

Accounting and Reporting Practices in Banking Industry

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Abstract of the Thesis

Introduction

In the recent past, a number of developments have taken place in the banking industry to improve the transparency in the banking sector. Recognizing considerable divergence amongst the financial institutions in the nature and manner of disclosures made by them in their published annual reports, the disclosure norms were introduced by Reserve Bank of India for the banks with a view to bringing about uniformity in the disclosure practices adopted by them and improving the degree of transparency in their affairs. The Institute of Chartered Accountants of India (ICAI) has issued a series of Accounting Standards in the recent past to improve the accounting and disclosures made by the enterprises. These standards are applicable to all the banks.

Objective of the Study

We have examined the accounting and reporting practices of banks relating to income, assets and other disclosures in their published annual reports for 5 years i.e. from 1999-2000 to 2003-2004, with reference to the Reserve Bank of India guidelines and Accounting Standards issued by the Institute of Chartered Accountants of India from time to time.

Methodology

For the purpose of the study, both primary as well as secondary data have been used. The primary data have been obtained by means of a well-designed questionnaire and personal interviews. The secondary data constitute published annual reports for a period of 5 years of the selected Indian and foreign banks. The published annual reports were studied and analyzed on the basis of questionnaire to ascertain income measurement, assets reporting and other disclosure practices of banks and the extent of follow up of Accounting Standards and Reserve Bank of India guidelines.

Scope of the Study

The study covers 22 banks belonging to public sector, private sector, foreign banks operating in India and urban cooperative banks. Analysis has been made in totality and sector wise. A separate chapter has also been devoted to the latest developments in the accounting and reporting practices of banks during the year 2004 - 2005.

Findings of the Study

The study reveals that banks have diverse accounting and reporting practices in respect of items relating to the income statement and the balance sheet. Sector wise analysis has revealed that foreign banks follow more prudent policy in charging depreciation on fixed assets and valuing the investments. In the overall analysis the disclosure practices followed by foreign banks in respect of the various items of the profit and loss account and the balance sheet, except

investment portfolio, prior period items, intangible assets and reconciliation of inter branch accounts, are more transparent and informative as compared to those of public sector and private sector banks. In respect of investment portfolio, prior period items, intangible assets and reconciliation of inter branch accounts; public sector banks have better disclosure than private sector banks whereas foreign banks have not touched these items at all.

It may be noted that majority of the auditors have made observation on accounting aspect of revenue items, retirement benefits and translation of foreign currency in to Indian currency but none of the auditors made any observation about non-disclosure in their reporting.

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