statutory Reserve		231.00
Net Profit Before Appropriation		150.00
Profit and Loss Account		412.00
Fixed Deposit Account		517.00
Savings Deposit Account		450.00
Current Accounts	(O/D) 28.00	520.12
Bills Payable		0.10
Cash credits	812.10	
Borrowings from other Banks		110.00
Cash in Hand	160.15	
Cash with RBI	37.88	
Cash with other Banks	155.87	
Money at Call	210.12	
Gold	55.23	
Government Securities	110.17	
Premises	155.70	
Furniture	70.12	
Term Loan	<u>792.88</u>	
	<u>2,588.22</u>	<u>2,588.22</u>

Additional Information:

Bills for collection	18, 10,000
Acceptances and endorsements	14, 12,000
Claims against the Bank not acknowledged as debt	55,000
Depreciation charges—Premises	1, 10,000
Furniture	78,000

50% of the Term Loans are secured by Government guarantees. 10% of cash credit is unsecured.

Cash reserves required 3% of demand and time liabilities; liquid reserves required 30% of demand and time liabilities.

Solution:

Calculation of cash reserves and statutory liquid reserves

Total of Deposits (demand and time liabilities) (Rs. 5,17.00 + Rs. 4,50.00 + Rs. 5,20.12)	14,87.12
Cash reserves (3% of above)	44.61
Statutory liquid reserves (30% of demand and time liabilities)	<u>4,46.14</u>

Working Note:

(2) Transfer from Cash with other banks to Cash with RBI	
Cash reserve required	44.61
Cash with RBI	<u>37.88</u>
Transfer needed to maintain cash reserve	<u>6.73</u>

(3) Liquid Assets :

Cash on hand	1,60.15
Cash with other Banks	1,55.87
Money at call and short notice	2,10.12
Gold	55.23
Government securities	<u>1,10.17</u>
	<u>6,91.54</u>
Excess liquidity (6,91.54 – 4,46.14)	<u>2,45.40</u>

The excess liquidity enables the transfer as per(2) above.

After the transfer, cash with other Banks = Rs. (in lacs) (1,55.87 - 6.73) = Rs (in lacs) 1,49.14

Partnership Accounts

(4)

(1)

Goodwill Adjustment Account

To Partner's Capital A/c. (Goodwill raised)		By Partner's Capital A/c. (Goodwill written off)	
B	12000	B	12000
E	8,000	E	12,000
C	10,000	C	6000
	30000		30000

(2)

Partner's Capital Account

	B	E	C		B	E	C
To Drawings	6000	5000	2800	By Balance b/d	35000	20000	10000
To Motor Car	3700	-	-	By Fixtures			
To 12% Debentures	50000	-	-	(not recorded earlier)	-	-	3000
To Goodwill adjustment account	12000	12000	6000	By Profit unto 30 th Sept.93 (as per W.N.2)	13200	8800	
To Bank Account	7620	-	-	By Profit for 6 months Ended (31 st March 1994)	3120	3120	1560
To Bank Account (as per W.N.3)	-	7580	-	By Goodwill Adj A/c	12000	8000	10000
				By Goodwill A/c	16000	16000	8000
To Share Capital	-	31340	31340	By Bank A/c (as per WN3)	-	-	7580
	79320	55920	40140		79320	55920	40140

Profit & Loss Appropriation Account For the year ended 31st March, 1994

To Partners' Capital Account (Distribution of Profit)		By Profit & Loss A/c (Net Profit transferred)	
B	16320		29800
E	11920		
C	1560		
	29800		29800

Balance Sheet of B.C. Ltd.
As on 31st March, 1994

<u>Liabilities</u>	<u>Rs.</u>	<u>Assets</u>	<u>Rs.</u>
Share Capital	62,680	Fixed Assets:	
Secured Loan:		Goodwill	40,000
12% Debentures	50,000	Plant	19,000
Current Liabilities		Fixtures	10,000
& Provisions:			
Creditors	12,000	Current Assets, Loans & Advances:	
		Stock	13,000
		Debtors	31,000
		Cash at Bank	
		(As per working note 4)	11,680
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	<u>1,24,680</u>		<u>1,24,680</u>

Calculation of half yearly profit:

	<u>Rs.</u>	<u>Rs.</u>
Profit of the preceding two years (Rs. 17,200 + Rs. 19,000)		36,200
Current Year's Profit		<u>29,800</u>
		<u>66,000</u>
Profit for six months ended 30 th September, 1993 (1/3 x 66000)		22,000
Profit for next six months ended 31 st March, 1994 (Rs. 29,800 – Rs. 22,000)		7,800

(1) Share Capital of B.C. Ltd:

Total Capital of the firm before conversion:

E	38,920
C	23,760

E and C should have equal share in B.C.Ltd.

62,680

C should bring in cash ($\frac{1}{2}$ x 62,680 – 23,760)

7,580

E should withdraw cash (38920 – $\frac{1}{2}$ x 62,680)

7,580

(2) Bank Account

To Balance b/d	16,300	By B's capital account	7,620
(Sales of Plant)	3,000	By E's capital	
		(Amount withdrawn)	7,580
C's capital a/c	7,580		
(Amount brought in)		By Balance c/d	<u>11,680</u>
	<u>26,880</u>		<u>26,880</u>

(3) Profit and Loss on sale and takeover of assets:

Profit on Motor car taken over (Rs. 3,700-2,700)	1,000
Profit on sale of plant (Rs. 4,000 –Rs. 3,000)	<u>1,000</u>
-	<u>NII</u>