The financial state of any company (banking or non-banking sector) is reflected by final accounts which are the annual Profit and Loss and the Balance-sheet at the end of the year. While the 'Profit and Loss Account' gives the balance of income and expenditure during the period, the 'Balance-sheet' gives the actual state of affairs by showing the total picture of total assets and liabilities as at the date of the period end for the Profit and Loss Account. Thus the study and analysis of balance-sheet (with reference to Tulsi Gramin Bank) will really quantify the economic developments, made by T.G.B and will also depict the various landmarks achieved by the bank.

5.1. Theory of Balance-sheet

Balance-sheet refers to accounts depicting the economic status of any company as on any specified date i.e. complete detailed position of liabilities and assets of the company.

It summarises on the one side - the right hand side - the assets of the business and, on the left hand side - the liabilities of the business including what the business owes to the proprietor, viz., capital invested by him. The Balance-sheet, therefore is defined as a statement summarising the
The Banking Regulation Act, 1949 (previously known as Banking Companies Act); rule 29 specifies that every bank at the end of financial year shall make its balance-sheet as per laid down policy and guidelines. Rule 30 of this Act calls for auditing of balance-sheet. Rule 31 of this Act calls for sending three copies of balance-sheet along with audit report to the Reserve Bank within three months and as per rule 32, the same is also filed with the registrars. The Balance-sheet of a bank must be prepared in 'Form A' third Schedule (Section 29) as per the Banking Regulation Act, 1949.²

5.2. **Salient Features of Balance-Sheet**

A few points should be noted about a 'Balance-Sheet' which are given as below:³

1. **It is prepared as on a certain date and not for a period.** The balance-sheet is true only on the date concerned and not on any other day. Even a single transaction will upset a balance-sheet.

2. **The total of all assets must be equal to the total of all liabilities (including capital).**

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These can be prepared only after the Trading Account and the Profit and Loss Account have been prepared. But the balance-sheet is not an account and it does not have "Debit (Dr)" and "Credit (Cr)" sides. All the accounts which have not been closed by transfer must appear in the balance-sheet, otherwise, the two sides of the balance sheet will not tally and it will not reflect the correct financial position of the business.

(4) Assets can be put down in a balance-sheet, in two ways - either in the order of liquidity (i.e. to say, in the order of the degree of ease with which they can be converted into cash) or in the order of permanence (i.e., in the order of the desire to keep them in use). Various assets grouped in the two orders will appear as follows:

(a) **In the order of liquidity**

   - Cash in hand
   - Cash in Bank
   - Government Securities
   - Sundry Debtors
   - Stock of Finished Goods
   - Stock of Raw Materials
   - Stock of Partly Finished Goods
   - Prepaid Expenses
   - Machinery
   - Furniture
   - Patents
   - Goodwill

(b) **In the order of permanence**

   - Goodwill
   - Patents
   - Furniture
Prepaid Expenses
Stock of Partly Finished Goods
Stock of Raw Materials
Stock of Finished Goods
Sundry Debtors
Government Securities
Cash at Bank
Cash in hand

(5) Liabilities can also be grouped in two ways - either in the order of urgency of payment or in the reverse order.

5.3. Balance - Sheet - An Analysis

The main heads of a balance - sheet are as analysed below:

(A) Liabilities

(a) Capital

Capital declared to be employed in memorandum of association is Authorised Capital. Capital issued from Authorised Capital for subscription is known as Issued Capital. Capital subscribed from Issued Capital is known as Subscribed Capital. Capital out of the Subscribed Capital which has been paid is known as Paid - up Capital. Reserve Capital is the capital kept as reserve with the bank which is demanded only when the bank is dissolved.

(c) Reserve Fund and Other Reserves

This is the fund which is being deposited as reserves before declaration of dividend. The reserves are being deposited for other works also other than paying of dividend.

(d) Deposits and other accounts

The deposits are individuals and firm in form of savings, current, recurring and fixed accounts.

(d) Contingency accounts

Interest on doubtful debts and losses in shares etc. are provided for in Contingency Accounts and shown against the heading of deposits and other accounts as Current and Contingency Accounts.

(e) Borrowings from other banks

Borrowings from banks within the country and from foreign banks are shown separately as well as loans taken from Industrial Development Banks and Agricultural Refinance Corporation are shown separately.

(f) Bills payable

The total amount payable against all such bills where payment has been committed by the bank i.e. bank drafts and telegraphic transfer.

(g) Bills for collection

The total amount which is collected on behalf of customer and payable to them after collection is shown both as assets and liabilities.
(i) **Other liabilities**

Following are shown against this head:

1. Rebate on bills discounted
2. Branch adjustment credit
3. Unclaimed dividend
4. Sundry liabilities
5. Circular notes and letters of credit
6. Staff gratuity deposit
7. Liabilities for expenses
8. Pension and Insurance fund
9. Advance receipts
10. Gratuity fund
11. Provident fund
12. Medical fund

(j) **Customer’s acceptance and endorsements**

Provisions for all such commitments on behalf of customer is shown as both asset and liability as the amount paid is collectable from the customer.

(k) **Profit and Loss**

(l) **Contingent liabilities**

The examples of contingent liabilities are as follows:

1. Claims not accepted by bank as a debit.
2. Reclaiming of bills of exchange.
(3) Bank guarantees issued by bank.
(4) Partly paid shares but amount not claimed.
(5) Dividend accrued on cumulative rights shares.
(6) Exchange commitments for future non repayments.

(B) Assets
(a) Cash
(b) Money at call and short notice
   Debts of maximum thirty-one day are shown as assets against this heading.
(c) Investment
   Short - terms, long - terms, Government and Non - Government hundi exchanges, treasury bills and gold are shown against this heading.
(d) Loans and advances
(e) Bills discounted and purchased
   Bills which can be encashed or can be sold off, if required.
(f) Premises including furnitures, fixtures, lockers and other assets
(g) Non banking assets
   The assets which are:
   (1) not related with normal banking business and being charged by the customer during claiming of such amounts.
   (2) kept with bank temporarily.
After an analysis of balance sheet, the balance sheet of Tulsi Gramin Bank as on 31st March 1993 is given in table 5.1.

5.5. Profit - Loss position of Tulsi Gramin Bank

As we have seen that a balance sheet shows the profit - loss position of a bank. Therefore, here, it would be relevant to discuss about the profit - loss position of Tulsi Gramin Bank during December 1981 - March 1993, which is given in table 5.2.

Table 5.2 depicts that Tulsi Gramin Bank earned a net profit of Rs. 0.79 lakhs during 1981, but it suffered a successive loss from Dec. 1982 to March 1993. This is not a satisfactory position of T.G.B.

In fact, to know the actual position of Tulsi Gramin Bank, we have to evaluate its banking performance critically, which is described in the next chapter.

### TABLE 5.1

Balance - Sheet of Tulsi Gramin Bank As on 31.3.93

<table>
<thead>
<tr>
<th>Capital and Liabilities</th>
<th>Schedule</th>
<th>As on 31.3.93 (Amount in thousands)</th>
<th>As on 31.3.92 (Amount in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Capital</td>
<td>1</td>
<td>5,875</td>
<td>5,000</td>
</tr>
<tr>
<td>Reserve and Surplus</td>
<td>2</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Deposits</td>
<td>3</td>
<td>3,50,117</td>
<td>2,98,805</td>
</tr>
<tr>
<td>Borrowing</td>
<td>4</td>
<td>87,133</td>
<td>84,881</td>
</tr>
<tr>
<td>Other Liabilities and Provisions</td>
<td>5</td>
<td>3,054</td>
<td>9,509</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4,46,179</td>
<td>3,98,195</td>
</tr>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Balance with Reserve Bank of India</td>
<td>6</td>
<td>14,556</td>
<td>12,789</td>
</tr>
<tr>
<td>Balance with Banks and Money at call on Short Notice</td>
<td>7</td>
<td>1,20,588</td>
<td>1,20,036</td>
</tr>
<tr>
<td>Investments</td>
<td>8</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Advances</td>
<td>9</td>
<td>2,09,644</td>
<td>1,84,871</td>
</tr>
<tr>
<td>Fixed Assets</td>
<td>10</td>
<td>1,350</td>
<td>1,493</td>
</tr>
<tr>
<td>Other Assets (Incl. Loss 57584) (55367 Pre. years)</td>
<td>11</td>
<td>1,00,041</td>
<td>79,006</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>4,46,179</td>
<td>3,98,195</td>
</tr>
<tr>
<td>Contingent Liabilities</td>
<td>12</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Bills for Collection</td>
<td></td>
<td>45</td>
<td>275</td>
</tr>
</tbody>
</table>

### TABLE 5.2
Profit - Loss position of Tulsi Gramin Bank  

<table>
<thead>
<tr>
<th>Year</th>
<th>Profit (Rs. in lakhs)</th>
<th>Loss (Rs. in lakhs)</th>
<th>Increase/Decrease in loss since last year (in lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>31-12-81</td>
<td>00.79</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>31-12-82</td>
<td>-</td>
<td>02.27</td>
<td>-</td>
</tr>
<tr>
<td>31-12-83</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>31-12-84</td>
<td>-</td>
<td>07.95</td>
<td>-</td>
</tr>
<tr>
<td>31-12-85</td>
<td>-</td>
<td>35.95</td>
<td>28.00</td>
</tr>
<tr>
<td>31-12-86</td>
<td>-</td>
<td>34.50</td>
<td>-01.45</td>
</tr>
<tr>
<td>31-12-87</td>
<td>-</td>
<td>46.22</td>
<td>11.72</td>
</tr>
<tr>
<td>31-03-89</td>
<td>-</td>
<td>52.08</td>
<td>05.86</td>
</tr>
<tr>
<td>31-03-90</td>
<td>-</td>
<td>115.80</td>
<td>63.72</td>
</tr>
<tr>
<td>31-03-91</td>
<td>-</td>
<td>90.37</td>
<td>-24.43</td>
</tr>
<tr>
<td>31-03-92</td>
<td>-</td>
<td>166.96</td>
<td>76.59</td>
</tr>
<tr>
<td>31-03-93</td>
<td>-</td>
<td>222.17</td>
<td>55.21</td>
</tr>
</tbody>
</table>

**Source:** Various Annual Reports of T.G.B.

**Note:**
(a) 'NA' indicates data 'not available'.
(b) (-) shows decrease in loss.
PROFIT - LOSS POSITION
OF TULSI GRAMIN BANK, 1981 - 1993

FIG. 5.2