

**A STUDY ON MANDATORY ACCOUNTING
REPORTING SYSTEM TO NRB BY NEPALESE
FINANCIAL SECTOR**

A THESIS

Submitted by:

Drona Raj Dhungana
Nepal Commerce Campus
Campus Roll No.: 1724/064
T.U. Reg. No: 7-2-218-376-2004
MBS –II Exam Roll No.: 1724/066

Submitted to:

Office of the Dean
Faculty of Management
Tribhuvan University

in partial fulfillment of the requirements for the Degree of
Master of Business Studies (M.B.S.)

New Baneshwor, Kathmandu
June, 2012

VIVA – VOCE SHEET

We have conducted the viva – voce examination of the Thesis

Submitted by:

Drona Raj Dhungana

Entitled

A STUDY ON MANDATORY ACCOUNTING REPORTING SYSTEM TO NRB BY NEPALESE FINANCIAL SECTOR

And found the Thesis to be the original work of the student written in accordance with the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirement for Master Degree of Business Studies (M.B.S.)

Viva – Voce Committee

Chairperson, Research Committee: _____

Member (Thesis Supervisor): _____

Member (Thesis Supervisor): _____

Member (External Expert): _____

Date: -

RECOMMENDATION

This is to certify that the thesis

Submitted by:

Drona Raj Dhungana

Entitled

A STUDY ON MANDATORY ACCOUNTING REPORTING SYSTEM TO NRB BY NEPALESE FINANCIAL SECTOR

*has been prepared as approved by this department in the prescribed format of Faculty
of Management. This thesis is forwarded for examination*

(Dr. Sushil Bhakta Mathema)
Head of Research Department

(Mr. Madhav Prasad Neupane)
Campus Chief

(Mr. Mahendra Aryal)
Thesis Supervisor

(Mr. Prem Kumar Bisowkarma)
Thesis Supervisor

Date: _____

DECLARATION

I hereby declare that the work reported in this thesis entitled "*A STUDY ON MANDATORY ACCOUNTING REPORTING SYSTEM TO NRB BY NEPALESE FINANCIAL SECTOR*" has submitted to Nepal Commerce Campus, Faculty of Management, Tribhuwan University, is my original work done in the form of practical fulfillment of the requirement for the Master of Business Studies (**MBS**) under the guidance and supervision of supervisor **Mr. Prem Kumar Bisowkarma** and **Mahendra Aryal** of Nepal Commerce Campus, Tribhuwan University.

.....
Drona Raj Dhungana
(Researcher)

Nepal Commerce Campus
T.U. Regd. No: 7-2-218-376-2004
Exam Roll. No.: 250816/066
Class Roll No.1724/064

Date: _____

ACKNOWLEDGEMENTS

It is with affection and appreciation that I acknowledge my indebtedness to **Mr. Prem Kumar Bisowkarma** and **Mr. Mahendra Aryal**, Associate Professor Nepal Commerce Campus, Faculty of Management, and Tribhuvan University for his inspirations, advices, skillful review, valuable suggestions and continuous effort in completing the thesis work successfully.

I am also very indebted to the various authors in the subject whose writings become constant and continuous source for my thesis work. I convey my heart full thanks to Staff of central library of T.U. and library Staff of Nepal Commerce Campus for their cooperation in providing different types of materials required. I would like to thank **Dr. Sushil Bhakta Mathema** for his valuable suggestion in completion of this thesis. At last, I would like to thank all the teachers, friends and others for their precious help in completing this thesis work successfully.

Drona Raj Dhungana
Nepal Commerce Campus
New Baneshwor, Kathmandu

TABEL OF CONTENTS

	Page
Recommendation	
Viva Voice Sheet	
Declaration	
Acknowledgements	
Table of Contents	
List of Table	
List of Figures	
Abbreviations	
CHAPTER –I: INTRODUCTION	1-11
1.1 Background of the Study	1
1.2. Overview of the Nepalese Financial System	4
1.3. Overview of the Financial Market	5
1.4. Statement of the Problems	7
1.5. Objectives of the Study	7
1.6. Significance of the Study	8
1.7. Limitations of the Study	10
1.8. Organization of the Study	11
CHAPTER –II: REVIEW OF LITERATURE	12-50
2.1 Conceptual /Theoretical Review	12
2.1.1 Meaning & Process of Accounting	12
2.1.2 Primary Objectives of Accounting	14
2.1.3 Advantages of Accounting	16
2.1.4 Types of Accounting Information	18
2.1.5 Qualitative Characteristics of Accounting Information	19
2.1.6 Accrual basis of Accounting & Cash basis of Accounting	21
2.1.7 Role of an Accountant in the society	22
2.1.8 Basic Assumptions of Accounting	22
2.1.9 Basic Principles of Accounting	23
2.1.10 Accounting Policies	23
2.2. Review of Related Statutory Provisions	23
2.2.1 Nepal Rastra Bank Act 2058.	23
2.2.2 Bank & Financial Institution Act 2063	24
2.2.3 Income Tax Act 2058.	25
2.2.4 Value Added Tax Act 2052	26
2.2.5 Nepal Accounting Standard	26
2.2.6 International Accounting Standard & GAAP	26
2.2.7 Company Act 2063.	26
2.2.8 Foreign Exchange Rule & regulations	26
2.2.9 Compile Directive of Nepal Rastra Bank 2062	27
2.2.10 Compliances with internal rule & regulations	41
2.2.11 Others	41
2.2.12 Present Practices in Banking Sector	45

2.3. Review of Related Studies	46
2.4 Research Gap	50
CHAPTER –III: RESEARCH METHODOLOGY	51-55
3.1 Research Design	51
3.2 Population & Sample Size	51
3.3 Data Collection Procedure	52
3.4 Research Question/Hypothesis	52
3.5 Methods of Analysis & Presentation	54
CHAPTER –IV: PRESENTATION & ANALYSIS OF DATA	56-80
4.1 Recording in Financial Sector	56
4.2. Availability of Related Software & Related Manpower	60
4.3. Mandatory Provisions for Bank and Financial Institutions	70
4.4 Major Findings	78
CHAPTER –V: SUMMARY, CONCLUSION & RECOMMENDATIONS	81-86
5.1 Summary	81
5.2 Conclusion	82
5.3 Recommendations	83
Bibliography	
Appendix	

LIST OF TABLES

<i>Table No.</i>	<i>Title</i>	<i>Page</i>
4.1	Financial Institutions Licensed by Nepal Rastra Bank	56
4.2	Fulfillment of Requirements by Present Recording System	57
4.3	Causes of Not Fulfillment of Requirements by Present Recording	58
4.4	Problems in Present Recording System	59
4.5	Present status of use of Accounting Software	61
4.6	Fulfillment of Requirements by present Accounting Software	62
4.7	Causes of Not Fulfillment of Requirements by Present Software	62
4.8	Problems in Present Software	63
4.9	Sufficiency of Efficient Manpower in Financial Institution	64
4.10	Causes of Inefficiency in H R of Financial Institutions	65
4.11	Problems in Present Manpower	66
4.12	Sufficiency of Software & Manpower in FI	67
4.13	Causes of Insufficiency of Software & Manpower in FI	68
4.14	Problems in Present Software & Manpower	69
4.15	Mandatory Standard as Prescribed by NRB for Bank & FI	71
4.16	Relevancy of Directives	72
4.17	Irrelevant part of Directives	73
4.18	Opinion of the Respondents about the Present Directives	74
4.19	Consistency of NRB Directives	75
4.20	Factors Affecting Accounting System in Financial Institutions	76
4.21	Required Factors for Improvement of Accounting System	77
4.22	Suggestions Given for Improvement of Accounting System	78

LIST OF FIGURES

<i>Figure No.</i>	<i>Title</i>	<i>Page</i>
2.1	Areas of Accounting	13
2.2	Accounting as an Information System	14
2.3	Objectives of Accounting	16
4.1	Financial Institutions Licensed by Nepal Rastra Bank	57
4.2	Problems in Present Software	64
4.3	Causes of inefficiency	67

ABBREVIATIONS

A/C	:	Account
AOA	:	Article of Association
BAFIA:		Bank & Financial Institution Act
BS	:	Bikram Sambat
CEO	:	Chief Executive Officer
CIB	:	Credit Information Bureau
CIC	:	Credit Information Center
CRR	:	Cash Reserve Ratio
FI	:	Financial Institutions
FY	:	Fiscal Year
GAAP	:	Generally Accepted Accounting Principle
HR	:	Human Resources
IT	:	Information Technology
LTD	:	Limited
MBS	:	Master of Business Studies
MOA	:	Memorandum of Association
MOF	:	Ministry of Finance
NBA	:	Non Banking Assets
NBL	:	Nepal Bank Ltd
NGO	:	Non Government Organization
NPA	:	Non Performing Assets
NRB		Nepal Rastra Bank
ODA	:	Official Development Assistance
PVT	:	Private
RBB	:	Rastriya Banijya Bank
RMDB:		Rural Micro Development Bank
RS	:	Rupees
TDS	:	Tax Deduction at Source
TU	:	Tribhuvan University
VAT	:	Value Added Tax

CHAPTER I

INTRODUCTION

Accounting is often called the language of business. The basic function of any language is to serve as a means of communication. Historical function of Accounting includes identifying the business transaction measuring, recording, classifying, summarizing, analyzing, interpreting & communicating the result to its users. The objective of this function is to report at regular intervals to owners, managers, and other interested parties by means of financial statements that include income statement, balance sheet, cash flow statements etc. The users of financial statements includes present & potential investors, employees, lenders, suppliers & other trade creditors, customers, the government & its agencies, the public & donors. They use financial statements in order to satisfy some of their different needs for information. Function of the management is concerned with planning the future activities of the enterprise and controlling the operation of the business. Managerial function of accounting helps the management in looking forward activities to be launched in future. The actual results are compared with predetermined targets with the objective of promoting maximum operational efficiency. Management of the organization will be able to make decisions regarding alternative choice, pricing decision, capital budgeting decision and so on with the help of management accounting Therefore accounting statement have to reflect true & fair view of the respective organization.

1.1. Background of the Study

Nepal is one of the least developed countries in the world lying as sandwiched between the two big countries; China and India. Poverty is widespread. Propelled by the a strong growth in both the agriculture and non-agriculture sectors, the long-ailing economy has bounced back to record 5.56 percent growth in the current fiscal year, highest economic expansion in last the seven years. With the growth, the total size of Nepali economy in producers' price has scaled up to Rs 828.8 billion (US\$12.80 billion) while the per capita income has also increased by around 11 percent to Rs 30,361 per year (470 US\$). However, with the creeping inflation, which is around 9 percent, the real purchasing capacity of Nepali consumers is estimated to grow marginally in the year. According to a preliminary estimate of national accounts

prepared by the Central Bureau of Statistics (CBS), agriculture sector, which contributes 32 percent to national economy, grew by 5.65 percent while the growth of non-agriculture sector was around 5.52 percent. The wholesale and retail sector that holds the second largest contribution to national economy after agriculture expanded by 6.43 percent whereas its expansion last year was negative. Increasing purchasing power of consumers mainly due to a double-digit growth in remittance inflow fueled the growth. Similarly, despite a strong growth in communication sector, the lengthy transport disturbances took a toll on the sector, resulting in a slowest growth of 6.6 percent in transport and communication sector, the third largest contributor to national output. The most impressive growth came from the financial intermediation sector, which mainly represents banking and insurance businesses. Being an agricultural country also, it has not being able to generate sufficient food grains. The economy is not investment friendly and the process and activities regarding the creation of this are utmost failed. Because of the various problems associated with this private sector isn't being able to show confident to cope with the existing economic & political environment.

Economic Growth of the world reached at 4.90% in 2010. Of this, emerging & developing economies grew by 6.60%. Nepal's immediate neighbors; India & China achieved growth rates of 11.1% & 10.3% respectively in 2010. Talking of South Asia as a whole the region witnessed an encouraging growth rate of 8.6% in 2010.

Nepal's economic growth rate remained below 5% in the last six years because of the country's precarious economic circumstances. In FY 2010 Nepal's GDP growth rate stood at merger 3.5% of which the agricultural sector's growth was 5.65% & the non-agricultural sector's at 3.30%. The growth rate further decelerated in FY 2010 to 3.3% with agricultural sector's marginal growth of 3.60% against the non-agricultural sectors 6.5%.

To meet the competitive position with the neighboring countries in the present globalize situation the government of Nepal have to increase her investment in the field of infrastructure developments & other various sectors. The effort of the Government only will not be sufficient for the development. To motivate private sector for investment; the government have to make investment friendly environment. Economic, monetary & investment policy have to attract the investors. Financial institutions & their rule regulation & the accounting system affect the profitability of the concerned organization & the related others

Nepal is a landlocked and least developed country in the world. Although the half century- long development practice of Nepal through its planned development endeavor takes overall socio-economic development as its overarching goal, Nepal's level of socio-economic development has been remained among the lowest in the world characterized by low per capita income, rampant poverty, mass unemployment, low life expectancy, low literacy and condition that perpetuate poverty as cyclical effect.

Since the Nepalese economy is characterized by the subsistence agriculture, which is traditional, non-mechanized, and livelihood oriented sector, poverty has been emerged as one of the threatening: challenge alone with the increasing population. Over dependency of the population of the subsistence agriculture, which is traditional, non-mechanized and livelihood oriented sector, poverty has been emerged as one of the threatening challenge along with the increasing population. This situation accompanied with slow industrial growth has resulted unemployment and disguised unemployment; which have further accelerated poverty. In the economies like Nepal where there is technological deprivation; lack of innovation and lack of alternative sources of employment; tremendous effort is required in order to improve the situation of the poverty stricken sections of the population.

Presently, Nepal is facing the most challenging issue of political conflict and instability for the last 12 years. It has been the most heart- felt problem for an individual, an organization as well as for economic development of the country. It is generally accepted that political stability, peace and security one, **the one** and good governance on the other are the pre-requisites for the socio-economic development of a country. But unfortunately, both of them are lacking in the present context of Nepal. Both the domestic and foreign investment in development sector of Nepal is decreasing and being diverted to other sector and other countries due to security situation of the country. It has raised the question mark on development assistance from foreign countries & organizations. Accordingly, human rights aspect has also been an issue for concerned persons, groups, and organizations. All these aspects have been deteriorated the socio-economic development of the nation. So, the time has come for Nepal to be serious for creating an environment for the investment and truehearted willingness to provide development assistance to the country. Still the condition has not been so severe and donor countries and organizations have been responding to Nepalese request for her development by establishing and developing

prioritized economic infrastructure, encompassing almost all sector indispensable for its socio- economic development. Likewise, it is also the concerned matter of development thinkers that most of the development partners have been saying to rethink about their development assistance to Nepal due to its security situation. It was reflected in the statement of foreign ministry official of Japan the top most development partner of Nepal: recently in June 28, 2004 the official said:”...now the time has come for Nepal to think seriously about its unstable political situation. If the political situation goes on as usual, the government of Japan has to rethink on the extending Japan’s Official Development Assistance (ODA) to Nepal”.

At present, the situation is changing day by day. Political parties are going to rethink about the political instability & political crisis. At present leaders of the political parties are tending for economic revolution & economic development by their words. It will be the milestone; if the words of the concerned leaders will appear in real practice.

1.2 Overview of the Nepalese Financial System

Sustainable economic growth requires intermediary channels for efficient allocation of funds. Through intermediary channels such as financial institutions and financial markets, funds should be efficiently channeled from depositors and investors to borrowers in need of funding to, for example, expand their business or buy a house. The role played by financial institutions and financial markets in this process is referred to as the function of financial intermediation.

To perform this function stably, financial institutions as a important financial intermediary channels need to maintain sound business operations. Financial institutions need to better satisfy various financial demands of customers and enhance profitability by continually improving the ways in which they manage risks and their business operations.

The growth of financial sector in Nepal is much better compared to the other sectors in the country. The decade long conflict has had its toll on every sector including the financial sector. Despite the conflict and political insurgency, financial sector continued growing.

Nepalese Financial sector is comprised of organized and unorganized sector. The Nepalese organized financial sector is composed of banking sector and non-banking sector. Besides commercial banks, there are sizeable numbers of

development banks, finance companies, micro-credit development banks, cooperative, NGOs and postal saving offices that undertake limited banking and financial services. Non-bank financial sector comprises Funds, Trusts and thrifts like, Employee Provident Fund, Citizen Investment Trusts, and Mutual fund.

1.3 Overview of the Financial Market

Nepal has a reasonably diversified financial sector, as evidenced by the number and variety of institutions that play an active role in this sector, relative to Nepal's small and underdeveloped economic base. Over the past 20 years, Nepal's financial sector has become deeper and the number and type of financial intermediation has grown rapidly. Within this period, the Nepalese financial sector has grown significantly both in terms of business volume and size of assets and market.

The financial sector was not opened up for private sector till the early 1980s in Nepal. At the beginning of the 1980s when financial sector was not liberalized, there were only two government-controlled commercial banks - Rastriya Banijya Bank and Nepal Bank Limited and two development banks performing banking activities in Nepal. The economic reforms initiated by the Government have changed the landscape of several sectors of the Nepalese economy. As a result of this policy, large number of banks and financial institutions mushroomed across the country. The Nepalese Financial market is comprised of organized and non-organized sector. The Nepalese organized financial sector is composed of banking sector and non-banking sector. Besides commercial banks, there are development banks, finance companies, micro-credit institutions, co-operatives and NGOs; there are other institutions that perform near-bank services like postal savings, Employee Provident Fund, Mutual Fund, and Citizen Investment Trust, insurance companies and Nepal Stock Exchange etc. Similarly, brokers, security dealers, market makers and moneychangers are other players of financial markets. However, NRB's regulatory and supervisory regime is limited to the commercial banks, Development banks, Finance companies, Micro-credit development banks, saving and credit co-operatives and non-government organizations of which license for operation is provided by Nepal Rastra Bank.

Nepal Rastra Bank (NRB), the central bank of Nepal, established in April 26, 1956, under the NRB Act 2012 is the sole authority for licensing and supervising banks and financial institutions in Nepal. Replacing NRB Act 2012, The NRB Act

2058 has empowered Nepal Rastra Bank to conduct the supervision of financial institutions and has provided more autonomy, authority and accountability to the core central banking function, which undoubtedly includes the supervision function as well.

Nepal Rastra Bank has been given various rights and powers including rights of granting license to banks and financial institutions, their monitoring, inspection & supervision and also taking over the management if it appears that transactions of the bank are detrimental to the interest of depositors. It has authority even to cancel license in case of material non-compliance of various prudential norms and relevant laws and regulations.

Banks are among the most important financial institutions in the economy and entail business in hundreds of local towns and cities. In this context, there is much confusion about exactly what a bank is. Certainly, banks must be identified by the functions (service and roles) they perform in the economy. "Banks are financial intermediaries, similarly to credit union, savings and loan associations, and other institution selling financial services. The term financial intermediaries simply mean a business that interacts with two types of individuals or institutions in the economy. Deficit spending individuals or institutions whose current expenditures for consumption and investment exceed their current receipts of income and who therefore need to raise funds externally by negotiating loans with and issuing securities to other units. On the other hand, surplus spending individuals or institutions, whose current receipts of income exceed their current expenditures on goods and services so they have surplus fund to save and invest. Therefore, there should be someone who can bridge these two individuals or institutions so that those who have surplus funds can be diverted to the deficit units. Hence, banks are that institution that performs this indispensable task to intermediating between two individuals and institutions in order to raise funds and then loaning those funds to deficit spending individuals or institutions." (Shakespeare Validly, 1999:21)

Like most of the developing countries, Nepal has a special characteristic of bank dominated financial sector. As the domestic capital and stock markets are in the initial stage of development, the banking sector largely dominates the entire financial sector. The banking sector is an important part of the national economy. Banks take deposits, support the payment system and provide the largest source of funds on the

market. Therefore, safe and sound banking is of crucial importance for the financial stability and sustainable development.

The first conventional bank in Nepal was the Nepal Bank Limited, established in 1937 A.D. followed by Rastriya Banijya Bank in 1966 A.D. These two banks are the pioneers of the Nepalese Banking industry. These banks have the largest network and they have their operations even in remote areas of the country. Rastriya Banijya Bank is fully owned by the Government while the Government has controlling stake in Nepal Bank Limited. As the financial market was barred for private investors till the mid 1980s, these two banks were the only players in the banking industry. The economic liberalization policy adopted in the mid 1980s brought about a surge in the banking industry. A large number of banks & financial institutions were established and the number continues to grow even today.

1.4 Statement of the Problem

In the present situation banks and financial institutions are growing day by day. In Nepal, numbers of financial institutions are increasing tremendously. To meet the competitive position accounting systems have to reflect true and fair view of the company.

- i. What is the recording system adopted by Financial Institutions of Nepal ?
- ii. Is the accounting systems provide reports for managerial decisions on time ?
- iii. Is the Accounting system provides information for profit planning & control ?
- iv. Is the Accounting system provides information to the outsiders which is helpful for tax planning & control and to motivate further investors in the field for the development?
- v. What is the present mandatory reporting system to NRB as prescribed by NRB directive & its implication in the present market scenario?

1.5 Objectives of the Study

Main objective of the study is to judge the proper accounting system in Bank & Financial institutions. Other objectives of the study can be pointed out as below:-

- i. To know the recording system adopted by Financial Institutions of Nepal.
- ii. To analyze the present mandatory reporting system to NRB as prescribed by NRB directive & its implication in the present market scenario.
- iii. To overview the availability of related software and related manpower

- iv. To provide suggestions and recommendations on the basis of findings.

1.6 Significance of the Study

The Nature of banking business is totally different from other normal types of business. Therefore these sectors have to be monitored & supervised strictly. The underlying philosophy governing bank supervision is that banks should be free to allocate credit according to market forces and should be entitled to set terms and conditions for their operations in an environment of competition. However, strict supervisory rules should be set for bank behavior in order to protect depositors and other creditors and the financial system as a whole. Pursuant to this, the objective of bank supervision in Nepal is to promote and maintain the safety, soundness, and integrity of the Nepalese banking and financial system and of each institution within the system; while promoting confidence in the financial system through the implementation of policies and standards that are in keeping with international best practices for supervision and regulation.

Nepal Rastra Bank should be committed to strengthen and ensure the stability and soundness of the banking system. To this end, a number of circulars and directives have been issued to banking institutions. Further the operational contact that the department maintains through its on-site examinations, off-site surveillance & analysis and in the regulatory policy formulations with the banking institutions makes for the achievement of the department's supervisory objectives. In performing the above role, the Bank, through the Banking Supervision Department strives to ensure compliance with the BAFIA by banking institutions under its jurisdiction. In order to achieve the role of protecting the interests of depositors, the department has crafted a number of prudential requirements to be complied with by banking institutions. The prudential requirements advised on banking institutions are designed to limit risk taking to levels that are manageable and that do not place the individual banking institution and the banking system at risk. In addition to other prevailing laws, the main legislative framework for bank & financial institutions includes:

- Nepal Rastra Bank Act 2002
- Bank and Financial Institutions Act, 2006 (Umbrella Act)
- Company Act 2006
- Supervision By-laws 2002
- Unified Directives to commercial banks and financial institutions

- Income Tax Act 2058
- Value Added tax Act 2052

Different organizations are using different types of accounting system. Some organizations are using accrual based accounting & some are using cash based accounting system where as some are using mixed system of both cash & accrual based accounting system. Some organizations are using straight line method for calculating depreciation where as some are using diminishing based depreciation method.. When the accounting system & accounting policy differs in between the companies and in between the period, profitability in different accounting system will differ and accounting statement will not be comparable to each other and in between the period. We have to be clear about use of accounting system & their effect in the profitability & in overall reliability of the accounting results. This study will focus on the use of accounting system in financial sector

Due to its nature, financial markets are seeking highly qualified & competent manpower & systematic accounting system to meet the keen competition in the market. Demands of higher level managers in organizations particularly in the functional areas of management are lacking. Accounting is a backbone of an organization. Accounting covers from identifying to reporting. As an account manager of an organization he/she have to plan and make his/her budget for budgetary control by coordinating all other department. He/she have to report to the related stakeholders as per their requirement. The organizations have to be aware about:-

- Whether the recording system is adequate for recording or it is necessary for modification?
- Whether the available technical area (Available Software & their developers & supporters) are sufficient or not for supporting in recording the information?
- How easily the recorded data can be converted into reporting?
- Whether the prescribed formats for reporting is significant for reporting?
- Whether the problem faced by the related manpower are solved by the concerned body or not?
- Whether the available man power are efficient or the extra skills have to develop for meeting the present and upcoming competition?

Financial institutions make various investment decisions after analyzing financial report of the concerned company. When the recording system of the organization is not sound at that situation reporting system will always be poor. When the reporting system is poor at that situation the organization can not communicate and transmit the required information to the concerned stakeholder and the management can not take appropriate managerial decision on time. At that situation, the efficiency of the organization will be poor and the goodwill of the organization will decrease. Recording & reporting system will affect as a whole in sustainability of the organization. When the financial report of the company does not reflect the true and fair view of the company, the financial institution can not collect installment on time and can not collect the loan and advance amount. At that situation the institution have to suffer from loss. Similarly the financial system adopted by the financial institution will affect the overall financial position of the company. When the management of the financial institution will not be aware on time the effect will be expanded and the problem arises in whole economy. Amount of depositors will not be safe at that situation. Two major commercial banks operated under government ownership are in reform program because of the inefficient management & inappropriate accounting policy adopted by the company and poor corrective action. According to Bank & Financial Institution act 2063 accounting records have to keep according to the Format prescribed and guided by Nepal Rastra Bank. NRB as a regulating body, control or direct to the financial sector. NRB has specified certain formats for recording & reporting. The Bank & financial institution thoroughly have to follow directives of Nepal Rastra Bank. Account officers have to be aware about the directives of Nepal Rastra Bank. This study will try to survey the prevailing accounting system in financial sectors which will help for further study and implement about the recording and reporting system required for the financial institution in the changed present globalize situation.

The above areas are related to the concerned stakeholders in day to day activities. To be aware about the concerned topic it is necessary for further study.

1.7 Limitations of the Study

- i. This study is basically based on the survey of present recording system adopted by the financial institutions of Nepal & guidance of NRB directives 2062 which specifies certain reporting formats.

- ii. This study will not cover the recording system of financial institutions in micro level.
- iii. This study only covered those financial institutions affiliated with NRB.
- iv. Financial constraints and time constraints are also the major limitation of the study.
- v. The recommendations of this study may or may not be applicable to other areas.

1.8 Organization of the Study

The first chapter includes the introductory framework of the study that contains background, introduction of the study, objective of the study, statement of the problems, and limitations of the study and chapter scheme of the study.

The second chapter deals with the review of previous research in the form of books, journals and unpublished materials, conceptual framework regarding the accounting systems and mandatory system. So this is an independent research on the related field.

The third chapter is the research methodology, which deals with research design, nature and sources of data, population sample, time period, data gathering procedure and tools of data analysis for the study, various financial and statistical tools have been used.

The fourth chapter deals with the presentation and analysis of relevant data and information through a definite course of research design. This chapter consists of organizing, tabulating and assessing the data related to the recording system adopted by Financial Institutions of Nepal as well as the present mandatory reporting system to NRB as prescribed by NRB directive & its implication in the present market scenario.

The last fifth chapter explains about the summary, conclusion and recommendations on the basis of study findings.

Finally an extensive bibliography and appendix has been presented at the end of the study.

CHAPTER II

REVIEW OF LITERATURE

In all activities & in all organizations which require money & other economic resources, accounting is required to account for these resources. In other words, where money is involved, accounting is required to account for it. Accounting is often called the language of business. The basic function of any language is to serve as a means of communication. Accounting also serves this function.

2.1 Conceptual/Theoretical Review

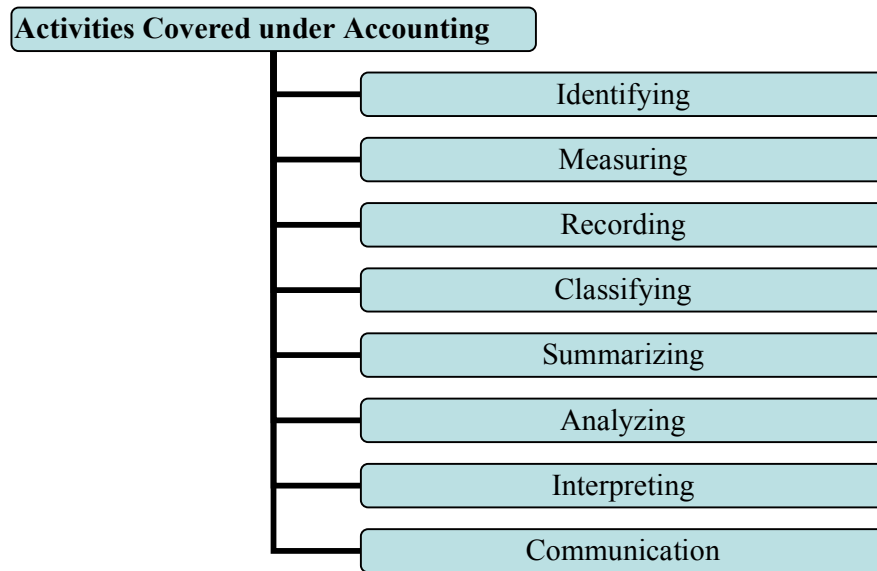
Accounting is the process to ascertain profit or loss during a specified period and to show financial condition of the business on a particular date. Accounting records have to be maintained to measure the income of the business and reflect the financial position. Accounting process will be guided by the existing rule & regulations of the country & the guidance of the concerned industry where recording system play a vital role. Fundamental concepts of accounting affect the accounting system in the financial sector & their profitability is guided by that. Brief reviews of the conceptual frame work are presented as follows.

2.1.1 Meaning & Process of Accounting

Accounting, as an information system is the process of identifying, measuring & communicating the economic information of an organization to its users who need the information for decision making. Thus accounting covers the following activities:

- a. **Identifying the Transactions & Events:-**Accounting identifies transactions & events of a specific entity. A transaction is an exchange in which each participant receives or sacrifices value. An event is happening of consequence to an entity. An entity means an economic unit that performs economic activities.
- b. **Measuring the Identified Transactions & Events:-**Accounting measures the transactions and events in terms of a common measurement unit, that is the ruling currency of a country.

- c. **Recording:**-Recording is concerned with the recording of identified & measured financial transactions in an orderly manner, soon after their occurrence in the proper books of accounts.
- d. **Classifying:**-It is concerned with the classification of the recorded transaction so as to group the transactions of similar type at one place. This function is performed by maintaining the ledger in which different accounts are opened to which related transactions are brought to one place by posting.



Areas of Accounting

Figure No:- 2.1

- e. **Summarizing:**-It is concerned with the summarization of the classified transactions in a manner useful to the users. This function involves the preparation of financial statements such as income statement, Balance Sheet, Statement of changes in financial position, Statement of Cash Flow, Statement of Value added.
- f. **Analyzing:**-It is concerned with the establishment of relationship between the various items or group of items taken from income statement, Balance Sheet or both. Its purpose is to identify the financial strengths & weaknesses of the enterprises. It provides the basis for interpretation.

- g. **Interpreting:-**It is concerned with explaining the meaning & significance of the relationship so established by the analysis. Nowadays, the first six functions are performed by electronic data processing device & the accountants have to concentrate mainly on the interpretation aspects of accounting. The accountants should interpret the statements in a manner useful to the users so as to enable the users to make reasoned decisions out of alternative courses of actions. The accountant should explain not only what has happened but also (a) why it happened & (b) what is likely to happen under specified conditions.
- h. **Communicating:-** It is concerned with transmission of summarized, analyzed and interpreted information to the users to enable them to make reasoned decisions.

Communication is processed by an accounting cycle through which the identified & measured transactions & events pass. Accounting performs a basic function of a language that is to serve as a means of communication. It is an information system which communicates the accounting information to the users to enable them to make reasoned decisions. As information system, accounting may be viewed as under:-

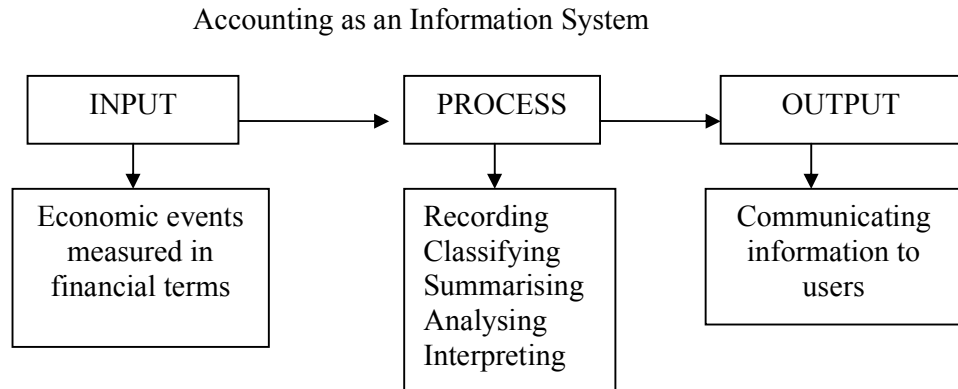


Figure No. 2.2

2.1.2 Primary Objectives of Accounting

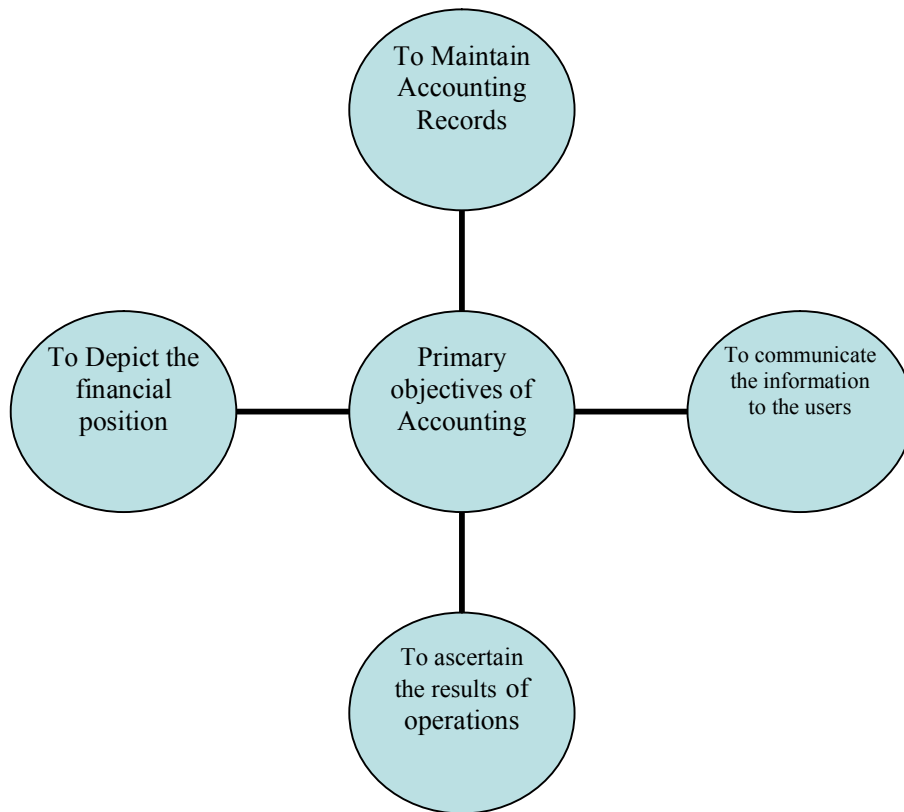
The main objectives of accounting are as follows:-

- a. **To Maintain Accounting Records:-** Written records are always better than oral records, since written records can be used by different persons for decision making purposes and serve as evidence of transactions. Now a day,

the volume of transactions is so large, a human memory cannot absorb each & every transactions. Accounting is done to keep a systematic record of

- Financial transactions
- Assets
- Liabilities

- b. **To ascertain the results of Operations:-** To measure the financial performance of an enterprise, the results of operations are ascertained by preparing an income statement which shows the matching of current costs with current revenue during a particular accounting period. A systematic record of incomes & expenses facilitates the preparation of the income statement.
- c. **To depict the financial position:-** To evaluate the financial strength & weakness of an enterprise, the financial position is ascertained by preparing a position statement which shows resources owned by the enterprise and the sources of financing those resources. A businessman wants to know what the business owns, and what happened to his capital whether the capital has increased, decreased or remained constant. A systematic record of various assets and liabilities facilitates the preparation of a position statement which answers all these questions.
- d. **To Communicate the information to the Users:-** Accounting communicates information to internal users & external users. The internal users include all the organizational participants at all levels of management. Top level management requires information for planning, middle level management requires information for controlling the operations. For internal use, the information is usually provided in the form of reports, for instance Cash Budget reports, idle time reports, feedback reports, whether to retain or replace an equipment decision report, project appraisal report etc. Since the external users do not have direct access to all the records of an enterprise, they have to rely on financial statements as the source of information. External users are basically interested in the solvency and profitability of an enterprise.



Primary objectives of Accounting

Figure No: 2.3

2.1.3 Advantages of Accounting

The Advantages of accounting are as follows:-

- a. **Facilitates to Replace Memory:-** Accounting facilitates to replace human memory by maintaining complete record of financial transactions. Human memory is limited by its very nature. Accounting helps to overcome this limitation.
- b. **Facilitates to Comply with Legal Requirements:-** Accounting facilitates to comply with legal requirements which require an enterprise to maintain books of account.
- c. **Facilities to Ascertain Net Result of operations:-** Account facilitates to ascertain net results of operation by preparing Income statement.
- d. **Facilitates to Ascertain Financial Position:-** Accounting facilitates to ascertain financial position by preparing position statement.
- e. **Facilitates the users to take Decisions:-** Accounting facilitates the users (i.e. short-term creditors, Long-term creditors, present investors, Potential

Investors, Employee groups, Management, General Public, Tax authorities) to take decisions by communicating accounting information to them.

- f. **Facilitates a comparative Study:-** Accounting facilitates a comparative study in the following four ways:-
- Comparison of actual figures with standard or budgeted figures for the same period and the same firm;
 - Comparison of actual figures of one period with those of another period for the same firm(Intra-firm Comparison);
 - Comparison of actual figures of one firm with those of another standard firm belonging to the same industry (i. e. Inter-firm comparison); and
 - Comparison of actual figures of one firm with those of industry to which the firm belong (i.e. Pattern Comparison)
- g. **Assists the Management:-**Accounting assists the management in planning and controlling business activities and in taking decisions. For example Projected Cash Flow statement facilitates the management to know future receipts and payments and to take decision regarding anticipated surplus or shortage of funds.
- h. **Facilitates Control over Assets:-** Accounting facilitates control over assets by providing information regarding cash balance, Bank Balance, Debtors, Fixed Assets, Stock etc
- i. **Facilitates the Settlement of Tax Liability:-** Accounting facilitates the settlement of tax liability with the authorities by maintaining proper books of accounts in systematic manner.
- j. **Facilitates the Ascertainment of value of Business:-** Accounting facilitates the ascertainment of value of business in case of transfer of business to another entity.
- k. **Facilitates Raising Loans:-**Accounting facilitates raising loans from lenders by providing them historical & projected financial statements.
- l. **Acts as Legal Evidence:-** Proper books of accounts maintained in systematic manner act as legal evidence in case of disputes.

2.1.4 Types of Accounting Information

Accounting information may be classified in number of ways on the basis of purpose of accounting information, on the basis of measurement criteria and so on. The various types of accounting information are given below:-

a. Accounting information relating to financial transactions & events

i. **Financial Position**:-Information about financial position is primarily provided in a balance sheet.

The financial position of an enterprise is affected by the economic resources it controls, its financial structure, its liquidity and solvency, and its capacity to adapt to changes in the environment in which it operates.

- Information about the economic resources controlled by the enterprise and its capacity in the past to alter these resources is useful in predicting the ability of the enterprise to generate cash and cash equivalents in the future.

- Information about financial structure is useful in predicting future borrowing needs and how future profits and cash flows will be distributed among those with an interest in the enterprises; it is also useful in predicting how successful the enterprise is likely to be in raising further finance.

- Information about liquidity and solvency is useful in predicting the ability of the enterprise to meet its financial commitments as they fall due. Liquidity refers to the availability of cash in the near future to meet financial commitments over this period. Solvency refers to the availability of cash over the longer term to meet financial commitments as they fall due.

ii. **Financial Performance**:- Information about financial performance is primarily provided in the statement of Profit & Loss (also known as Income Statement).

Information about the performance of the enterprise, in particular its profitability is required in order to assess potential changes in the economic resources that it is likely to control in the future. Information about variability of performance is important in this respect. Information about performance is useful in predicting the capacity of the enterprise to

generate cash flows from its existing resource base. It is also useful in forming judgments about the effectiveness with which the enterprise might employ additional resources.

iii. **Cash Flows:-** Information about cash flows is provided in the financial statements by means of a cash flow statement

Information concerning cash flows of an enterprise is useful in order to evaluate its investing, financial and operating activities during the reporting period. This information is useful in providing the users with a basis to assess the ability of the enterprises to generate cash and cash equivalents and the needs of the enterprises to utilize those cash flows.

Such information may further be classified as follows:

- On the basis of Historical cost
- On the basis of a current costs
- On the basis of Realizable value
- On the basis of present value

- b. Accounting information relating to cost of a product, operation or function**
- c. Accounting information relating to planning & controlling the activities of enterprise for internal reporting.**

Such information may further be classified as follows:-

- Information relating to Finance Area
 - Information relating to Production Area
 - Information relating to Marketing Area.
 - Information relating to Personnel Area.
 - Information relating to Other Areas (Such as Research & Development).
- d. Accounting information relating to social effects of business decisions.**
 - e. Accounting information relating to environment & ecology.**
 - f. Accounting information relating to Human Resources.**

2.1.5 Qualitative Characteristics of Accounting Information

Qualitative characteristics are the attributes that make the information provided in financial statements useful to users. The four principal qualitative characteristics are:-

a. **Reliability**:- To be useful, information must also be reliable. Information has the quality of reliability when it is free from material error and bias and can be depended upon by user to represent faithfully that which it either purports or could reasonably be expected to represent. Information may be relevant but so unreliable in nature or representation that its recognition may be potentially misleading and so it becomes useless. Reliability of the financial statements is dependent on the following:

- **Faithful Representation**:-To be reliable, information must represent faithfully the transactions and other events which either purports to represent or could reasonably be expected to represent. Most financial information is subject to some risks of being less than faithful representation of that which it purports to portray. This is not due to bias, but rather due to enhanced difficulties either in identifying the transactions or other event to be measured in devising or applying measurements and presentation techniques that can convey messages that correspond with those transaction and events.
- **Substance over Form**: If information is to represent faithfully the transaction and other event that it purports to represent, it is necessary that they are accounted for and presented in accordance with their substance and economics reality and not merely by their legal forms. The substance of transaction or other event is not always consistent with that which is apart from their legal or contrived form.
- **Neutrality**:- To be reliable, the information contained in financial statement must be neutral. Financial statements are not neutral if by selective presentation of information they influence the making of the decision or judgment in order to achieve a predetermined result or outcome.
- **Prudence**:- The preparers of financial statement have to contend with uncertainties that inevitable surround many events and circumstances. Such uncertainties are to be recognized by the disclosure of their nature and extent and by exercise of prudence in the financial statements. Prudence is the inclusion of the degree of caution. In the exercise of judgment needed in making the estimate required under conditions of

uncertainties so that assets or income are not overstated and liabilities or expenses are not understated. However, the exercise of prudence does not allow the creation of hidden reserves excessive provisions, the deliberate understatement of assets or income or deliberate over statement of liabilities or expenses.

- **Completeness:-** To be reliable the information in the financial statements must be complete within the bounds of materiality and cost. An omission can cause information to be false or misleading and thus, unreliable and deficient in terms of its relevance.
- b. **Relevance:-** To be useful, information must be relevant to the decision making needs of users. Information has the quality of relevance when it influences the economic decisions of the users by helping them to evaluate past, present or future events or confirming or correcting their past evaluation. The productive & confirmatory roles of information are interrelated.
- c. **Understandability:-** An essential quality of the information provided in financial statements is that it is readily understandable by users. For this purpose, users are assumed to have a reasonable knowledge of business & economic activities & accounting & a willingness to study the information with reasonable diligence.
- d. **Comparability:-** User must be able to compare the financial statements of an enterprise through time to identify trends in its financial position & performance. Users must also be able to compare the financial statements of different enterprises in order to evaluate their relative financial position, performance & changes in financial position.

2.1.6 Accrual basis of Accounting & Cash basis of Accounting

For the purpose of recording transactions there are two basis of accounting. They are:-

- a. **Accrual Basis of Accounting:-** Accrual basis of accounting is a method of recording transactions by which revenue, cash, assets & liabilities are reflected in the accounts for the period in which they accrue. This basis includes consideration relating to deferrals, allocations, depreciation & amortization. This basis is also referred to as mercantile basis of accounting.

- b. **Cash Basis of Accounting:-** Cash Basis of Accounting is a method of recording transactions by which revenues, costs, assets and liabilities are reflected in the accounts for the period in which actual receipts or actual payments are made.

2.1.7 Role of an Accountant in the society

An accountant with his education, training, analytical mind & experience is best qualified to provide multiple need based service to the ever growing society. The accountants of today can do full justice not only to matters relating to taxation, costing, management accounting, financial layout, company legislation & procedures but they can act in the fields relating to financial policies, budgetary policies and even economic principles. The services rendered by accountants to the society include the following:-

- a. To maintain the books of accounts in a systematic manner.
- b. To act as a statutory auditor.
- c. To act as an internal auditor.
- d. To act as social auditor.
- e. To act as taxation adviser.
- f. To act as management accountant.
- g. To act as financial advisor.
- h. To provide management consultancy services.
- i. To act as company law advisor.
- j. To act as liquidator.
- k. To act as arbitrator.
- l. To act as receiver.
- m. To act as management information system consultant.

2.1.8 Basic Assumptions of Accounting

The basic assumptions of accounting are like foundation pillars on which the structure of accounting is based. The four basic assumptions are accounting Entity Assumption, Money Measurement Assumption, Going Concern Assumption & Accounting Period Assumption.

2.1.9 Basic Principles of Accounting

Basic principles of accounting are Duality Principle, Objectivity Principle, Historical Cost Principle, Revenue Recognition Principle, Matching Principle & Full Disclosure Principle.

2.1.10 Accounting Policies

Accounting policies refer to the specific accounting principles & methods of applying those principles adopted by the enterprise in the preparation & presentation of financial statements. There is no single list of accounting policies which are applicable to all enterprises in all circumstances. The management of each enterprise has to select appropriate accounting policies having regard to the nature & circumstances of the enterprise.

The major considerations governing the selection and application of accounting policies are prudence, substance over form, materiality etc.

2.2 Review of Related Statutory Provisions

There are various statutory provisions which are mandatory compliance to the concerned institutions. Bank & financial institutions are guided by the various acts, rule & regulations. These institutions must have to fulfill the compliances and provisions made by them. Therefore some related acts are reviewed as follows:-

2.2.1 Nepal Rastra Bank Act 2058

According to section 79 Nepal Rastra Bank can ask for reporting about

- Account within the balance Sheet..
- Off Balance Sheet transactions & promise.
- Statement of income & expenditure.
- Ratio of the headings of the income & expenditure account & the balance sheet..
- Special types of conditions, & promise on loan and advance which are not in the boundary specified by Nepal Rastra Bank.
- Time wise Adjustment of Assets & liabilities
- Position of foreign currency.
- Spot & Advance exchange rate.

- Swap Option, & similar types of instrument.
- Payment system through electronic & other similar medium.
- Statement as specified by Nepal Rastra Bank.

Therefore the bank & financial institutions have to consider the provisions specified by Nepal Rastra Bank in their recording process so that they can perform their reporting obligations on time. In this regard the bank & financial institutions have to develop their format as prescribed by Nepal Rastra Bank & record their transactions accordingly.

If the bank & financial institutions fail to record the transaction & report as per requirements, Nepal Rastra Bank can punish to the concerned bank & financial institution according to Nepal Rastra Bank Act 2058.

2.2.2 Bank & financial institution Act 2063

Bank & financial institution Act 2063 is the main act for guiding bank & financial institutions. It has specified certain conditions that which will directly affect the recording system of the bank & financial institutions. Some factors which affect the recording system can be pointed out as follows:-

- Fees & benefits of chairman & board members should be as specified in AOA/MOA.
- Appointment, qualification & benefits of the chief executive
- Profit appropriation to general reserve
- Distribution of dividend.
- Whether the activities are within the scope as defined by BAFIA.
- Whether the prohibited financial activities are being pursued
- Control & notification of dormant deposit accounts & unclaimed dividend.
- According to section 33 Bank & Financial Institutions have to obey & follow the conditions specified by Nepal Rastra Bank.
- According to section 40 Bank & financial institutions have to maintain capital as specified by Nepal Rastra Bank.
- Transaction should be done with in the periphery specified in section 47.

- According to Section 58 Bank & financial Institutions have to keep accounting, records statement & other things as specified by Nepal Rastra Bank.

If the bank & financial institutions fail to follow the instructions of Nepal Rastra Bank; Nepal Rastra Bank can punish to the bank & financial institutions according to Nepal Rastra Bank Act 2058 & Bank & Financial Institutions Act 2063. Therefore the Bank & financial Institutions have to make & keep their record according to bank & financial institution act.

2.2.3 Income Tax Act 2058

Recording system of Bank & financial Institutions are directly affected by income Tax Act 2058. Following provisions are prevailing in Income Tax Act 2058:-

- Tax should be calculated according to section 7 of income tax act 2058.
- Deductions will be allowed according to section 11, 12, 13, 14, 16, 17, 18, 19, 20,.
- Deductions will not be allowed for the expenses as specified in section 21.
- Section 22, 23 & 24 have specified about the accounting system.
- Section 25 has specified about bad debt & their reversal techniques which are very important for bank & financial Institutions.
- Depreciation should be calculated as specified by income tax Act 2058.
- TDS deductions should be done according to section 87, 88 & 89.
- Deducted TDS should be submitted according to section 90.
- Final withholding tax should be deducted for the payment as specified in section 92.
- Installment Tax should be submitted as per section 94 & 95.
- Income Tax written should be submitted as per section 96.
- Similarly other various provisions are there which are mandatory to the bank & financial institutions.

If the Bank & Financial Institution fail to follow the compliances as specified in the act, the institutions have to suffer from various losses as per section 123, 124, 125, 126, 127, 128, 129 of income tax act 2058

2.2.4 Value Added Tax Act 2052

According to section 14(4) of Value added tax act 2052; tax invoice have to be kept with the goods if the goods worth Rs 10000 or above have to be delivered outside the area as specified by the internal revenue department. Goods worth Rs 10000.00 or above should have to be purchased with the firm who is registered in Value Added Tax.

2.2.5 Nepal Accounting Standard

Nepal Accounting Standard has developed some mandatory & some voluntary compliance that should be followed by the bank & financial institutions.

2.2.6 International Accounting Standard & Generally Accepted Accounting Principles

Accounting system & procedures which are not specified in Nepal Accounting Standard should have to follow the generally accepted accounting principle & International Accounting Standard.

2.2.7 Company Act 2063

Compliances as specified by company act 2063 should be considered while recording the transactions of bank & financial institutions.

2.2.8 Foreign Exchange Rule & Regulations

Foreign exchange rule & regulations are directly related to the commercial banks recording system. The following sectors directly affect the recording system of the commercial banks:-

- Whether payments of goods imported and invisible imports are made as per circulars.
- Whether deposit accounts of foreign currency are operated as per circulars.

- Whether card transactions are done as per circulars.
- Whether foreign exchange transactions are properly recorded and reported in a timely manner.
- Whether investment in foreign currency are made as per standard approved by the board of directors.
- Whether payments of exports are received and reported timely as per circulars.
- Whether transactions of Indian currency are made as per circulars.

Transaction of foreign currency can be done only by the A class financial institution. Therefore while recording the transactions by commercial bank (A Class financial Institutions); above factors should have to be considered.

2.2.9 Compiled directive of Nepal Rastra Bank 2062

- **Capital Fund (Directive No 1)**

As per directive no 1 of Nepal Rastra Bank (with amendment), licensed institutions from group A to C have to maintain 5.5% primary capital & 11% capital fund in respect to the risk weighted assets; where group D institutions have to maintain 4% & 8% respectively. For this purpose primary capital, supplementary capital & risk weighted assets are calculated as per details attached in capital fund table & risk weighted assets which are incorporated in appendix.

Computation of core capital, supplementary capital, capital fund & risk weighted assets are important for the internal control & NRB reporting as well. Therefore while recording the transaction items should be classified as per requirement.

Capital adequacy & capital plan at the time of inadequate capital will indicate the overall position of the financial institution.

- **Loan Classification, Loan Loss Provisioning (Directive No 2).**

Directive no 2 specify about the classification of loan & advance and their provision. Quality of loan & advance & their provision, adequacy of provision, provision for the restructured and rescheduled loan, loan loss

provision for loan issued with personal & corporate guarantee etc and adjustment & write back of loan loss provision etc are important at the time of recording. If the bank & financial institution fail to follow the provisions specified in directive no 2 bank & financial institutions can be punished as per section 100 of Nepal Rastra Bank act 2058.

- **Single Obligor Limit (Directive No 3).**

Licensed institutions can provide fund based loan & advance up to the limit of 25% of primary capital to a single firm company or related group of customer, where the institutions can provide up to the limit of 50% if the facility is non fund based like letter of credit & other guarantee.

Licensed institutions have to formulate & analyze sector wise concentration for the purpose of minimizing concentration risk.

At the time of recording consideration should be made about the single obligor limit & sector wise consideration provision.

- **Presentation & disclosure in the financial statements (Directive No 4).**

According to directive no 4, licensed institution have to record their transaction by considering 1st shrawan to end of Ashad as a fiscal year. For the year of registration, established date to end of Ashad will be the fiscal year.

While recording the transactions, provisions specified in the directive have to follow thoroughly. Formats specified in the directive can not be changed. Other aspects of the recording and reporting which are not covered by directive should follow the Nepal accounting standard & other than in this should follow the International accounting standard.

Licensed institutions have to follow the accounting policies and financial reporting framework as prescribed by Nepal Rastra Bank. Change in accounting policy should be expressed in the annex of the annual report. Brief introduction about the accounting heading are as follows:-

- **Depreciation Policy**:-Licensed institutions normally can follow generally accepted accounting principles (GAAP) for the purpose of deducting depreciation. Depreciation policy and rate can be adopted by the management of the organization within the prevailing rule & regulation. But depreciation policy should have to be expressed in their accounting policy.
- **Provision for income tax**:- Profit as per profit & loss account & taxable profit can be different because of the special provision in income tax act & income tax rule. Income tax act & income tax rule may not allow certain types of expenses. Some heading may be income tax deductible. Therefore accounting policy have to make provisions for income tax as per income tax act. That policy should have to be reflected in to their accounting policies.
- **Investment Policy**:- The Licensed institutions have to record tradable investment & held in maturity investment on different heading. Investment on share/debenture/government securities should be valued on market price or book value whichever is less. Price of the listed share/debenture/other securities fluctuate regularly. Therefore if the market prices of the listed companies are lower at that situation provision should be made for differential amount & that should be deducted from the investment amount. If the investments are not listed in stock exchange, investment adjustment fund have to be created & net investment only be shown in investment. If the bonus share are from the investment, only the number of share have to be increased. These policies also have to be reflected in to the accounting policies of the company.
- **Exchange fluctuation Adjustment Policy**:- The Licensed institutions have to record trading profit/loss & revaluation gain/loss in different account heading. Adjustment should be done at least one time at a month in exchange fluctuation account according to the fluctuation in foreign exchange rate. At the year end, financial institutions have to write expenses in profit & loss account if there is net exchange fluctuation loss. Similarly income should be recorded in profit & loss

account if there is profit in exchange fluctuation & at least 25% have to be allocated for exchange fluctuation fund.

- **Accounting policy for non banking assets:-** The Licensed institutions can collect their loan and advance and due interest amount by selling the collateral of loan and advance if the borrower fails to pay loan and advance & the interest on time. At the time of recovering loan through auction, the institution itself can takeover the ownership of the pledged assets. At that situation the institution has to take on market price of the asset & due amount which ever is less. Accrued interest should be adjusted in interest suspense account.
 - **Policy for non capitalizing assets:-** The Licensed institution can make policy of not capitalizing the items and to make & write expenses for the items purchased up to certain limit. That policy should be reflected in accounting policy of the financial institution.
 - **Accounting policy on income & expenditure:-** Generally, the Licensed institutions have to adopt accrual based accounting system but for the purpose of interest income on loan & advance, the institutions have to adopt cash based accounting system. This should be reflected in to their accounting policy.
 - **Policy for loan loss provision & write back of default loan:-** The Licensed institutions have to make provision for loan & advance. Similarly the institutions have to write back for loan & advances which are not recoverable. That should be reflected in the accounting policy.
 - **Other policy:-** The Licensed institutions have to reflect their accounting policy as per directive no 4-2.9 .
- **Risk Minimization (Directive No 5).**

The licensed institution can face liquidity, interest rate, foreign exchange & loan related risk in the transaction of their business. To minimize & evaluate the risk the licensed institutions have to categorize their risk in the following four group according to directive no 5:-

- Liquidity related risk.
- Interest rate related risk.
- Foreign exchange rate related risk.

- Loan & advance related risk.

The institutions have to develop mechanisms to minimize liquidity risk, use of gap analysis and other mechanisms to measure & manage interest rate risk & mechanism to minimize foreign exchange risk. To categorize & evaluate the different types of risk the licensed institutions have to record their transaction accordingly.

- **Corporate governance (Directive No 6).**

For the sake of recording data for accounting & other purpose, there should be certain plan policies & guidelines. Formulation & implementation of required plans policies & guidelines should be made for the corporate governance of the company. Code of conduct of directors, chief executive & employees will affect the recording process. There may be certain provisions for the loan & advance facility to the shareholders, directors, chief executive officers, & employees. According to directive no 6.6 licensed institution can not provide loan & advance /non fund based facilities to the director & their family. At the time of recording, special provision & corporate governance are important for recording & as a whole in accounting process also.

- **Implementation of Supervisory Findings (Directive No 7).**

- At the time of onsite & offsite supervision, NRB can give certain direction for the fulfillment of certain compliances. Direction of NRB & its implementation will be based on the accounting record & their reporting. Licensed institutions have to follow & implement the direction as per directive no 7.

- **Investment in shares & debentures (Directive No 8).**

Provisions made by NRB as per directive no 8 are as follows:-

- Investments in unlisted companies.
- Investment in companies with financial interest.
- Investment in shares of other bank/financial institutions.
- Investment in shares & debentures exceeding the limits.
- Investment arising out of underwriting commitments.
- Review of the investment portfolio.
- Adequacy of provisioning requirements.

Recording should be done as per provision of this directive.

- **Reporting Requirements (Directive No 9).**

Licensed bank & financial institutions have to report to NRB as per NRB directive no 9. Formats prescribed by NRB can not be changed. For the purpose of proper reporting, proper recording should be done. Therefore this directive is vital for the concerned bank & financial institution & for accounting as well.

NRB is a regulating & supervising body for the financial institutions. It has specified certain formats for reporting for the purpose of regulating & supervising. Reporting formats are important for the purpose of offsite inspection. NRB uses the reported data for the analysis of the economic & monetary policy of the government and its implication in the macro economic situation.

Objectives of the mandatory reporting

Bank & financial institutions have to submit the report as per the above list with in a specified time period. Objectives of the reporting can be point out as follows:-

- a. To see the effort of higher level management & other managerial sectors, mainly human resource management, fund management, internal auditing, information technology, credit management, deposit management & financial management etc in the internal control, risk minimization & maintaining corporate governance.
- b. To use the micro level data in macro level.
- c. To overview whether the directive issued by NRB and other concerned institutions are following by the bank & financial institutions or not.
- d. To see whether the bank & financial institutions have required rule & regulations or not. Whether they are following the rule regulations & conducts of the organizations or not.
- e. To see the availability of related software to generate the required reporting system or not.
- f. To see the required competent human resources to operate & report to the concerned body or not.

- g. To see the operation process of the concerned bank & financial institutions that whether they are competent in the changed globalize situation or not.
- h. Other objectives of the regular reporting can be pointed out as follows:-
 - Deposit mobilization.
 - Loan Management.
 - To overview spread rate.
 - To overview the qty of NPA.
 - To overview the risk management.
 - To overview the internal control system.
 - To overview the disaster management
 - To overview the level of information technology.
 - To overview the level of profit & loss.
 - To overview the cash/ Vault management.
 - To overview the treasury management.
 - To overview the overall financial management.

Mandatory formats for reporting can be classified as bellow.

a. Formats for daily reporting

As per NRB directive, inter bank borrowing have to be reported to NRB after one day of the borrowing transaction made. Objective of the reporting is to be aware about the liquidity position of the bank & financial institution & to be aware about the rate of interest in the market.

b. Formats for weekly reporting

As per directive no 13; A class financial institutions have to maintain 5% compulsory CRR. of total deposit at NRB. Similarly B & C class financial institutions have to maintain 2% compulsory CRR of total deposit & borrowing at NRB.

Bank & financial institution have to send report to the concerned supervision department within 7 days. Calculation of CRR will be done as per weekly basis (Sunday to Saturday).If the bank & financial institution fail to maintain the required CRR, the institution have to pay interest as per general interest rate.

c. Formats for monthly reporting

Bank & financial institutions have to submit following reports at bank & financial institution regulation department & concerned supervision department

within 15 days. Statement should be prepared consolidating all of the financial institution's branches as a single unit

- Profit & Loss A/C as per NRB format 9.2.
- Balance Sheet as per NRB format 9.1.
- Sector wise statement of loan & advances as per NRB format 9.3.
- Collateral wise statement of loan & advances as per NRB format 9.4.
- Deposit collection detail as per NRB format 9.8.
- Loan & advances to the public enterprises as per NRB format 9.7
- Statement of foreign assets as per NRB format 9.10.
- Investment on government bond & NRB bond as per NRB format 8.1.
- Investment on share capital of the company as per NRB format 8.2.
- Investment on debenture of corporate institution as per NRB format 8.3.

d. Formats for quarterly reporting

Bank & financial institutions have to submit following reports at bank & financial institution regulation department & concerned supervision department within 1month. Statement should be prepared consolidating all of the financial institution's branches as a single unit

- Loan & advances to priority & deprive sector as per NRB format 9.5
Loan & advances to Director /CEO/Promoters/Employees/Shareholders as per NRB format 9.6
- Interest rate & amount wise Statement of fixed deposit as per NRB format 9.11.
- Amount due to the big Loanee as per NRB format 9.12.
- Statement of overdue loan and advances as per NRB format 9.13
- Capital Fund Table as per NRB format 1.1.with certification of internal auditor.
- Risk weighted assets as per NRB format 1.2 with certification of internal auditor.
- Classification of loan & advances & its provision as per NRB format 2.1
- Classification of loan & advances & its provision as per NRB format 2.2
- Provision for Non Banking assets as per NRB format 2.3.

- Liquidity profile table for minimizing liquidity risk as per NRB format 5.1.
- Interest rate reevaluation table for minimizing interest rate related risk as per NRB format 5.2
- Foreign exchange rate reevaluation table for minimizing foreign exchange related risk as per NRB format 5.3.

e. Formats for half yearly reporting

- Statement of Single obligor limits & inter related customer.

f. Formats for yearly reporting

Bank & financial institutions have to prepare their financial statement as per directive no 4. According to this directive the licensed institution have to prepare statement for one fiscal year starting from 1st Shrawan & ended on end of Ashad. But for the year of establishment, date of establishment to end of Ashad will be the fiscal year. The Licensed institutions have to make auditing with in the specified period and prepare the following statements:-

- Balance Sheet
- Profit & loss A/c
- Cash flow statement
- Profit & loss appropriation A/C
- Schedules 4.1 to 4.31

The licensed institutions can not change the formats prescribed by Nepal Rastra Bank & have to publish annual report by submitting the above statements & schedules. The institutions have to update their websites by submitting the annual book. For the information to the general public the licensed institutions have to publish Balance Sheet, Profit & loss a/c, Cash flow Statement & schedule no 4.1, 4.2, 4.17 & 4.30 in the national level newspaper for national level institutions, & in regional level & district level newspaper for regional & district level institutions respectively. Formats for financial institutions for preparing & reporting annual financial statements are attached in the appendix of this study.

g. Other Reporting

- Statement of loan sanction amounting Rs 2.5 Million or above as per credit information bureau format no 1 & 2

- The institutions have to publish interest rate on deposit & loan in the national level newspaper for national level institutions, & in regional level & district level newspaper for regional & district level institutions respectively. D class financial institutions can publish their interest in the information board of the institution.
- Change on interest rate should have to publish within 7 days.

Implications of the mandatory reporting system

In most of the countries in the world, the business of banking is conducted by private firms, owned and operated for profit making motive. Banking is a special industry and Banks are those financial institutions that offer the widest range of financial service especially credit, savings and payment services. It is often asked, why banks should be subject to official supervision in a way that other business enterprises are not. For example, other industries are also critical in a modern economy, the telecommunications industry; indeed, a modern banking system could not operate without reliable telecommunications services. Yet telecommunications firms are not supervised for the purpose of maintaining their financial soundness. Why, then, is it that the telecommunications industry can be relied on the function reliably without official interventions designed to promote financial soundness, while the banking industry cannot?

One reason that banks receive special treatment is that bank failures have stronger adverse effects on the economy than do other business failures. Bank failures can disrupt the flow of credit to local communities, interfere with the operation of the payments system and reduce the money supply. These effects can be long-lasting. In addition, they serve as financial intermediaries to allocate funds and risks among individuals and firms by extending loans or buying securities with funds that they receive as deposits.

Similarly, banks provide the means of settlement for the bulk of the transactions, which take place within the economy and across countries. Apart from barter transactions and transactions settled in currency, most transactions are settled by way of a cheque drawn on an account at a bank. Even purchases, which, in the first instance, are charged to credit, including credit card, accounts, are ultimately settled in this way. The major function of banks is to act as financial intermediaries. This is,

they act as a repository for the savings of those who spend less than their income, and as a source of borrowed funds for those whose spending exceeds their income. In playing this role, banks facilitate real resource transfers amongst different groups of people, in accordance with their different needs and preference. These needs and preferences depend, for example, on life cycle factors, such as the need to borrow to buy a house, and the need to save for retirement. Also banks play an important role in making savings available to those with productive investment opportunities.

Thirdly, banks are an important source of liquidity for an economy. This is inherent in the payments services provided by the banking system, insofar as deposits held for transactions' purposes must be available for transfer on demand. Annual Report 2006, 10 proportion of bank deposits are accordingly held in on demand or readily accessible account. Borrowers, on the other hand, generally have a need for longer term funding. Banks, to some extent, can reconcile these competing needs by operating on the basis of an assumption that not all customers holding demand deposits will wish to withdraw or spend them at the same time. Also, in the normal course of business, on any day bank's customers are likely to lodge to their accounts more or less as much as they withdraw.

Similarly, a feature of banks is that typically they have a low ratio of 'own' (shareholders') funds to borrowed funds (deposits). This ratio is typically in the 5-10 percent range, compared with a ratio of at least 40 percent, and other higher, for non financial business firms. But the inherent imbalance between 'own' funds and 'borrowed' funds in a bank's overall funding mix presents some potential problems. Because banks' shareholders have only a small amount of their own funds at stake, there is an underlying incentive for banks to tend toward risk taking activities. In fact, shareholders' losses are limited to the amount of their (relatively small) investment and banks' depositors bear any remaining loss. In short, banks shareholders, in the absence of supervisory requirements and constraints, would potentially have access to large profit opportunities, but with limited downside risk to themselves.

To make qualitative accounting information & to maintain the financial soundness of the bank & financial institutions these institutions are supervised.

In most of the countries in the world, the business of banking is conducted by private firms, owned and operated for profit making motive. Banking is a special industry and Banks are those financial institutions that offer the widest range of financial service especially credit, savings and payment services. It is often asked,

why banks should be subject to official supervision in a way that other business enterprises are not. For example, other industries are also critical in a modern economy, the telecommunications industry; indeed, a modern banking system could not operate without reliable telecommunications services. Yet telecommunications firms are not supervised for the purpose of maintaining their financial soundness. Why, then, is it that the telecommunications industry can be relied on the function reliably without official interventions designed to promote financial soundness, while the banking industry cannot?

One reason that banks receive special treatment is that bank failures have stronger adverse effects on the economy than do other business failures. Bank failures can disrupt the flow of credit to local communities, interfere with the operation of the payments system and reduce the money supply. These effects can be long-lasting. In addition, they serve as financial intermediaries to allocate funds and risks among individuals and firms by extending loans or buying securities with funds that they receive as deposits.

Similarly, banks provide the means of settlement for the bulk of the transactions, which take place within the economy and across countries. Apart from barter transactions and transactions settled in currency, most transactions are settled by way of a Cheque drawn on an account at a bank. Even purchases, which, in the first instance, are charged to credit, including credit card, accounts, are ultimately settled in this way.

The major function of banks is to act as financial intermediaries. This is, they act as a repository for the savings of those who spend less than their income, and as a source of borrowed funds for those whose spending exceeds their income. In playing this role, banks facilitate real resource transfers amongst different groups of people, in accordance with their different needs and preference. These needs and preferences depend, for example, on life cycle factors, such as the need to borrow to buy a house, and the need to save for retirement. Also banks play an important role in making savings available to those with productive investment opportunities.

Thirdly, banks are an important source of liquidity for an economy. This is inherent in the payments services provided by the banking system, insofar as deposits held for transactions' purposes must be available for transfer on demand. A substantial proportion of bank deposits are accordingly held in on demand or readily accessible account. Borrowers, on the other hand, generally have a need for longer term funding.

Banks, to some extent, can reconcile these competing needs by operating on the basis of an assumption that not all customers holding demand deposits will wish to withdraw or spend them at the same time. Also, in the normal course of business, on any day bank's customers are likely to lodge to their accounts more or less as much as they withdraw.

Similarly, a feature of banks is that typically they have a low ratio of 'own' (shareholders') funds to borrowed funds (deposits). This ratio is typically in the 5-10 per cent range, compared with a ratio of at least 40 per cent, and other higher, for non-financial business firms. But the inherent imbalance between 'own' funds and 'borrowed' funds in a bank's overall funding mix presents some potential problems. Because banks' shareholders have only a small amount of their own funds at stake, there is an underlying incentive for banks to tend toward risk taking activities. In fact, shareholders' losses are limited to the amount of their (relatively small) investment and banks' depositors bear any remaining loss. In short, banks shareholders, in the absence of supervisory requirements and constraints, would potentially have access to large profit opportunities, but with limited downside risk to themselves.

- **Sale or transfer of promoters Share (Directive No 10).**

Recording system of the bank & financial institutions will not directly be affected by the sale or transfer of promoters share but recording will be indirectly affected by this directive no 10 issued by NRB. This directive is related to sale or transfer against the statutory requirements, sale or pledge of promoter shares, during the period, & where the promoter of the bank is an entity, unauthorized transfer of ownership of such entity.

- **Consortium Financing (Directive No 11).**

This directive is related to the formation & dissolution of consortium, fulfillment of the specified duties of lead bank/member bank/financial institutions & related matters. Recording will be affected by the provision made by meeting & discussion between the consortium parties.

- **Credit Information & Blacklisting (Directive No 12).**

All bank & financial institutions have to take information from the credit information centre as prescribed by this directive. These institutions have to submit periodic submission of information to CIC. For this purpose concerned institutions have to take information from the borrower at the time of sanction

/renewal/restructuring/rescheduling of facilities. Request for blacklisting will be based on the recorded information of the concerned bank & financial institutions. & recording process will also be affected by this directive issued by NRB.

- **Cash Reserve Requirements (Directive No 13).**

All the licensed bank & financial institutions have to maintain cash reserve as prescribed by this directive. Therefore the concerned bank/financial institution's recording process will be based as per this directive.

- **Branch/Office Operation (Directive No 14).**

According to this directive; branch, extension counter & remittance counter should be operated by taking permission from the Nepal Rastra Bank. Unauthorized operation of the branch/extension & remittance counter will be subject to punishment according & Nepal Rastra Bank act 2058. Similarly inter branch transaction should be done according to the GAAP.

- **Interest rates (Directive No 15).**

According to this directive bank & financial institutions have to fix their interest rate and publish in the national level newspaper for national level institution & regional level newspaper for regional level newspaper at the time of implementation of interest rate.

Licensed institution can not change their interest more than 0.5% without publishing the interest rate.

Recording should be done according to directive no xv issued by Nepal Rastra Bank.

- **Mobilization of financial resources (Directive No 16).**

This directive is related about the deposits concentration, resource mobilization beyond the limit & issuance of debenture & other debt instruments. According to this directive licensed institution can collect 20% deposit from a single firm, company or institution.

- **Deprived sector lending (Directive No 17).**

The licensed institutions have to issue their loan to the people of deprive sector as per this directive.

2.2.10 Compliances with internal rules, regulations & guidelines.

Recording system of the financial institutions will be affected by the internal rule & regulations issued by the management of the concerned bank/ financial institutions. This will directly affect the recording process of the concerned institutions. Therefore internal rule/ regulation & guidelines should be considered at the time of recording.

2.2.11 Others

Guarantee & other contingent liabilities should be recorded properly. Similarly compliance of pre requisite conditions for purchase of fixed assets and other aspect also will affect the recording process.

Official supervisors have a role in this regard mostly because banks' depositors are generally not well placed to monitor the portfolio behavior of banks nor to enforce compliance with the terms of the notional covenant depositors have with their bank.

This balance, though, can be upset if a bank's customers lose confidence in it. In this event little will be deposited and substantial amounts will be withdrawn, ultimately resulting in the failure of the bank. Clearly, therefore, the role banks play in providing the link between the medium to long term needs of borrowers and the need the economy has for liquid transactions balances, is, as with the payments system, importantly dependent on the public having confidence in banks.

Hence, banking supervision is basically concerned with constraining the risks which banks can take in using other people's money; money which they have borrowed on the basis of a representation that it will be repaid in full together with interest at the rate contracted. To understand why it is necessary to place restrictions on banking firms; it is useful to consider the financial structure of a bank. These all reasons call for an independent supervisory body to conduct a direct assessment of the overall condition of the banking institutions with regular review of the bank's financial position, system and controls, risk management practices and the compliance with the relevant regulatory requirements. Nepal Rastra Bank is the supervisory body for all the licensed institutions that carry banking transaction.

Traditionally, bank supervisors have contained risk with supervisory review and capital requirements. Supervisory review includes on-site examination and off-site surveillance. Although on-site examination is the most effective tool for spotting safety-- and-soundness problems, it is costly and burdensome. On-site examination is

costly to supervisors because of the examiner resources required and is burdensome to bankers because of the intrusion into daily operations. Off-site surveillance reduces the need for unscheduled exams. Off-site surveillance also helps supervisors plan exams by highlighting risk exposures at specific institutions. For example, if preexam surveillance reports indicate that a bank has significant exposure to foreign exchange transaction, then supervisors could add market risk related supervisor (specialist) to the on-site examination team. The cornerstone of supervisory review is thorough, regularly scheduled, onsite examinations. These examinations focus on six components of bank safety and soundness, known together as **CAMELS**: C for capital protection, A for asset quality, M for management competence, E for earnings strength, L for liquidity risk exposure and S for sensitivity to market risk. The banks are awarded a grade of 1 (best) through 5 (worst) on each component. Examiners use these six scores to award a composite CAMELS rating, also expressed on a 1 through 5 scale. The scores are kept confidential to facilitate the flow of information between examiners and bankers. The component of bank's management cannot be assessed only in terms of the returns submitted by the bank. Thus, the off-site supervision cannot make use of the CAMELS rating. So, a separate rating has been devised for the off-site supervision which uses the components of CAMELS except for the "M" representing management, and the rating is, thus, labeled **CAELS**.

Onsite Supervision/Enforcement:

This division is responsible to conduct the on-site examination of the banks in accordance with the annual plan of the department. Almost more than two thirds of the department's staff is dedicated to these activities. The objectives of on-site inspection conducted by Bank Supervision Department can be summarized as:

- To determine the commercial banks' financial position and the quality of its portfolios and operations so as to ensure that it is not operating against the interests of the depositors.
- To assess and appraise the competence and capability of the commercial bank's management and staff, as the quality of the institution's management will determine the soundness of its operation.
- To ascertain whether the bank is complying with applicable laws, regulations and monetary measures issued by the NRB.

- To evaluate the adequacy of the bank's records, systems, and internal controls.
- To test the accuracy and validity of the data submitted to the NRB by the Banks.

To test the accuracy and validity of the data submitted to the NRB by the Banks. The on-site aspect of the department's function includes independent on-site assessment of banks' corporate governance, internal control system, reliability of information provided, etc. The departments also conduct spot-checks for quick confirmations/verification to facilitate the detection of frauds, embezzlement, malpractices, abuses of power and undesirable events and practices.

The on-site examinations carried out by the department are grouped into:

- A) Maiden or initial examination, which is usually conducted within six months of commencement of operation by a new bank;
- B) Routine and corporate level full fledged inspection, which is the regular examination
- C) Targeted Inspection, which addresses specific areas of operation of a bank e.g. credit, foreign trade etc.
- D) Special inspection, which is carried out as the need may arise.

The On-Site Examination Unit conducts periodic examination and special visits in supervised institutions. This Unit also complements the Off-Site in the verification of information provided on the returns submitted to the off-site. On-site examinations are carried out at the banks' premises and involve examination of their business books and assessment of their technical, professional and organizational resources. Risk management function is gaining in importance in the banking sector. In addition to credit risk, banks are exposed to other risks such as: market risk, liquidity risk, operational risks and other risks. Their monitoring and supervision, and successful management require advanced specialized knowledge. The On-Site team within its assessment of the banks' management of operational risk performs on-site examination of IT systems in banks, internal control systems, compliance with regulations, in particular supervision of the implementation of the measures of monetary and foreign exchange policy and compliance with laws and other regulations, internal procedures and payment system procedures.

Off-site Supervision:

This division carries out the off-site surveillance of all the commercial banks, operating in Nepal. The core objective of this function is to conduct periodic financial review of the banks in order to identify the potential problems and to gauge the compliance to prevailing laws and statute as well as to support the on-site function of the department. In order to pursue its objectives through systemic development, the department has devised an off-site supervision manual, which has been put into effect. The supervision manual provides guidelines on the objectives, procedures and prescribed documents of the off-site supervision. The inspection and supervision Bylaw, 2059 identifies the following key objectives of an off-site supervision of the Bank Supervision Department.

- To obtain regular information in respect of financial condition and health of the commercial banks.
- To identify potential problems of commercial banks in the absence of onsite inspection.
- To help and strengthen the quality of on-site inspection.
- To ascertain the compliance status to the applicable laws, regulations and directives on the basis of financial statements and other documents obtained from the commercial banks.

The off-site aspect reviews and analyses the financial conditions of banks using prudential reports, statutory returns and other relevant information. It also monitors trends and developments for the banking sector as a whole. Industry reports are generated on quarterly basis. The Off-Site Supervision Unit is responsible for supervising banks' operations on the basis of data and reports submitted by banks. On the basis of prudential analysis of different financial indicators by banks, groups of peer banks and the banking system as a whole, the banks are rated in terms of the level of risk involved in their business operations in accordance with the adopted methodology for analysis. The Off-Site Surveillance Unit monitors, reviews, and analyzes financial institutions' returns and prepares reports based on said returns and serve as **an early warning** device to detect emerging problems before they lead to an opened crisis. The returns are used by the supervisors/examiners for the purpose of determining banks' exposures to risk, the effect on banks' profits, etc. Some basic ratios (the financial soundness indicators) are computed from these returns and are

used to analyze such important areas as Capital Adequacy, Assets Quality, Earnings, Liquidity and sensitivity to market risk (CAELS rating).

2.2.12 Present Practices in Banking Sectors

Bank & financial institutions are following certain practices to make the operation of the banking transactions easy & for the purpose of internal control. Some practices are pointed out as follows:-

Accounting software:-

Because of the increased number of expectations from the side of the customer & globalization in the world of information technology most of all institutions are using banking software. The institutions; that were using manual accounting are also diverting to computerized accounting system. All the samples of this study are using software for recording transactions.

Computerized accounting system is being helpful for recording transaction easily & processing the recorded information according to the requirement. At the present time regulating body of the bank & financial institutions are seeking on time up to date information. For this purpose accounting software are being useful. Nepalese bank & financial institutions are using different types of software. Some are using differentiated software which are expensive in price & requires highly skilled manpower to operate & handle, where as some are using local software. Product & facilities of the bank & financial institutions are also related with the facilities available in the accounting software.

a. Departmentation of Human Resources

For the purpose of recording transaction in banking business human resources in different department are involve to record the transaction in banking business. Departments involved in banking business can be categorize as follows:-

Departments involved in banking business:-

- i. Customer service Department.
- ii. Cash/Operation Department.
- iii. Finance (Accounts) Department.
- iv. Credit Department.

- v. Administration /Human Resource Department
- vi. Treasury Department.
- vii. I T Department.

According to level, human resources are categorizing as per following:-

- i. Executive Level Human Resource.
- ii. Officer Level Human Resource.
- iii. Assistant Level Human Resource.
- iv. Helper Level Human Resources.

2.3 Review of Related Study

Various research works have been done by the students of MBS in aspects of joint venture commercial banks. Some reviewed previous thesis is as follows;

A Study had done by **Dhruba Prasad Acharya** (2008) entitled “*A Study of NRB Directives with special reference to Capital Adequacy & Loan Loss Provision; a Thesis*” concludes that role of NRB is effective in regulating bank & financial institutions. Both Off-site & On-site inspections are best for regulating bank & financial institutions. NRB directives are implemented for safe & sound banking system & developing the better financial institutions. Commercial banks are implementing the directives although there are some weaknesses in NRB directives.

His findings were as follows:

- i. Capital adequacy norms are set by the NRB in order to protect the depositors.
- ii. Depositors are the prime beneficiary of the capital adequacy norms.
- iii. He views that little bit liberal capital adequacy norms should be set where bank may feel free to exercise.
- iv. He adds that only increment in paid-up capital does not work as barrier for new entry of the commercial banks.
- v. Loan & loan loss provision requirements of directive are satisfactory although directives related to bank listing of loan defaulter are not adequate.

His recommendations were as follows:

- i. Recommends that internal audit department should be made stronger which should regularly check & monitor to make sure that directives issued are properly implemented.
- ii. Proper feedback should be provided to the different departments to reach their objectives which may be for the compliance of the directive issued.
- iii. NRB should consult with the various commercial banks officials before setting standards on different aspects of commercial banks. Complains & criticism of bank officials should be considered accordingly.
- iv. Issuance of new directives or revising of norms should not be made just to meet the international banking norms or standards. They should be issued only after properly analyzing its importance, suitability & impact on commercial banks.
- v. NRB also has to strengthen the functioning of its credit information so that the commercial banks receive the details of the blacklisted borrowers in quick time.
- vi. NRB should improve its corporate culture & good governance in order to ensure proper regulating & supervising of the commercial banks. It should change the attitude of the supervisory staffs & proper training & skill development program should be conducted. He adds that the supervisory & monetary body of the NRB should be made power full so that they can penalize the commercial banks on non compliance of the directives. Frequent supervision should be made so that the commercial banks are ready to show that they are updated and are on the track shown by NRB.

Chand (2008) had conducted a research entitled “Financial Performance Analysis (CAMEL – Test) of selected commercial banks NABIL, NIBL and SCBNL”. With the objective of analysis capital adequacy requirement, assets quality, management quality, earning capacity, liquidity position of these banks concludes the findings such as;

- CAR percentage of all selected banks found higher than NRB requirement except NIBL’s for the year 2003. In overall study SCBNL ranked in first position and NABIL in 2nd position.

- In analysis of assets quality, the study found out that NABIL lies in first position with 1.32% NPL where as SCBNL lies in second with 2.68% and NIBL in third position.
- In the analysis of earning components like EPS, MPS, P/E ratio and profit after tax, the study found out that SCBNL score highest position for the components EPS, MPS and profit after tax . Similarly NIBL score first position for P/R Ratio.
- In analysis of liquidity, the study found out that CRR% of NIBL is found in lead position through out studies years while Nabil and SCBNL are found inconsistent to maintain CRR.

Devkota (2009) had conducted a research entitled “Comparative SWOT Analysis of Nepalese Commercial Joint venture Banks with reference to SCBNL, NABIL and HBL”, with objective to evaluate the comparative financial strengths and weaknesses of these banks concludes the finding such as;

- The investment of all these JVBs is found to be more or less volatile.
- HBL has been seen to adopt the aggressive lending policy during the period.
- Financial indicators like EPS, DPS and Book value per share of SCBNL is found in the better position as compared to that of NABI and HBL.

With the analysis and evaluation of various statistical tools, he recommended these JVBs to assess the risk, assess portfolio cautiously before accepting higher volume of deposits. Moreover, he also suggested NABIL and HBL to evaluate the financial position of their borrowers in a more proficient way thereby, identifying possibilities of risks prior granting the loan.

Shakya (2010) had conducted a research entitled “CAMEL Study on Financial Performance of Commercial Banks in Nepal with reference to SCBNL, NABIL and

NIBL”, with objective to evaluate and analyse the financial performance of these banks on the basis of CAMEL concludes the findings such as;

- From study CAR ratio of all three selected banks are found to be higher than that of NRB’s standard. Among three banks SCBNL has the highest CAR of 15.25%. The conclusion is that all the selected banks are able to give their depositors safe feeling that their deposited amount is safe. And SCBNL’s depositors feel safer than of other two banks NABIL and NIBL.
- From the study NPL of all three banks are found to be least and are decreasing. The conclusion is that all three selected banks are effective and efficient in utilizing their assets and are success in decreasing their NPL ratio satisfactorily.
- From study management efficiency ratio of SCBNL is highest among other two banks NABIL and NIBL. Conclusion is that SCBNL has good management quality than other two banks under study.
- Earning per share of all the selected banks seem to be decreasing, it is sign that earning capacity of selected banks are in decreasing trend. And SCBNL has highest earning capacity than other two banks.
- From the study all three selected banks are found to have higher CRR than that of NRB’s standard and SCBNL and NIBL have their CRR above the NRB’s standard where as NABIL fails to meet NRB’s regulation in year 2004/05 and 2005/06.

On the basis of above conclusion the following suggestions and recommendation are given by him to improve the performance of selected banks.

- SCBNL should invest its resources in productive sectors as its CAR is higher than requirement and it should perform its activities efficiently to increase EPS.
- NABIL must maintain its CRR as per NRB directive.
- NIBL should utilize its assets in productive sector and improve its credit management to minimize its non performing loan. It should maximize it's per employee contribution on profit.

2.4 Research Gap

The study is also unique because it has tried to show the circumstances and effects of positive and negative profits of the selected bank. This study is far from past previous study through the up to date status of Nepalese financial sector regarding the mandatory accounting reporting system to NRB. The study also measures the changing scenario of mandatory accounting reporting system to NRB by Nepalese financial sectors.

The previous theses reviewed for the preparation of the study have been based on previous years' data. At the time of preparation of this study, the time and scene has changed. New data has been used for analysis; and contemporary among mandatory accounting reporting system has been selected for analysis. Some researchers are focusing about the mandatory provisions of regulating body & required skill for the same. Researches especially about the accounting system in financial sector about the recording system & formats specified by the regulating body are lacking. Regulating bodies and tax authorities had done some researches about the concerned subject which are presented in the format of directives and rules.

This research study tries to overview the accounting system of bank & financial institutions especially recording & reporting system and the concerned aspects of the same.

CHAPTER III

RESEARCH METHODOLOGY

Research is to find out to gain knowledge about a phenomenon. Here, 're' means repeatedly or again and again, 'search' means to investigate or to find. Methodology is the research method used to test hypothesis. Thus, research methodology is a systematic way to solve the research problems. Research Methodology describes the method and process applied in entire study. It sequentially refers to the various steps to be adopted by a researcher. Research methodology is the research method used to test hypothesis. The prime objective of this study is to evaluate analysis and assess the financial analysis of the selected banks. After the analysis, a package of suggestions will be offered if needed to improve the performance of the banks. The proper analysis of the study can be meaningful on the right choice of research tools that helps to come to meaningful conclusion. This study is focused on both primary and secondary data. While primary data are collected from the respective respondents through questionnaire, secondary data required for the evaluation and obtained from the NRB publication of the concerned banks especially from profits and loss accounts, balance sheet and other publications made by the banks. The following research procedure has been followed for the study:

3.1 Research Design

A research design is a plan for the collection and analysis of data. It includes definite procedures and techniques, which guide to sufficient way for analyzing and evaluating the study. In order to achieve the predetermined objectives of the study, both primary and secondary data have been used. This study tries to make comparison and establish relationship between two or more variables. So the research design of the study is based on descriptive and analytical study.

3.2 Population & Sample

In Nepal there are 31 commercial Banks operating on mid July 2011. In addition to the commercial banks, there are development banks, finance companies & micro finance operating agencies. As on mid July 2011, the number of development banks, Finance Companies & micro Finance institution including private rural Banks

has totaled 87, 79 & 21 respectively. In addition there are 16 financial co-operatives & 38 financial non government agencies operating under the license of Nepal Rastra Bank. There are various non banking financial institutions under the license of other licensing Board.

Commercial banks, development banks & finance companies presently operating in Nepal is the population of the study. For the study purpose data from 31 commercial banks, 87 development banks & 79 finance companies were collected for the purpose of Accounting software availability & uses. Similarly questionnaire is distributed to 40 bank & financial institutions & 20 each for the officers from regulating body & experts of which only 36 responded from bank & financial institutions & 18 each from officers from regulating body & experts.

As a employee of a financial institution I have visited to the regulating body & their high level officials. Informal talks with them at the time of official visit, experience of the concerned officer at the time of work place & problem faced on day to day activities while performing the duty are also included in this research study.

3.3 Data Collection Procedure

The data of the study mainly are collected from primary sources. Primary data were collected by visiting various financial institutions and Nepal Rastra Bank and the vendors of the software sellers. Similarly certain data were obtained by distributing & asking questionnaires. Secondary data were collected from previous researches and publications which were obtained from NRB and other library.

3.4 Research Question/ Hypothesis

a. Research questions:-

This Study will try to find out the answers of the following questions:

- Does the present recording system of the financial institutions meet the requirements required for reporting?
- Does the presently available accounting software are fulfilling the requirements for reporting?
- Does the available human resources are competent for recording & reporting?
- What have to do for further improvement?

- Does the present mandatory compliances are relevant in the present market scenario?

b. Research Hypothesis:-

This study will be based on the following Hypothesis:-

- For I Research objective
 - i. Null Hypothesis (H_0):-Present recording system is sufficient for financial institutions.
 - ii. Alternate Hypothesis (H_1):- Present recording system is not sufficient for financial institutions.

$$\text{The Test Static is; } \chi^2 = \sum (\mathbf{O}_r - \mathbf{E}_r)^2 / \mathbf{E}_r$$

Where, \mathbf{O}_r = Observed Frequency
 \mathbf{E}_r = Expected Frequency

$$= \frac{\text{Row Total} \times \text{Column Total}}{\text{Grand Total}}$$

Degree of freedom = (R-1)(C-1) = (3-1)(2-1) = 2x1 = 2

- Tabulated Value of χ^2 at 5% level of significance ($\alpha = 5\%$) at 2 degree of freedom is 5.99 which is to be tested.

For II Research objective

- i. Null Hypothesis (H_0):-Present mandatory Compliances are relevant in present market scenario.
- ii. Alternate Hypothesis (H_1):- Present mandatory Compliances are not relevant in present market scenario

The Test Static is; $\chi^2 = \sum (O_r - E_r)^2 / E_r$

Where, O_r = Observed Frequency
 E_r = Expected Frequency

$$= \frac{\text{Row Total} \times \text{Column Total}}{\text{Grand Total}}$$

Degree of freedom = $(R-1)(C-1) = (3-1)(2-1) = 2 \times 1 = 2$

Tabulated Value of χ^2 at 5% level of significance ($\alpha = 5\%$) at 2 degree of freedom is 5.99 which is to be tested.

• For III Research objective

- i. Null Hypothesis (H_0):- Related software & skilled man power are sufficient for financial institutions.
- ii. Alternate Hypothesis (H_1):- Related software & skilled man power are not sufficient for financial institutions.

The Test Static is; $\chi^2 = \sum (O_r - E_r)^2 / E_r$

Where, O_r = Observed Frequency
 E_r = Expected Frequency

$$= \frac{\text{Row Total} \times \text{Column Total}}{\text{Grand Total}}$$

Degree of freedom = $(R-1)(C-1) = (3-1)(2-1) = 2 \times 1 = 2$

Tabulated Value of χ^2 at 5% level of significance ($\alpha = 5\%$) at 2 degree of freedom is 5.99 which is to be tested.

3.5 Methods & Tools for Analysis of Data

Data & information collected through primary & secondary sources are initially presented in separate table according to the objective & nature of responses of the respondent. Collected data are manipulated according to the requirement &

objectives. Data presently presented in the table form are followed by analysis where data related to objective of the study & hypothesis are tested & justified as per requirements. Analysis tools used for analysis are percentage, simple average & other tools. The main tool for testing the hypothesis is chi square test.

CHAPTER IV

PRESENTATION & ANALYSIS OF DATA

This chapter is focuses on the presentation & analysis of primary & secondary data. Secondary data of this study are obtained from the websites, annual report & provisions of NRB directives & from the provisions of various acts. Primary data are obtained from distributing the questionnaire to officers of bank & financial institutions, officers from regulating bodies & to CA & experts. Data obtained by direct observation in various bank & financial institutions are tabulated & analyzed on the basis of the research questions & conceptual framework of the accounting system.

4.1 Recording in Financial Sectors

In Nepal, the numbers of financial institutions are increasing. As on January 2011 there are 31 commercial banks categorized as A class, 87 development banks categorized as B class, 79 finance companies categorized as C class, 21 micro credit development bank categorized as D class under the regulation & supervision of Nepal Rastra Bank. There are 15 saving & credit co-operatives doing limited banking transaction & 45 non government organizations licensed by NRB. Financial Institutions Licensed by Nepal Rastra Bank can be tabulated as follows:-

Table 4.1
Financial Institutions Licensed by Nepal Rastra Bank up to January 2011

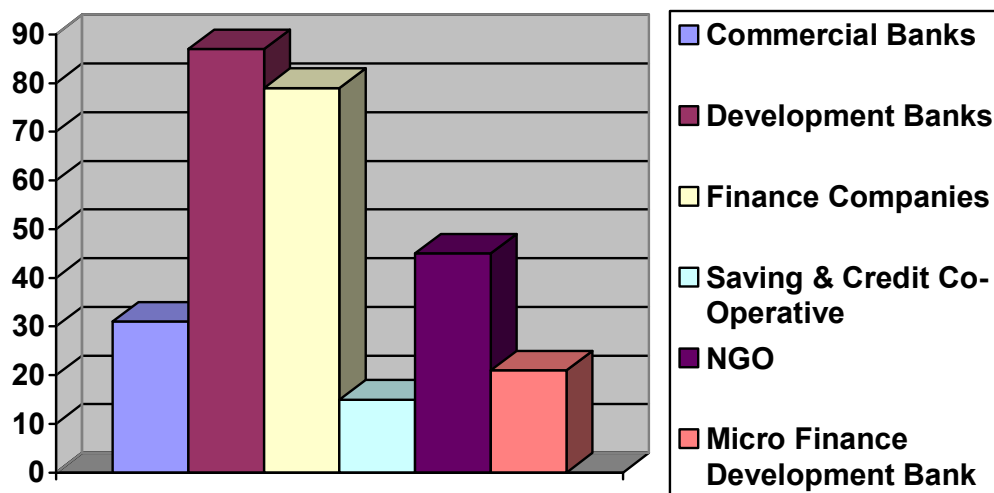
S.N.	Categories of Financial Institutions	Mid March 2010	Mid Jan. 2011
01	Commercial Banks	27	31
02	Development Banks	79	87
03	Finance Companies	79	79
04	Saving & Credit Co-Operative	15	15
05	NGO	45	45
06	Micro Finance Development Banks	18	21
Total		263	278

Source:- www.nrb.org.np.

As shown in the above table, no of all financial institutions licensed by NRB is increasing. With the increase in the number of banks & financial institutions banking business is being a challenging work where as accounting system; heart of the banking system & its components are becoming complex & challenging. As shown in the above table, there are 277 institutions licensed by NRB where there were only 278 financial institutions licensed by NRB on mid July 2011. There are more then five hundred branches in various parts of Nepal.

Figure 4.1

Financial Institutions Licensed by Nepal Rastra Bank on Jan 2011



Source:- <http://www.nrb.org.np>.

This study has developed a questionnaire and distributed to obtain the answer. Responses of the respondents on asked questions are tabulated as follows:

Table 4.2

Fulfillment of the requirements by Present Recording System

Respondents & Responses	Yes (Fulfill)		No (Do not Fulfill)		Total	
	No	%	No	%	No	%
Officers of Bank & FI	17	47	19	53	36	100
Officers from Regulating Body	13	72	5	28	18	100
CA & Experts	5	28	13	72	18	100
Total	35	49	37	51	72	100

Source:-Opinion Survey, 2011

Out of 36 respondents from bank & financial institutions; 17 respondents' views that, the present recording systems fulfill the requirement of the concerned stakeholders. Same questions were asked to 18 officers from regulating body. Out of them, 13 respondents responded saying present recording system is fulfilling the requirement of the concerned stakeholders. This no is 72% of total respondents from regulating body. Five respondents from the group of CA & experts responded saying present recording system is fulfilling the requirements of the concerned stakeholders. In percentage it is 28% of this group. Remaining respondents responded that present recording system is not fulfilling the requirements of the concerned stakeholders.

The respondents who responded that present recording system does not fulfill the requirements of the concerned stakeholders have further asked for ranking the reasons for not fulfilling the requirement of the concerned stakeholders. Ranking of the responses of the respondents are presented as follows:

Table 4.3
Causes of not fulfilling requirements by present recording system

Causes of not fulfilling requirements by present recording System	No of respondents ranking				Total
	1	2	3	4	
Officers of Bank & FI	19	19	19	19	
Lack of appropriate Software	3	3	5	8	19
Lack of efficient manpower	3	3	8	5	19
Lack of appropriate compliances	5	8	3	3	19
Others	8	5	3	3	19
Officers from Regulating Body	5	5	5	5	
Lack of appropriate Software	1	1	1	2	5
Lack of efficient manpower	2	1	1	1	5
Lack of appropriate compliances	0	1	2	2	5
Others	2	2	1	0	5
CA & Experts	13	13	13	13	
Lack of appropriate Software	1	3	4	5	13
Lack of efficient manpower	5	4	2	2	13
Lack of appropriate compliances	3	3	4	3	13
Others	4	3	3	3	13

Source:-Opinion Survey, 2011

Above table shows the causes for not fulfilling the requirements of the concerned stakeholders by the present recording system. Out of 19 officers who has responded as present recording system is not fulfilling the requirement of concerned stakeholders; eight officers from bank & financial institutions has given first priority for lack of appropriate software. Similarly five officers have given first priority for efficient manpower. Similarly 2 officers out of 5 officers from regulating body have given first priority for lack of appropriate software. Other 1 officer from same group has given priority for efficient manpower. Five CA & experts are agree to the officers who has given priority for lack of appropriate software, where as 4 other CA & experts gives second priority for lack of appropriate accounting software. Three experts give first priority for lack of appropriate compliances for the purpose of proper recording system. This can be further presented as follows:

Table 4.4
No & % of respondents about the problems of present recording system

Causes of not fulfilling requirements by present recording System	No of Respondents Ranking				Total	%				Total
	1	2	3	4		1	2	3	4	
Lack of appropriate Software	5	7	10	15	37	14	19	27	41	100
Lack of efficient manpower	10	8	11	8	37	27	22	30	22	100
Lack of appropriate compliances	8	12	9	8	37	22	32	24	22	100
Others	14	10	7	6	37	38	27	19	16	100
Total	37	37	37	37		100	100	100	100	

Source:-Opinion Survey, 2011

Above table shows that out of 37 respondents who answered present recording system does not fulfill the requirements of the concerned stakeholders; 15 respondents argue that the lack of appropriate software is the main cause for not fulfilling the requirements. This no is 41% of total respondents. Similarly 8 respondents responded saying because of the inefficient manpower present recording system is not being able to fulfill the requirement of the concerned stakeholders. This no is 22% of total respondents. Other 8 respondents have given first priority for appropriate legal compliances & other 6 respondents have given other causes for not being effective recording system. This no is 22% & 16% respectively of total respondents who has

given their opinion that the present recording system is not fulfilling the requirement of the concerned stakeholders.

Now it is being necessary to test the hypothesis that there is no significant difference in opinion of various responding group regarding the sufficiency of recording system for financial institutions.

This can be systematically stated as

Null Hypothesis (H₀):-Present recording system is sufficient for financial institutions.

Alternate Hypothesis (H₁):- Present recording system is not sufficient for financial institutions.

Since calculated value of χ^2 is 7.11 (Annex-1) which is greater then the tabulated value of $\chi^2=5.99$. So alternative hypothesis is satisfied & it is concluded that present recording system is not sufficient for financial institutions.

From the analysis of questionnaire 1, we can conclude that lack of appropriate software is the main problem in Nepalese financial institution's recording system. The study has asked another question to find out the sufficiency of accounting. Questionnaire asked & responses of the respondents are presented as follows:-

4.2 Availability of Related Software & Related Manpower

Because of the increased number of expectations from the side of the customer & globalization in the world of information technology most of all institutions are using banking software. The institutions; that were using manual accounting are also diverting to computerized accounting system. All the sampled institutions of this study, are using software for recording transactions.

Computerized accounting system is being helpful for recording transaction easily & processing the recorded information according to the requirement. At the present time regulating body of the bank & financial institutions are seeking on time up to date information. For this purpose accounting software are being useful. Nepalese bank & financial institutions are using different types of software. Some are using differentiated software which are expensive in price & highly skilled man power are required to operate & handle, where as some are using local software. Product & facilities of the bank & financial institutions are also related with the facilities available in the accounting software.

Software is becoming the heart of the modern banking system. Nepalese banking business are using various types of accounting software. While conducting this research, software used by Nepalese bankers are as follows:-

- Pumori ++
- Finacle.
- Micro Banking System.
- Bankmil
- Finact.
- Globus Temenos
- I-Flex

Name of the used software according to the categories of financial institutions & their percentage is presented as follows:

Table 4.5
Present Status of Use of Accounting Software

S. N.	Particulars	Bank	Dev Bank	Finance Company	Remarks
	No of Bank/Financial Inst	23	58	79	
1	Users of Pumori Software	10	12	13	
2	Users of Finacle Software	5	-	-	
3	Users of Bankmil Software	1	-	-	
4	Users of Micro Banking System Software	-	-	5	
5	Users of Finact Software	-	-	4	
6	Users of Globus Temenos Software	3	-	-	
7	Users of Other Software	2	4	5	
	Total Sample collected	21	23	27	

Source:- Telephone Queries, 2011

This study further asked about the fulfillment of financial institutions about the technical aspect of the accounting software. Responses of the respondents are presented as follows:

Table 4.6
Fulfillment of requirements by Accounting Software

Respondents & Responses	Yes (Fulfill)		No (Do not Fulfill)		Total	
	No	%	No	%	No	%
Officers of Bank & FI	19	53	17	47	36	100
Officers from Regulating Body	10	56	8	44	18	100
CA & Experts	5	28	13	72	18	100
Total	34	47	38	53	72	100

Source:-Opinion Survey, 2011

Response of the respondents in above table shows that presently available software & technical aspect does not fulfill the requirements of the financial institutions. 53% respondents view that presently available software & other technical part does not fulfill the requirements. Remaining 47% view that presently available technical part is sufficient for the financial institutions. Out of 36 respondents, 19 respondents from bank & financial institutions view that presently available software is sufficient. Similarly 10 respondents from regulating body are satisfied with the views of the respondents from bank & financial institutions. Out of 18 respondents, 13 respondents from the group of CA & experts view that presently available software & technical part is not sufficient for financial institutions.

The respondents who are not being satisfied from the presently available software were asked to trace out the causes. Ranking of the causes pointed out by them are presented in the following table:

Table 4.7
Causes of Not fulfillment of requirements by present Software

Causes of not fulfilling requirements by present software	No of respondents ranking				Total
	1	2	3	4	
Officers of Bank & FI	17	17	17	17	
Appropriate software is not available in the market	3	1	5	8	17
Lack of efficient manpower	3	3	6	5	17
Lack of appropriate Supporting companies	3	8	3	3	17
Others	8	5	3	1	17
Officers from Regulating Body	8	8	8	8	
Appropriate software is not available in the market	1	1	1	5	8

Lack of efficient manpower	2	1	4	1	8
Lack of appropriate Supporting companies	0	4	2	2	8
Others	5	2	1	0	8
CA & Experts	13	13	13	13	
Appropriate software is not available in the market	1	3	4	5	13
Lack of efficient manpower	5	4	2	2	13
Lack of appropriate Supporting companies	3	3	4	3	13
Others	4	3	3	3	13

Source:-Opinion Survey, 2011

In above table, we can see that most of all respondents view that appropriate software is not available in the market. Eight respondents from bank & financial institutions & five respondents from both regulating body & expert group are satisfied about the logic that about the lack of appropriate software. Second priority was given to lack of efficient manpower by officers from bank & financial institutions & from regulating body. But the experts view that lack of appropriate supporting company is the second important reason. This table can be further presented as follows:-

Table 4.8
Problems in Present Software

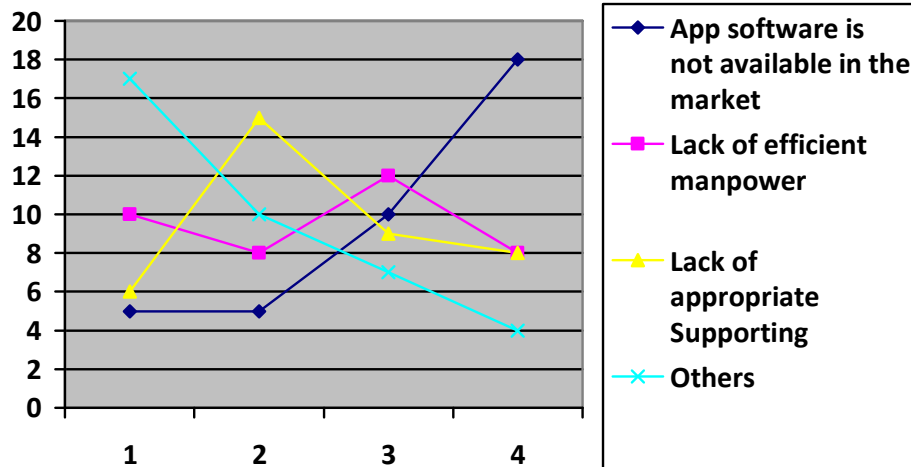
Causes of not fulfilling requirements by present recording System	No of Respondents Ranking				Total	%				Total
	1	2	3	4		1	2	3	4	
	App software is not available in the market	5	5	10		18	38	13	13	
Lack of efficient manpower	10	8	12	8	38	26	21	32	21	100
Lack of appropriate Supporting	6	15	9	8	38	16	39	24	21	100
Others	17	10	7	4	38	45	26	18	11	100
Total	38	38	38	38		100	100	100	100	

Source: Opinion Survey, 2011

In the above table, we can see that 47% respondents view about the lack of appropriate software by giving the first priority whereas 21% responded giving first priority for lack of efficient manpower. Another 21% gives first priority for lack of appropriate software. Only 11% gives first priority for other factors such as other market scenario, internal control etc. This will be clear by the following figure:

Figure 4.2

Figure showing the problems in the present Software



Sources: Opinion Survey, 2011

In the above figure we can see that lack of appropriate software is the main cause which line is in near by 20 who gave first priority. Least priority is given for other factor. We further asked about the efficiency of acquired manpower in the bank & financial institutions. Responses of the respondents are presented as follows:

Table 4.9
Sufficiency of Manpower in Financial Institutions

Respondents & Responses	Yes		No		Total	
	No	%	No	%	No	%
Officers of Bank & FI	21	58	15	42	36	100
Officers from Regulating Body	9	50	9	50	18	100
CA & Experts	8	44	10	56	18	100
Total	38	53	34	47	72	100

Source:-Opinion Survey, 2011

The above table shows that 21 respondents out of 36 from bank & financial institutions view that acquired manpower in bank & financial institutions are efficient; which is 58% of total respondents. Nine out of 18 respondents from regulating body & 8 out of 18 from CA & experts group agree with the view of 21 respondents from

bank & financial institutions. In total 53% respondents have agreed that the manpower presently available are efficient for bank & financial institutions.

In total 34 respondents out of 72 disagree and view that present manpower is not efficient for bank & financial institutions. They argue that because of the lack of proper organizational adaptation & lack of proper training & development in the organization, presently available manpower are not being competent. Some respondent's view that, there are not efficient & competent manpower in the market. No of respondents and their ranking about the causes of the inefficiency are tabulated in the table below:

Table 4.10
Causes of Inefficiency in HR of Financial Institutions

Causes of inefficiency in HR	No of respondents ranking				Total
	1	2	3	4	
Officers of Bank & FI	15	15	15	15	
Lack of proper organizational Adaptation	4	2	4	5	15
Lack of proper training & development	3	5	3	4	15
Efficient manpower are not available	5	5	2	3	15
Others	3	3	6	3	15
Officers from Regulating Body	9	9	9	9	
Lack of proper organizational Adaptation	2	3	2	2	9
Lack of proper training & development	1	4	2	2	9
Efficient manpower are not available	4	1	2	2	9
Others	2	1	3	3	9
CA & Experts	10	10	10	10	
Lack of proper organizational Adaptation	1	3	3	3	10
Lack of proper training & development	3	1	4	2	10
Efficient manpower are not available	2	3	3	2	10
Others	4	3	0	3	10

Source:-Opinion Survey,2011

Officers from bank & financial institutions give first priority for proper organizational adaptation. According to them, manpower presently available are not efficient because of the lack of proper organizational adaptation. Maximum respondents from CA & experts group also view that the lack of proper organizational adaptation is the main cause for inefficiency in bank & financial institutions.

Table presented above can be presented as below to elaborate & to clarify the views of the respondents.

Table 4.11
Problems in Present Man power

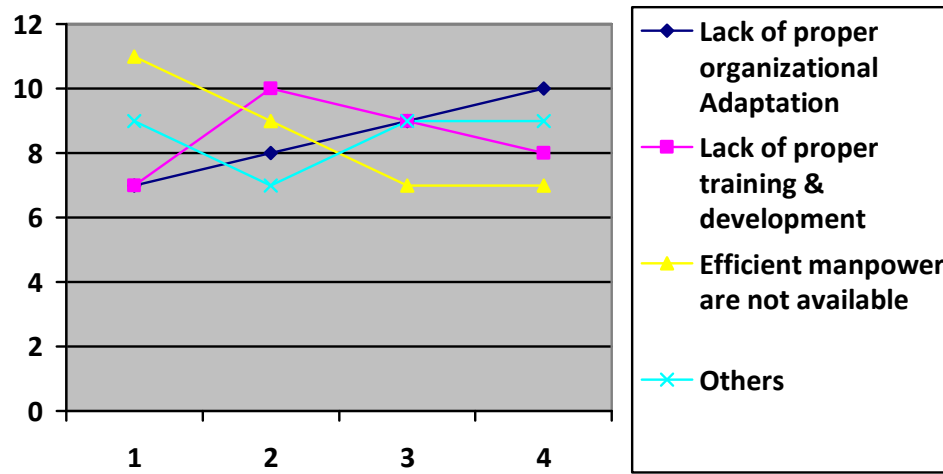
Causes of inefficiency in HR	No of Respondents Ranking				Total	%				Total
	1	2	3	4		1	2	3	4	
Lack of proper organizational Adaptation	7	8	9	10	34	21	24	26	29	100
Lack of proper training & development	7	10	9	8	34	21	29	26	24	100
Efficient manpower are not available	11	9	7	7	34	32	26	21	21	100
Others	9	7	9	9	34	26	21	26	26	100
Total	34	34	34	34		100	100	100	100	

Source:-Opinion Survey, 2011

In the above table we can see that 29% respondents view the lack of proper organizational adaptation as a main cause for inefficiency of the manpower in bank & financial institutions. Similarly 26% respondents' view that, inefficiency of manpower other than factors mentioned in the questionnaire. 24% respondents' view that lack of proper training & development is the main causes of inefficiency. Remaining 21% gives first priority for lack of efficient manpower in the market. 32% respondents give less priority for lack of efficient manpower in the market. 26% respondents' gives less priority for other factors as specified in the questionnaire. Responses of the respondents can be seen clearly in the following figure:-

Figure 4.3

Figure showing the causes of inefficiency



Source: Opinion Survey, 2011

In the above figure we can see that lack of efficient manpower is given less priority & lack of proper organizational adaptation is given first priority.

Whatever the causes may be, accountings in financial institutions are interrupting by the efficiency of the manpower. The bank & financial institutions have to manage the factors which are interrupting in accounting of the concerned bank/ financial institution.

Following section will overview the interconnection between manpower & the software & its availability & sufficiency in the bank & financial institutions:-

We further has asked about the sufficiency of related software & manpower. It was tried that whether the presently available manpower & software are sufficient or there should have to do something. Responses of the respondents are presented as follows:

Table 4.12
Sufficiency of software & manpower

Respondents & Responses	Is Sufficient		Is not Sufficient		Total	
	No	%	No	%	No	%
Officers of Bank & FI	10	28	26	72	36	100
Officers from Regulating Body	9	50	9	50	18	100
CA & Experts	12	67	6	33	18	100
Total	31	43	41	57	72	100

Source:-Opinion Survey, 2011

In the above table we can see that 31 respondents out of 72 view that presently available accounting software & manpower are sufficient for bank & financial institutions. This no is 43% of total respondents. 28 % officers from bank & financial institutions views that; presently available software & manpower are sufficient for bank & financial institutions. This percentage is 50 & 67 % from the group of officers from regulating body & CA & experts group respectively.

72% respondents from the group of bank & financial institutions view that, software & manpower, are not sufficient for bank & financial institutions. This percentage is 50 & 33% from the group of officers from regulating body & CA & experts respectively. In no, it is 26 out of 36 respondents from the group of bank & financial institutions. Out of 18 respondents from the group of officers from regulating body; 9 respondents view that software & manpower are not sufficient. This no is 6 out of 18 from the group of CA & experts.

The respondents who responded viewing present software & manpower are not sufficient for bank & financial institutions were asked further to rank the causes of insufficiency. Priority given by 41 respondents, who views present software & level of manpower are not sufficient are tabulated as follows:

Table 4.13
Insufficiency of Software & Manpower in FI

Causes of insufficiency	No of respondents ranking				Total
	1	2	3	4	
Officers of Bank & FI	26	26	26	26	
Technical aspect are not competitive	1	3	8	14	26
Lack of trained manpower	16	3	3	4	26
Acquisition process is wrong	3	10	6	7	26
Others	6	10	9	1	26
Officers from Regulating Body	9	9	9	9	
Technical aspect are not competitive	3	0	2	4	9
Lack of trained manpower	2	4	0	3	9
Acquisition process is wrong	1	2	4	2	9
Others	3	3	3	0	9
CA & Experts	6	6	6	6	
Technical aspect are not competitive	0	0	2	4	6
Lack of trained manpower	3	3	0	0	6
Acquisition process is wrong	0	0	4	2	6
Others	3	3	0	0	6

Source:-Opinion Survey, 2011

Fourteen respondents from the group of bank & financial institutions view that: presently available technical part is not competitive. They gave first priority for technical aspect. Respondents from regulating body & CA & expert group are also agree to the officers from bank & financial institutions & give first priority for technical aspect. CA & experts group give second priority for acquisition process. This table can be re presented as follows:

Table 4.14
Problems in present Software & Manpower

Part of irrelevant Directive	No of Respondents Ranking				Total	%				Total
	1	2	3	4		1	2	3	4	
Technical aspect are not competitive	4	3	12	22	41	10	7	29	54	100
Lack of trained manpower	21	10	3	7	41	51	24	7	17	100
Acquisition process is wrong	4	12	14	11	41	10	29	34	27	100
Others	12	16	12	1	41	29	39	29	2	100
Total	41	41	41	41		100	100	100	100	

Source:-Opinion Survey, 2011

In the above table; we can see that, 22 respondents out of 41 respondent's view that present software & present manpower of the bank & financial institutions are insufficient because of the technical aspect of the software & manpower. This no is 54% of total respondents who argue that the software & manpower presently available in the bank & financial institutions are not sufficient. 11 respondents gave first priority for acquisition process which is 27%. 34% respondents gave second priority for acquisition process.

Now it is being necessary to test the hypothesis that there is no significant difference in opinion of various responding group regarding the sufficiency of the software & manpower for financial institutions.

This can be systematically stated as

- i. **Null Hypothesis (H0):-** Related software & skilled man power are sufficient for financial institutions.
- ii. **Alternate Hypothesis (H1):-** Related software & skilled man power are not sufficient for financial institutions.

Since calculated value of χ^2 is 6.68 (Annex:-2) which is greater than the tabulated value of $\chi^2=5.99$. So alternate hypothesis is satisfied & it is concluded that related software & manpower are not sufficient for financial institutions.

The financial institutions have to manage the problems related to software & manpower for the proper implementation of their strategy & to achieve the objective of the organization.

Following section of this study overview the mandatory provisions for bank & financial institutions & its implication in the present market scenario & its effects in accounting for bank & financial institutions.

4.3 Mandatory Provisions for Bank & Financial Institutions:-

Bank & financial institutions have to maintain 5.5% of primary capital & 11% capital fund on the basis of risk weighted assets. Risk weighted assets will be calculated by giving certain risk as per NRB directive to the assets available in the institutions. Commercial Banks do not have boundary for collecting financial sources where as development bank can collect 20 times of their primary capital. Similarly finance company can collect 15 times of primary capital as resources. For the purpose of Institutional deposit bank & financial institutions can collect 20% from single firm, company or corporate institution.

Bank & financial institutions have to maintain 2 % cash in NRB as a cash reserve ratio if the bank & financial institutions do not operate current account. If they operate current account they have to maintain 5% cash as cash reserve ratio.

Bank & financial institutions have to make provision for the amount of loan & advances. If the loan & advance is good 1% provision should be made. Good loan is that if the repayment of loan & advance is doing on time or delayed up to 3 months. If the loan & advance amount is in the bucket of 3 to 6 months, loan is called substandard loan & 25% provision should be made. If the loan and advance is in the bucket of 6 months to 1 year the loan & advance is called doubtful loan & 50% provision should be made. If the repayment date exceed for 1 Year the loan is called bad (Loss) loan & 100% provision should be made. Similarly if the loan is rescheduled 12.5%provision should be made. If the loan & advance is provided on guarantee, additional 20% provision should be done.

There are other various provisions about investment, single obligor limit & others. 25% of primary capital for fund based loan & 50 % for non fund based loan can be issued to a single person, company or institution & related parties. 30% of primary capital can be invested in all organized institutions share & debenture.10% investment can be done for a single organized institutions share and debenture.

Nepal Rastra Bank has set certain mandatory provisions for the bank & financial institutions. Mandatory Regulations Set by the Nepal Rastra Bank are found as follows:

Table 4.15
Mandatory Standard for Bank & Financial Institutions

S.N.	Provisions for Main Regulations	Bank	F/I	RMDB	Cooperative
1	Minimum Primary Capital(In Risk Weighted Assets %)	5.50	5.50	4.00	5.00
2	Minimum Capital Fund (In Risk Weighted Assets %)	11.00	11.00	9.00	10.00
3	Limit for collecting financial sources (Multiple of Primary Capital)	20.00#	15.00	30.00	10.00
4	Minimum mandatory Cash Reserve Ratio (% of total deposit)				
	If not operated current Account	2.00	2.00	0.50	0.50
	If Operated Current Account	5.00	5.00	-	-
5	Minimum Liquid Assets (% of Total Deposit)	-	-	2.50	7.00
6	Classification of Loan & Advances & provision (in%)				
	Provision for Good Loan	1.00	1.00	1.00	1.00
	Provision for Restructured & Rescheduled Loan	12.50	12.50	12.50	12.50
	Provision for Substandard Loan	25.00	25.00	25.00	25.00
	Provision for Doubtful Loan	50.00	50.00	50.00	50.00
	Provision for Bad Loan	100.00	100.00	100.00	100.00
7	Single Obligor Limit(In % in Primary Capital)				
	For Fund based Loan (In %)	25.00	25.00	-	5.00
	Loan Limit (in %)	-	-	-	20.00
	For Non Fund based Loan (In %)	50.00	50.00	-	-

	For Micro Credit (in 000)				
	Per Person (In 000)	-	-	40.00	-
	Per Micro Industry (In 000)	-	-	100.00	-
8	Investment Limit(In % in Primary Capital)				
	In any organized Institution's Share/Debenture	10.00	10.00	10.00	5.00*
	In all organized Institution's Share/Debenture	30.00	30.00	30.00	15.00*
	In organized Institution's Share/Debenture which have financial interest	20.00	20.00	20.00	-

*=In Share Capital # For Development Banks

Sources:-www.nrb.org.np.

Nepal Rastra Bank is the regulating body of the bank & financial institutions. Nepal Rastra bank has issued NRB directive to regulate to the concerned bank & financial institutions. To test the mandatory provisions made by NRB; questionnaire are developed & opinion survey was done. Responses of the respondents about the relevancy of the directive are presented as follows.

Table 4.16
Relevancy of the Directive

Respondents & Responses	Yes (Directives are relevant)		No (Directives are not relevant)		Total	
	No	%	No	%	No	%
Officers of Bank & FI	16	44	20	56	36	100
Officers from Regulating Body	12	67	6	33	18	100
CA & Experts	7	39	11	61	18	100
Total	35	49	37	51	72	100

Source:-*Opinion Survey, 2011*

Out of total 72 respondents, 35 respondents responded saying NRB directives are relevant in the present market scenario which is 49% of total respondents. Remaining 37 respondents responded saying present directives & mandatory provisions are not relevant in the present market scenario which is 51% of total respondents. Out of 36 respondents from the sector of bank & financial institutions, 16 respondent responded saying directives are good & relevant. Similarly out of 18 respondents from regulating body, 12 respondents responded saying directives are relevant which, is 67% of total respondents from this group. 37% respondents from CA & experts group responded

saying directives are relevant. Remaining 61 percentage respondents responded saying directives are not relevant.

The respondents who responded saying directives are not relevant were further asked for the reason for irrelevancy of the directive. Their opinions are presented in the following table.

Table 4.17
Irrelevant part of the directive

Part of irrelevant Directive	No of respondents ranking				Total
	1	2	3	4	
Officers of Bank & FI	20	20	20	20	
Capital Fund & related	1	0	8	11	20
Loan & adv & provision	16	2	1	1	20
Accounting Policies & formats	2	8	3	7	20
Others	1	10	8	1	20
Officers from Regulating Body	6	6	6	6	
Capital Fund & related	0	0	2	4	6
Loan & adv & provision	3	3	0	0	6
Accounting Policies & formats	0	0	4	2	6
Others	3	3	0	0	6
CA & Experts	11	11	11	11	
Capital Fund & related	0	1	3	7	11
Loan & adv & provision	6	5	0	0	11
Accounting Policies & formats	0	0	7	4	11
Others	5	5	1	0	11

Source:-Opinion Survey, 2011

As per the respondents from the group of bank and financial institutions, capital fund & risk weighted assets related directives are not relevant for the bank & financial institutions. 11 respondents from this group have given first priority for capital fund & related directives. Other 8 respondents from this group have given second priority. 7 respondents have given priority for accounting policies & accounting formats. Officers from regulating body also have given first priority for capital fund & related directives. Similarly CA & other experts have given first priority for same directives. 4 no of respondents have given priority for accounting formats & policies. The above table can be further presented as follows:

Table 4.18
Opinion of the respondents about the Present Directives

Part of irrelevant Directive	No of Respondents Ranking				Total	%				Total
	1	2	3	4		1	2	3	4	
Capital Fund & related	1	1	13	22	37	3	3	35	59	100
Loan & adv & provision	25	10	1	1	37	68	27	3	3	100
Accounting Policies & formats	2	8	14	13	37	5	22	38	35	100
Others	9	18	9	1	37	24	49	24	3	100
Total	37	37	37	37		100	100	100	100	

Source:-Opinion Survey, 2011

In the above table we see that 59% respondents of total respondents have given priority for capital fund & related directives. In no, 22 out of 37 have responded for capital fund & related directives. According to them capital fund related directives of present should be made relevant. Similarly other 35% respondents views that provisions relating to accounting policies & accounting formats related directive is not relevant to the bank & financial institutions.

Now it is being necessary to test the hypothesis that there is no significant difference in opinion of various responding group regarding the relevancy of the directives for financial institutions.

This can be systematically stated as

- i. **Null Hypothesis (H0)**:-Present mandatory Compliances are relevant in present market scenario.
- ii. **Alternate Hypothesis (H1)**:- Present mandatory Compliances are not relevant in present market scenario.

Since calculated value of χ^2 is 3.00 (Annex:-3) which is smaller then the tabulated value of $\chi^2=5.99$. So null hypothesis is satisfied & it is concluded that present mandatory compliances are relevant in present market scenario.

Following questionnaire & the responses of the respondents helps to find out the consistency of the directive & its impact for accounting in the bank & financial institutions.

In this aspect we further has asked about the consistency of the directive. Responses of the respondents are presented as follows:

Table 4.19
Consistency of the directives

Options	No	Percentage
Directives are consistent	44	61
Directives are not consistent	2	3
It is changing with environment	20	28
Others	6	8
Total	72	100

Source: Opinion Survey, 2011

According to 44 respondents directives issued by NRB are consistent. Another 20 respondent view that, it is changing according to the change in macro environment. Only 2 respondents view that directives are not consistent.

Directives are the main compliance for bank & financial institutions. Directives & its compliances guide to maintain recording system. Bank & financial institutions have to report to NRB according to the formats prescribed in directives. Therefore directives are directly related to the accounting system of the bank & financial institutions. If the bank & financial institutions fail to follow the directives; they are subject to punishment. Most of the respondents view that directives issued by NRB are consistent. Although there are various aspects which are being necessary for modification, directives issued by NRB is good to maintain sound financial position of the bank & financial institutions.

Following question tries to find out most important aspect for accounting in bank & financial institutions:-

We further has asked about the factor which helps to improve and to maintain sound financial position of the bank & financial institutions. Responses of the respondents are presented as follows:

Table 4.20
Factors affecting Accounting System in Financial Institutions

Options	No of responde nts Ranking 5	No of responde nts Ranking 4	No of responde nts Ranking 3	No of responde nts Ranking 2	No of responde nts Ranking 1	Total Responde nt
Recording System is important	24	24	8	6	10	72
Reporting System is important	4	2	12	30	24	72
Level of Manpower & IT	24	24	16	4	4	72
Rule & regulation from Regulating body	4	12	14	8	34	72
Internal Rule & Regulations	16	10	22	24	-	72
Total	72	72	72	72	72	

Source: Opinion Survey, 2011

In the above table, we see that, 24 respondent's has given first priority to proper recording system to maintain the sound financial position. Similarly another 24 respondents has given first priority for level of manpower & IT. Another 16 respondents has given first priority for internal rule & regulations to maintain sound financial position of the organization. Only 4 respondents have given first priority for regulations from regulating body. Another 4 respondents has given first priority for proper reporting systems. 34 respondents have given less priority for rule & regulations from regulating body. Similarly 24 respondents have given less priority for reporting system for maintaining sound financial position.

We have asked to rank the factors which are important for the improvement of the accounting system of bank & financial institutions. Responses are presented as follows:

Table 4.21**Factors which affect the improvement of accounting system**

Options	No Of Respondents Ranking 4	No Of Respondents Ranking 3	No Of Respondents Ranking 2	No Of Respondents Ranking 1	Total No Of Respondents
Internal Control & rule & regulations	32	26	4	10	72
External Rule & regulations	6	10	42	14	72
Technical Manpower & IT	24	28	16	4	72
Others	10	8	10	44	72
Total	72	72	72	72	

Source: Opinion Survey, 2011

For the purpose of improving recording system of the bank & financial institutions ranking questionnaire were distributed. Out of 72 respondents; 72 persons have given priority in internal control & rules & regulations by ranking 4. Similarly 24 respondents have given priority by ranking 4 in technical manpower & IT. 6 respondents have given priority to external rule & regulations and 10 persons have given priority in other factors. Similarly 44 respondents have given less priority for other factors.

From the answers of the above three questions & from the respondents we can conclude that Recording system of the bank & financial institutions should have to improve by coordination with other department & their manpower & level of information technology & accounting software. Internal control mechanisms have to be developed for the reliability of the recorded data.

Suggestions:

While collecting the responses of the respondents it was tried to find out the present recording system & its improvement for the up coming future. After 2010; there are entering foreign investors in the field of service industry. This will invite further competition & risk for the bank & financial institutions.

At the time of collecting opinion survey; it was tried to collect the suggestions. Suggestions given by the respondents are presented in the following table:-

Table 4.22
Suggestions given for improvement of Accounting System

Suggestions	No	Percentage
Regulating body have to maintain uniformity & consistency	14	19
Skill of Concerned employee have to be developed	12	17
Corporate culture have to followed	18	25
Internal rule & regulations be prepare	10	14
Improvement on Software & other part are vital	12	17
Others	6	8
Total	72	100

Source: Opinion Survey, 2011

In above table we see that adherence corporate culture has given first priority. 18 respondents; which is 25% of total respondent view that the institutions have to develop corporate culture to improve the recording & reporting system. When the corporate culture appear in the organization, remaining problems will automatically minimize. Regulating body have to maintain uniform directives for the proper recording system. When the impractical rule & directives comes various problems appear in the recording system. Skill of concerned manpower & level of information technology adopted by the organization & knowledge about the information technology of the concerned staff are given priority as another important factor for recording & proper reporting.

4.4 Major Findings of the Study

Major findings of this research study have been presented as follows:

- As the increase in number of bank and financial institution, risk related to liquidity, interest rate related risk, foreign exchange related risk and loan and investment related risk for the bank and financial institutions are also increasing.
- 51% respondents from the study view that present recording system do not fulfill the requirements of concerned stakeholders. Lack of appropriate

software & efficient manpower are the main causes for not fulfilling the requirements.

- Almost all bank & financial institutions are using software for the purpose of recording, processing & reporting to the concerned body.
- 53% of total sample are not being satisfied from the presently available accounting software.
- 47% of the total sample gives first priority for appropriate software.
- 53% respondents from the study view that presently available manpower in bank & financial institutions are efficient & competent but lack of proper organizational adaptation is the main cause for not fulfilling the requirements by present human resources.
- Officers of bank & financial institutions & regulating body are not being satisfied from the software & manpower presently available in bank & financial institutions.
- 54% respondents give first priority in competitive technical skill as the causes of insufficiency.
- As a regulating body, NRB has specified certain mandatory provisions relating to capital fund, classification of loan & advances and their provision, cash reserve ratio, single obligor limit, investment limit & others. Bank & financial institutions thoroughly have to follow the provisions. When these institutions fail to follow they are subject to punishment according to NRB Act, where 56% officers of bank & financial institutions view that the directive is not relevant. But the officers from regulating body are not agreed with them.
- Most of the respondents view that accounting policies & formats & capital fund related directives are the irrelevant part of the directives.
- Although there are various aspects which are being necessary for modifications directives issued by NRB is good.
- Recording system & level of manpower & IT has given equally & first priority for the sound financial position of the bank & financial institutions.
- Bank & financial institutions have to improve internal control mechanism & regulating body has to implement updated & practical rule and directives for the improvement of the accounting system.

- Directives brought by regulating body should be uniform & consistency, skill of the concerned employee should be developed by giving training & providing technical knowledge. The organizations have to bring appropriate information technology & internal control mechanism should be there for the sound accounting system. In such a situation data reported by the accounts will be reliable, consistent & uniform.

CHAPTER-V

SUMMARY, CONCLUSION & RECOMMENDATIONS

Nepal is one of the least developed countries in the world lying as sandwiched between the two big countries; China and India. Poverty is widespread. Propelled by the a strong growth in both the agriculture and non-agriculture sectors, the long-ailing economy has bounced back to record 5.56 percent growth in the current fiscal year, highest economic expansion in last the seven years. With the growth, the total size of Nepali economy in producers' price has scaled up to Rs 828.8 billion (US\$12.80 billion) while the per capita income has also increased by around 11 percent to Rs 30,361 per year (470 US\$). However, with the creeping inflation, which is around 9 percent, the real purchasing capacity of Nepali consumers is estimated to grow marginally in the year. According to a preliminary estimate of national accounts prepared by the Central Bureau of Statistics (CBS), agriculture sector, which contributes 32 percent to national economy, grew by 5.65 percent while the growth of non-agriculture sector was around 5.52 percent. The wholesale and retail sector that holds the second largest contribution to national economy after agriculture expanded by 6.43 percent whereas its expansion last year was negative. Increasing purchasing power of consumers mainly due to a double-digit growth in remittance inflow fueled the growth. Similarly, despite a strong growth in communication sector, the lengthy transport disturbances took a toll on the sector, resulting in a slowest growth of 6.6 percent in transport and communication sector, the third largest contributor to national output. The most impressive growth came from the financial intermediation sector, which mainly represents banking and insurance businesses. Being an agricultural country also, it has not being able to generate sufficient food grains. The economy is not investment friendly and the process and activities regarding the creation of this are utmost failed. Because of the various problems associated with this private sector isn't being able to show confident to cope with the existing economic & political environment.

5.1 Summary

This research is about the accounting system in financial sector. This study, analyzes the accounting system adopted in the financial institutions of Nepal which

overviews the recording system, mandatory reporting system to the concerned regulating body and its implications in the present market scenario & to overview the availability of related software(Information Technology) & related manpower. As accounting covers the area from identifying to reporting, it was being necessary to overview whether the recording system is adequate for recording or it is necessary for modification & restructuring. It is being necessary to see, whether the technical area are sufficient for supporting in recording or modification should be done & how easily the recorded data converting in to reporting? This study overviews the recording system, reporting formats, availability of technical & human resources & its implications in the present market scenario for maintaining sound financial position & to become competent in the globalized scenario.

With the increasing no of financial institutions and investment in financial institutions the risk for investors is increasing. Similarly large number of depositor's have to assume in risk when the financial position of the financial institution is poor. For this it is being necessary to overview the accounting system which measures the overall financial position of the institutions. Financial sectors play the role of monetization as well. Adverse effect in the financial sector leads the adverse effect to whole the economy.

5.2 Conclusion

In Nepal, number of bank & financial institutions are increasing day by day. Increase in the number of bank & financial institutions have lead to the keen competition. After the end of 2010 we are further welcoming the foreign financial institutions as well, which will bring yet race competition in the globalize scenario. In this context financial position of the concerned institutions should be sound, transparent & reliable. For the sound financial position, bank & financial institutions have to follow proper recording system.

NRB, as a regulating body of the bank & financial institutions is bringing various mandatory provisions for the incorporation & regular operation of the bank & financial institutions. Bank & financial institutions are subject to regular reporting as prescribed in the NRB directives.

For the effective operation of the bank & financial institutions and for the proper recording classifying, summarizing of accounting records & reporting to the concerned stakeholders & regulating body; bank & financial institutions are using

various accounting software & information technology. Information Technology, accounting software & manpower used in the bank & financial institutions & their quality is vital for the recording & reporting.

Bank & financial institutions have to bring & implement long term strategic plan, short term tactical Plan & develop the information technology by retaining the competent manpower to become competitive in the market & to maintain sound financial position of the financial institution.

5.2 Recommendations

Recommendations based on the study are divided in to two groups i.e. (i) Recommendations to concerned bank & financial institutions and (ii) Recommendation to Nepal Rastra Bank, the regulating body.

5.3.1 Recommendations to Concerned Bank & Financial Institutions

Recommendations to the concerned bank & financial institutions can be pointed out as follows:-

- Bank & financial institutions are operating without preparing Long term strategic plan & tactical program which may bring risk for the concerned financial institutions. Therefore the bank & financial institutions have to bring these plan & programs for the smooth operation of the business. The financial institutions which have strategic plan & tactical plan, the concerned person & concerned departments member do not have knowledge for implementation. Therefore there should be practical implementation of these plan & programs. This will bring predictable accounting environment.
- Bank & financial institutions have to follow the accounting & mandatory provisions made on various acts & NRB directives.
- As NRB is the regulating & supervisory body of bank & financial institutions, comments made in the annual reports of bank & financial Institutions by supervision departments are to be fulfilled for the

sound operation of the concerned bank & financial institutions. Therefore the concerned bank & financial institutions have to follow the instructions given by NRB.

- IT is being the heart of the modern banking system. IT, Operating system of the bank & financial institutions & their recording are connected directly. Therefore all the bank & financial institutions have to bring IT policy & implement it in real practice as soon as possible.
- Overall MIS systems need to be strengthened as soon as possible.
- Internal control system of the organization is the main controlling mechanism for the accounting of any organization. Some organizations are not following internal control system which can be seen in audit report & report of NRB. Internal control mechanisms have to be developed as soon as possible.
- Departments involved in the operation of the banking system & overall operations of the organization should be assigned with certain authority, responsibility & accountability. Some organizations are operating by giving authority without limit such as authority to treasury dealers. Therefore there should be clear cut demarcations in authority, responsibility & accountability.
- Internal control department should be formatted with the representation of the non executive board member & should be independent for performing their duty.
- Internal audit manual have to be prepared & implemented as soon as possible.
- Timely reconciliation of inter branch account, Inter department, & inter bank should be done for the reliability of accounting information & mechanism.
- Bank & financial institutions should be assured from the deposit concentration, concentration of the loan & advances in the single sector of the economy, disaster management & overall financial management of the organization.
- Bank & financial institutions have to develop reporting system through the software.

- Bank & financial institutions are facing the problem of migration of the human resources from one institution to another institution. To manage the proper accounting system the organization have to be assured about the availability of appropriate human resource at the appropriate place capable for performing his duty. Therefore the institutions have to bring human resources retaining policy to be assured about the availability of capable human resource in the financial institution.
- Bank & financial institutions have to be responsible for maintaining organizational and business environment & practice for the operation in competitive environment.

5.3.2 Recommendations to N R B

On the basis of the responses made by bank & financial institutions about the directives, NRB should initiate the following activities:-

- NRB need to be practical, NRB should not make rules only to meet the international standards but it must be useful in the context of Nepal.
- NRB has to make its supervisory system stronger to be sure those banks are not violating the rules of NRB.
- In case of violation of rules, NRB should think before deciding the action. Corrective action should be taken on time for the soundness of the financial institutions. Action taken to the financial institutions should be uniform.
- Some directives are issued by NRB without proper preparation about the matter & without the consent of the concerned stakeholders. To protect the deposits of the depositors and to uplift the banking system in Nepal to international standards directive should be consistent & should have to be implemented in various stages with long run vision.
- To combat the problems associated with the directives issued by NRB, it need to carry out proper homework and consultation with different banking experts. They become irrelevant if they are not implemented.
- To reduce the credit risk and bad quality of assets in the bank & financial institutions balance sheet, Credit information Bureau should be strengthened.

- For the uniformity of the reporting system, NRB should have to strengthen their capacity & develop IT system stronger.
- IT systems of the concerned financial institutions have to be connected with the IT system of the NRB so that financial institution need no extra effort for separate reporting.
- NRB has to promote human resource developing agency & IT developing agency by which institutions will be able to get efficient Human resources & IT system for the purpose of proper recording, reporting & for the overall development of the financial sectors.
- NRB need to bring various promotional programs for the following of the directives & circulars issued by NRB & fulfilling the requirements in the market.
- Accrual basis of accounting is the universal basis of accounting. But Nepal Rastra Bank has directed to follow the cash basis of accounting for the income recognition purpose on interest income of loan & advance. This direction should be corrected.
- Huge difference between the interest rates on the deposits accepted and the loan & advanced by banks, called the “Spread” must be minimized. It should, however, be borne in mind that the spread is an intermediation margin and if it is high it indicates two possibilities- either the level of efficiency is low in this market or there isn't enough competition.
- There are increasing the no of bank & financial institutions in Nepal. Leading to the weak financial position of the financial sector which may bring great financial problem in the nation. In the present context Nepal needs financially big & stronger bank & financial institutions instead of numerous, financially weak organizations. Therefore merger & acquisition act should be brought for the long term stable development of the financial sector & overall development of Nepal
- To meet the competition after the entrance of the foreign financial institutions after 2010 according to the agreement in WTO bank & financial institutions should have to be stronger & competitive. To make Nepalese bank & financial institutions competitive, NRB should have to bring some corrective program as soon as possible as per above recommendations.

BIBLIOGRAPHY

BOOKS:

- Dahal, B. & S. (2002). *A Handbook to Banking*. Kathmandu: Ashmita Books and Stationary.
- DeKock, M .H (1974). *Central Banking*. London: Crosby Lockwood, Staples.
- Economic Survey (2009/10), Kathmandu: Government of Nepal, Ministry of Finance.
- Gupta, S. P.(1991) *Statistical Methods*, New Delhi: Sultan Chand and Sons.
- Jain, S.P. & Narang, K.L. (1986). *Advance Accounting*, New Delhi: Kalyani Publishers.
- K.C., S. & L, Shekhar (1999). *Banking: Theory & practices*. New Delhi:Vikash Publishing House Pvt. Ltd
- Kent, R.P.(1972). *Money & Banking*. Hinsdale, Illinois: Dryden Press.
- Khan, M.Y. & Jain, P.K. (1981). *Financial Management*, New Delhi: Tata Mc Grew-Hill publishing Company Limited.
- Kothary, C. R. (1990). *Research Methodology: Method & Techniques*. New Delhi : Wiley eastern Limited.
- Norton, W.W(2002). *Development, Problems, principles and practices*. New York:
- Pradhan, K. P.(2004). *Banking in Nepal & India*, Kathmandu: Ratna Pustak Bhandar.
- Welsch, G.A, Hilton, R W. & Gordon, P. N. (2002). *Budgeting profit planning & control*. New Delhi: Prentice Hall of India P. Ltd.
- Wolf, H.K. & Pant, P.R. (2007). *Social Science Research & Thesis Writing* Kathmandu: Buddha Academic Publishers & Distributors Pvt. Ltd.

REPORTS, JOURNALS AND ARTICLES:

Nepal Rastra Bank Act 2058.

Vaidya, Shakespeare (2001). *Banking & Insurance Management*. Kathmandu: Monitor Nepal (Business Risk Analysis Co.)

Value Added Tax Act 2052

THESIS:

Acharya, Dhruva Prasad (2008) “*A Study of NRB Directives with special reference to Capital Adequacy & Loan Loss Provision*”; an unpublished master degree thesis submitted to Central Campus, T.U.

Chand, Govinda Bahadur (2008) “Financial Performance Analysis (CAMEL – Test) of selected commercial banks NABIL, NIBL and SCBNL an unpublished master degree thesis submitted to Nepal Commerce Campus, T.U.

Devkota, Lokendra (2009) “*Comparative SWOT Analysis of Nepalese Commercial Joint venture Banks with reference to SCBNL, NABIL and HBL*”, an unpublished master degree thesis submitted to Central Campus, T.U.

Shakya, Rajib (2010) “*CAMEL Study on Financial Performance of Commercial Banks in Nepal with reference to SCBNL, NABIL and NIBL*”, an unpublished master degree thesis submitted to Shanker Dev Campus, T.U.

HYPertext DOCUMENTS & WORLDWIDE WEB:

Arthik Ain, <http://www.mof.gov.np/publication/adhyadesh>

Financial Statements, <http://www.nrb.org.np/department>

Income Tax Act & Rules, http://www.ird.gov.np/income_tax_act_2058.

Lekha Parikshan, <http://www.oag.gov.np>.

Nepal Accounting Standards, <http://www.standards.org.np/nas>

QUESTIONNAIRE

Dear Sirs/Madam

I am a student of Tribhuvan University Nepal Commerce Campus, studying in the final year of Master of Business Studies (MBS).

Students of this level have to do research study and submit to the department on the subject of their specialization. This research is done for the partial fulfillment of the requirement for the Master in Business Studies (MBS) program of Tribhuvan University. The topic of this research study is “A STUDY ON MANDATORY ACCOUNTING REPORTING SYSTEM TO NRB BY NEPALESE FINANCIAL SECTOR”

As accounting covers identifying, measuring, recording, classifying summarizing analyzing interpreting & communicating; role of the accounting sector is increasing. Banking sector plays a vital role for the monetization & as a mediator for business house. Financial soundness of the concerned institution is important which can not be imagined without the soundness & effectiveness of the accounting sector.

Effectiveness of the financial institutions depends upon the effectiveness of the accounting sector. For the purpose of reviewing the present accounting system & its problem it is being necessary to make research & recommend for the up coming future. For this purpose I have developed this questionnaire. You are requested to fill it & return for the purpose of doing this research work.

I want to assure you that the information provided by you will be strictly confidential and used for academic purpose only.

Drona Raj Dhungana

Campus Roll No:1724/064

Nepal Commerce Campus

New Baneshwor Kathmandu

Section A(Optional Area)

1. General Information

- 1. Name:-
- Gender:- Age:- Sex:-
- 1. Home Address:-
- 2. Office Address:-
- 3. Birth Place:-
- 4. Language Known:-

2. Educational History

- 1. Indicate the highest academic level you have completed:-
.....
- 2. Managerial Training: -
- 3. Technical Training:-
.....

Section B

1. Does the present recording system fulfill the requirements of concerned stakeholders?

- a. Yes (Fulfill) ()
- b. No (do not fulfill) ()

If no, please rank the causes from 1 to 4

- i. Lack of appropriate software
- ii. Lack of efficient manpower
- iii. Lack of appropriate compliances
- iv. Other. Please specify if any

5. Does the directives issued by the NRB are relevant to concerned Bank/FI?

- a. Yes it is relevant. () b. No It is not relevant ()

If no, please rank (from 1 to 4), which directive is not relevant?

- i. Directive No 1 capital fund & risk weighted assets
- ii. Directive No 2 Provision on loan & advances
- iii. Directive No 4 Accounting policies & formats of accounting statements
- iv. Others please specify if any.....

6. Does the directives issued by the NRB are consistent?

- i. Yes it is consistent.
- ii. No it is not consistent.
- iii. It is Changing according to changed environment
- iv. Others.

7. Rank the following factor in order of the importance they play in maintaining the sound financial position of the concerned Bank/FI.(In the increasing order giving 5 for most important & 1 for poor)

- i. Recording System.
- ii. Reporting system.
- iii. Level of man power & I T.
- iv. Rule & regulations from regulating body.
- v. Internal rule & regulations.

8. Rank (4 to 1) the following factors for the improvement of the accounting system of the Bank/FI? (4 for most important & 1 for less important.

- i Internal Rule & regulation & internal control.
- ii External rule & regulations.
- iii Technical Manpower & Information technology
- iv Other.

9. Do you have any suggestions regarding the present accounting system?

.....
.....

ANNEX-1

Calculation of sufficiency of Present Recording System

Observed frequency table:-

Respondents & Responses	Yes (Fulfill)		No (Do not Fulfill)		Total	
	No	%	No	%	No	%
Officers of Bank & FI	17	47	19	53	36	100
Officers from Regulating Body	13	72	5	28	18	100
CA & Experts	5	28	13	72	18	100
Total	35	49	37	51	72	100

Source:-Opinion Survey

Observed frequency table for sufficiency of recording system

Expected Frequency $E_f = RT \times CT / GT$

Expected frequency table:-

Respondents & Responses	Yes (Fulfill)	Do (Not Fulfill)
Officers of Bank & FI	17	19
Officers from Regulating Body	9	9
CA & Experts	9	9
Total	35	37

Source:-Opinion Survey, 2011

Degree of freedom $= (R-1)(C-1) = (3-1)(2-1) = 2 \times 1 = 2$

Tabulated Value of χ^2 at 5% level of significance ($\alpha = 5\%$) at 2 degree of freedom is 5.99 which is to be tested.

Different table can be presented as follows:-

Table of Difference

O_f	E_f	$O_f - E_f$	$(O_f - E_f)^2$	$(O_f - E_f)^2 / E_f$
17	17	0	0	-
13	9	4	16	1.78
5	9	-4	16	1.78
19	19	0	0	-
5	9	-4	16	1.78
13	9	4	16	1.78
72	72	0	64	7.11

Source:-Opinion Survey, 2011 & Stat. Tools.

Therefore calculated value of $\chi^2 = \sum (O_f - E_f)^2 / E_f = 7.11$

ANNEX-2

Calculation of Sufficiency of Related Software & Skilled Manpower

For this Following table are presented:-

Respondents & Responses	Observed Frequency					
	Is (Sufficient)		Is (not Sufficient)		Total	
	No	%	No	%	No	%
Officers of Bank & FI	10	28	26	72	36	100
Officers from Regulating Body	9	50	9	50	18	100
CA & Experts	12	67	6	33	18	100
Total	31	43	41	57	72	100

Source:-Opinion Survey, 2011

Expected Frequency $E_f = RT \times CT / GT$

Expected frequency table of first hypothesis can be presented as follows:-

Expected Frequency Table		
Respondents & Responses	Yes (Directive is relevant)	No (Directive is not relevant)
Officers of Bank & FI	15	21
Officers from Regulating Body	8	10
CA & Experts	8	10
Total	31	41

Source:-Opinion Survey, 2011

Degree of freedom $= (R-1)(C-1) = (3-1)(2-1) = 2 \times 1 = 2$

Tabulated Value of χ^2 at 5% level of significance ($\alpha = 5\%$) at 2 degree of freedom is 5.99 which is to be tested.

Different table can be presented as follows:-

Table of Difference				
O_f	E_f	$O_f - E_f$	$(O_f - E_f)^2$	$(O_f - E_f)^2 / E_f$
10	15	-5	25	1.67
9	8	1	1	0.13
12	8	4	16	2.00
26	21	5	25	1.19
9	10	-1	1	0.10
6	10	-4	16	1.60
72	72	0	84	6.68

Source:-Opinion Survey, 2011

Therefore calculated value of $\chi^2 = \sum (O_f - E_f)^2 / E_f = 6.68$

ANNEX-3

Calculation of Relevancy of Mandatory Compliances

Observed Frequency Table

Respondents & Responses	Yes (Directive is relevant)		No (Directive is not relevant)		Total	
	No	%	No	%	No	%
Officers of Bank & FI	16	44	20	56	36	100
Officers from Regulating Body	12	67	6	33	18	100
CA & Experts	7	39	11	61	18	100
Total	35	49	37	51	72	100

Source:-Opinion Survey, 2011

Expected Frequency $E_f = RT \times CT / GT$

Expected frequency table of first hypothesis can be presented as follows:-

Expected Frequency Table

Respondents & Responses	Yes (Directive is relevant)	No (Directive is not relevant)
Officers of Bank & FI	17	19
Officers from Regulating Body	9	9
CA & Experts	9	9
Total	35	37

Source:-Opinion Survey, 2011

Degree of freedom $= (R-1)(C-1) = (3-1)(2-1) = 2 \times 1 = 2$

Tabulated Value of χ^2 at 5% level of significance ($\alpha = 5\%$) at 2 degree of freedom is 5.99 which is to be tested.

Different table can be presented as follows:-

Table of Difference

O_f	E_f	$O_f - E_f$	$(O_f - E_f)^2$	$(O_f - E_f)^2 / E_f$
16	17	-1	1	0.06
12	9	3	9	1.00
7	9	-2	4	0.44
20	19	1	1	0.05
6	9	-3	9	1.00
11	9	2	4	0.44
72	72	0	28	3.00

Source:-Opinion Survey, 2011

Therefore calculated value of $\chi^2 = \sum (O_f - E_f)^2 / E_f = 3.00$

ANNEX-4

Formats of Annual Reports are presented as Follows:

Formats includes: Balance Sheet, Profit & Loss A/C, Profit & Loss Appropriation A/C, Change in Equity, Cash Flow Statement & the schedule From 4.1 to 4.31.

a. Balance Sheet

.....Company Limited

BALANCE SHEET

As on 20..

S.N.	CAPITAL & LIABILITIES	SCHEDULE	Current Year	Last Year
1	Share Capital	4.1		
2	Reserve and Surplus	4.2		
3	Debentures and Bonds	4.3		
4	Borrowings	4.4		
5	Deposits	4.5		
6	Bills Payables	4.6		
7	Proposed and Dividend Payable			
8	Income Tax Liabilities			
9	Other Liabilities	4.7		
Total				
S.N.	ASSETS	SCHEDULE	Current Year	Last Year
1	Cash Balance	4.8		
2	Balance with NRB	4.9		
3	Balance with Banks/Financial Institution	4.1		
4	Money at Call and Short Notice	4.11		
5	Investment	4.12		
6	Loan Advances and Bills Purchase	4.13		
7	Fixed Assets	4.14		
8	Non-Banking Assets	4.15		
9	Other Assets	4.16		
Total			-	-
1	CONTINGENT LIABILITIES	SCHEDULE 4.17		
2	DECLARATION OF DIRECTORS	SCHEDULE 4.29		
3	STATEMENT OF CAPITAL FUND	SCHEDULE 4.30		
4	STATEMENT OF RISK WEIGTHED ASSETS	SCHEDULE 4.30(A)		
5	PRINCIPAL INDICATORS	SCHEDULE 4.31		
6	PRINCIPAL ACCOUNTING POLICIES	SCHEDULE 4.32		
7	NOTES TO ACCOUNTS	SCHEDULE 4.33		

Schedule from 4.1 to 4.17 are the parts of this Balance Sheet

b. Profit & Loss A/C

.....Company Limited
PROFIT AND LOSS ACCOUNT
For the Period starting from, 20.. to, 20..

S.N.	PARTICULAR	SCHEDULES	Current Year	Last Year
1	Interest Income	4.18		
2	Interest Expenses	4.19		
Net Interest Income				
3	Commission and Discount	4.2		
4	Other Operating Incomes	4.21		
5	Exchange Fluctuation Income	4.22		
Total Operating Income				
6	Staff Expenses	4.23		
7	Other Overhead Expenses	4.24		
8	Exchange Fluctuation Loss	4.22		
Operating Profit Before Provision for Possible Loss				
9	Provision for Possible Losses	4.25		
Operating Profit				
10	Non-operating Income/Loss	4.26		
11	Loan Loss Provision Written-Back	4.27		
Profit from Regular Operations				
12	Profit/Loss from extra-ordinary activities	4.28		
Net Profit after considering all activities				
13	Staff Bonus Provision			
14	Tax Provision			
	a. Current Year's			
	b. Previous Year's			
Net Profit/Loss				

Schedule from 4.18 to 4.28 are the parts of this Profit & Loss A/C

c. **Profit & Loss Appropriation A/C:**

.....Company Limited
PROFIT AND LOSS APPROPRIATION ACCOUNT
For the Period starting from, 20.. to, 20..

S.N.	PARTICULAR	SCHEDULES	Current Year	Last Year
-	<u>Income:</u>			
1	Accumulated profit up to the last year		-	-
2	Current Year Profit		-	-
3	Exchange Equalization Fund		-	-
	Total		-	-
S.N.	<u>Expenses</u>	SCHEDULES	Current Year	Last Year
1	Accumulated Loss up to the last year		-	-
2	Current Year's Loss		-	-
3	General Reserve		-	-
4	Contingent Reserve		-	-
5	Institutional Development Fund		-	-
6	Dividend Equalization Fund		-	-
7	Staff Related Reserve Fund		-	-
8	Proposed Dividend		-	-
9	Proposed issue of Bonus Shares		-	-
10	Special Reserve Fund		-	-
11	Exchange Equalization Fund		-	-
12	Capital Redemption Reserve Fund		-	-
13	Capital Adjustment Fund		-	-
14				
	Total		-	-
15	Accumulated Profit/(Loss)		-	-

d. **Statement of Changes in Equity:**

.....Company Limited
STATEMENT OF CHANGES IN EQUITY
For the Year ended Ashad end -----

Particulars	Share Capital	Accumulated Profit/Loss	General Reserve	Capital Reserve Fund	Share Premium	Exchange Equalization Fund	Other Reserve and Fund	Total Amount
Opening Balance			-	-	-	-	-	-
During the year								-
Adjustments:								-
Current Year Profit			-	-	-	-	-	-
Appr. From current year profit			-	-	-	-	-	-
Closing Balance			-	-	-	-	-	-

e. **Cash Flow Statement:**

.....Company Limited
CASH FLOW STATEMENT
For the Period starting from, 20.. to, 20..

Last Year Amount	PARTICULAR	This Year Amount
	(a) <u>Cash Flow From Operating activities</u> 1 Cash Received 1.1 Interest Income 1.2 Commission and discount income 1.3 Income from foreign exchange transaction 1.4 Recovery of Loan written off 1.5 Other income 2 Cash Payment 2.1 Interest Expenses 2.2 Staff Expenses 2.3 Office Overhead Expenses 2.4 Income Tax Paid 2.5 Other Expenses	
	Cash Flow before Changes in Working Capital	-
	<u>Increase/(Decrease) of Current Assets</u> 1. (Increase)/Dcrease in Money at Call and Short Notice 2. Increase/Dcrease in Short -Term Investment 3. (Increase)/Dcrease in Loan and Bills Purchase 4. (Increase)/Dcrease in Other Assets 5. Extra ordinary Items <u>Increase/(Decrease) of Current Liabilities</u> 1. Increase/(Dcrease) in Deposits 2. Increase/(Decrease) in Certificate of Deposits 3. Increase/(Decrease) in Short -Term Borrowings 4. Increase/(Desrease) in Other Liabilities	
	Cash Flow after Changes in Working Capital	-
	(b) <u>Cash Flow from Investment Activities</u> 1. (Increase)/Decrease in Long -Term Investment 2. (Increase)/Decrease in Fixed Assets 3. Interest Income from Long -Term Investment 4. Dividend Income (c) <u>Cash Flow from Financing Activities</u> 1. Increase/(Decrease) in Long - Term Borrowings (Bond, Debentures etc.) 2. Increase/(Decrease) in Share Capital 3. Increase/(Decrease) in Other Liabilities 4. Increase/(Decrease) in Refinance/Facilities Received from NRB	
	(d) <u>Income/Loss from change in exchange rate in cash and bank balances</u>	
	(e) <u>Current Year's Cash Flow from All activities</u>	
	(f) <u>Opening Balance of Cash and Bank Balances</u>	
	(g) <u>Closing Balance of Cash and Bank Balances</u>	

SCHEDULES

4.1 Share Capital & Ownership

.....Company Limited

SHARE CAPITAL AND OWNERSHIP

(As on End of Ashad, 20..)

Last Year	Particulars	This Year
	1. Share Capital	
	1.1 Authorized Capital	
	a) Ordinary Shares of Rs.100 each b) Non- redeemable preference shares of Rs.each c) Redeemable Preference Shares of Rs.each	
	1.2. Issued Capital	
	a) Ordinary Shares of Rs.100 each b) Non- redeemable preference shares of Rs.each c) Redeemable Preference Shares of Rs.each	
	1.3. Paid-Up Capital	
	a) units of Ordinary Shares of Rs.100 each b) Proposed Bonus shares of Rs.each c) Non- redeemable Preference Shares of Rs.each d) Redeemable Preference Shares of Rs.each	
	Total	

SHARE OWNERSHIP

(As on End of Ashad, 20..)

Share Capital	%	Particulars	%	Share Capital
		1. Local Ownership		
		1.1 His Majesty's Government		
		1.2 "A" Class Licensed Institutions		
		1.3 Other Licensed Institutions		
		1.4 Other Entities		
		1.5 General Public		
		1.6 Others (Individual Promoters)		
		2. Foreign Ownership		
		Total		

4.2 Reserves Fund

.....Company Limited

RESERVES FUNDS

(As on End of Ashad, 20..)

Last Year	Particulars	This Year
-	1. General Reserve Fund	
-	2. Capital Reserve Fund	-
-	3. Capital Redemption Reserve	-
-	4. Other Reserve Fund	-
-	a. Contingent Reserve	-
-	b. Institution Development Fund	-
-	c. Dividend Equalization Fund	-
-	d. Exchange Fluctuation Reserve	-
-	e. Special Reserve Fund	-
-	f. Assets Revaluation Reserve	-
-	g. Other Free Reserves	-
-	5. Accumulated Profit/ Loss	-
-	6. Exchange Equalization Fund	-
-	Total	-

4.3 Debenture & Bond

.....Company Limited

DEBENTURES AND BONDS

(As on End of Ashad, 20..)

Last Year	Particulars	This Year
	1. Percent Bond/Debentures of Rs.....each Issued on and Matured on (Outstanding balance of Redemption Reserve Rs.....)	
	2. Percent Bond/Debentures of Rs Each Issued on and Matured on (Outstanding balance of Redemption Reserve Rs.....)	
	3.	
	Total (1+2+3)	

4.4 Borrowings

.....Company Limited

BORROWINGS

(As on End of Ashad, 20..)

Last Year	Particulars	Last Year
	A. Local	
	1. His Majesty's Government	
	2. Nepal Rastra Bank	
	3. Repo- Obligation	
	4. Inter Bank and Financial Institutions	
	5. Other Financial Institutions	
	6. Others	
	Total	
	B. Foreign	
	1. Banks	
	2. Others	
	Total	
	Total (A+B)	

4.5 Deposits

.....Company Limited
DEPOSITS
(As on End of Ashad, 20..)

This Year	Particulars	Last Year
	1. Non-Interest bearing accounts	
	A. Current Deposits	
	1. Local Currency	
	1.1 His Majesty's Government 1.2 "A" Class Licensed Institutions 1.3 Other Licensed Institutions 1.4 Other Organized Institutions 1.5 Individuals 1.6 Others	
	2. Foreign Currency	
	2.1 His Majesty's Government 2.2 "A" Class Licensed Institutions 2.3 Other Licensed Institutions 2.4 Other Organized Institutions 2.5 Individuals 2.6 Others	
	B. Margin Deposits	
	1. Employees Guarantee 2. Guarantee Margin 3. Letters of Credit Margin 4. Others	
	C. Others	
	1. Local Currency	
	1.1 Financial Institutions 1.2 Other Organized Institutions 1.3 Individual	
	2. Foreign Currency	
	2.1 Financial Institutions 2.2 Other Organized Institutions 2.3 Individual	
	TOTAL OF NON-INTEREST BEARING ACCOUNTS	
	2. INTEREST BEARING ACCOUNTS	
	A. Savings Deposits	
	1. Local Currency	
	1.1 Organized Institutions 1.2 Individuals 1.3 Others	
	2. Foreign Currency	
	2.1 Organized Institutions 2.2 Individuals 2.3 Others	
	B. Fixed Deposits	
	1. Local Currency	
	1.1 Organized Institutions 1.2 Individuals 1.3 Others	
	2. Foreign Currency	

	2.1 Organized Institutions 2.2 Individuals 2.3 Others	
	C. Call Deposit	
	1. Local Currency	
	1.1 "A" Class Licensed Institutions 1.2 Other Licensed Institutions 1.3 Other Organized Institutions 1.4 Individual 1.5 Others	
	2. Foreign Currency	
	2.1 "A" Class Licensed Institutions 2.2 Other Licensed Institutions 2.3 Other Organized Institutions 2.4 Individual 2.5 Others	
	D. Certificate of Deposits	
	1. Organized Institutions 2. Individual 3. Others	
	TOTAL OF INTEREST BEARING ACCOUNTS	
	TOTAL DEPOSIT (1+2)	

4.6 Bills Payable

.....Company Limited
BILLS PAYABLE
(As on End of Ashad, 20..)

Last Year	Particulars	This Year
	1. Local Currency 2. Foreign Currency	
	Total	

4.7 Other Liabilities

.....Company Limited
OTHER LIABILITIES
(As on End of Ashad, 20..)

Last Year	Particulars	This Year
	1. Pension/Gratuity Fund 2. Employees Provident Fund 3. Employees Welfare Fund 4. Provision for Staff Bonus 5. Interest Payable on Deposits 6. Interest Payable on Borrowings 7. Accounts Payable Others 8. Sundry Creditors 9. TDS Payable 10. Others 11. Provision for Loan Loss	
	Total	

4.8 Cash Balance

.....Company Limited
CASH BALANCE
(As on End of Ashad, 20..)

Last Year	Particulars	This Year
	1. Local Currency (Including coins)	
	2. Foreign Currency (Indian Currency)	
	Total	

4.9 Balance at Nepal Rastra Bank

.....Company Limited
BALANCE WITH NEPAL RASTRA BANK
(As on End of Ashad, 20..)

Last Year	Particulars	Local Currency	Foreign Currency			Grand Total
			INR	Convertible	Total	
	1. Nepal Rastra Bank					
	a) Current A/C					
	b) Other A/C					

4.10 Balance at Bank & Financial Institutions

.....Company Limited
BALANCE WITH BANKS/FINANCIAL INSTITUTIONS
(As on End of Ashad, 20..)

Last Year	Particulars	Local currency	Foreign Currency			Grand Total
			IRS	Convertible	Total	
	1. Local Licensed Institutions					
	a. Current Account					
	b. Other Account					
	2. Foreign Banks					
	a. Current Account					
	b. Other Account					
	Total					

4.11 Money at Call & Short Notice

.....Company Limited
MONEY AT CALL AND SHORT NOTICE
Money at Call
(As on End of Ashad, 20..)

Last Year	Particulars	This Year
	1. Local Currency	
	2. Foreign Currency	
	Total	

4.12 Investment

.....Company Limited
Investments
(As on End of Ashad, 20..)

Last Year	Particulars	Purpose		This Year
		Trading	Other	
	1. Gov. Treasury Bills			
	2. Gov. Savings Bond			
	3. Gov Securities (Development Bond)			
	4. Nepal Rastra Bank Bonds			
	5. Foreign Securities			
	6. Local Licensed Institutions			
	7. Foreign Banks			
	8. Corporate Shares			
	9. Corporate Bonds and Debentures			
	10. Other Investment			
	Total Investment			
	Provision			
	Net Investment			

4.13 13(A) Security wise Loan & Advances:

.....Company Limited

LOAN, ADVANCES AND BILLS PURCHASED

SECURITY WISE

(As on End of Ashad, 20..)

Last Year	Particulars	This Year
	(A) Secured 1. Movable/ Immovable Assets 2. Guarantee of Local Licensed Institutions 3. Government Guarantee 4. Internationally Rated Bank Guarantee 5. Export Documents 6. Fixed Deposit Receipts (a) Own FDR (b) FDR of other Licensed Institutions 7. Government Bonds 8. Counter Guarantee 9. Personal Guarantee 10. Other Securities	
	(B) Unsecured	
	Total	

4.14 Fixed Assets

.....Company Limited

FIXED ASSETS

(As on End of Ashad, 20..)

Last YEAR	Particulars	Assets					This Year
		Building	Vehicles	Machinery	Office Equip.	Others	
	1. <u>At Cost</u> a. Previous Year Balance b. Addition this year c. Revaluation/ Written back this year d. This year sold e. This year Written off Total Cost (a+b+c+d+e) 2. <u>Depreciation</u> a. First Quarter b. Second Quarter c. Dep.on Revaluation/ Written back Total Depreciation 3. Book Value (WDV*) (1-2) 4. Land 5. Capital Construction (Pending Cap.) 6. Leasehold Assets Total (3+4+5+6)						

*Written Down Value

4.15 Non Banking Assets

.....Company Limited
NON- BANKING ASSETS
 (As on End of Ashad, 20..)

Last Year	Name and Address of Borrower or party	Date of assuming Non-Banking Assets	Total Amount of Non-Banking Assets	Loss Provision		This Year
				In %	In Amount	
	Grand Total					

4.16 Other Assets

.....Company Limited
OTHER ASSETS
 As on 20..

Last Year	Particulars	This Year
	1. Stock-of-Stationery	
	2. Interest Receivable on Investments	
	3. Accrued Interest Receivable on Loan Less: Interest Suspense amount	
	4. Security Deposits (Dharauti)	
	5. Advance Payments & Receivables	
	6. Staff Loan and Advances	
	7. Pre-Payments	
	Cash - in - Transit	
	9. Other Transit items (Clearing Cheques)	
	10. Petty Cash	
	11. TDS Recoverable	
	12. Branch account	
	13. Others	
	14. Accrued Interest Receivable on Call Deposits	
	Total	

4.17 Contingent Liabilities

.....Company Limited

CONTINGENT LIABILITIES

As on 20..

Last Year	Particulars	This Year
	1. Claims on institution but not accepted by the Institution	
	2. Letters of credit (Full amount)	
	(a) Less than 6 months maturity	
	(b) More than 6 months maturity	
	3. Re-discounted Bills	
	4. Unmatured Guarantee/ Bonds	
	(a) Bid Bonds	
	(b) Performance Bonds	
	(C) Other Guarantee/ Bonds	
	5. Unpaid Shares in Investment	
	6. Forward Exchange Contract Liabilities	
	7. Bills under Collection	
	8. Acceptance and Endorsements	
	9. Underwriting Commitments	
	10. Irrevocable Loan Commitments	
	11. Counter Guarantee of Internationally Rated Banks	
	12. Advance Payment Guarantee	
	13. Financial Guarantee	
	14. Contingent Liabilities on Income Tax	
	15.	
	Total	

4.18 Interest Income

.....Company Limited

INTEREST INCOME
(As on End of Ashad, 20..)

Last Year	Particulars	This Year
	A. On Loan, Advances And Overdraft 1. Loan and Advances 2. Overdraft B. On Investment 1. <u>GoN Securities</u> a. Treasury Bills b. Development Bonds c. National Savings Certificates d. 2. <u>Foreign Securities</u> a. b. 3. Nepal Rastra Bank Bonds 4. <u>Debenture and Bonds</u> a. Financial Institutions b. Other Organizations C. On Agency Balances 1. Local Banks 2. Foreign Banks D. On Money At call And Short Notice 1. Local Banks/ Financial Institutions 2. Foreign Banks E. On Others 1. Certificate of Deposits 2. Inter-Bank Loan 3. Others	
	Total	

4.19 Interest Expenses

.....Company Limited

INTEREST EXPENSES

(As on End of Ashad, 20..)

Last Year	Particulars	This Year
	A. On Deposit Liabilities	
	1. <u>Fixed Deposits</u>	
	1.1 Local Currency	
	1.2 Foreign Currency	
	2. <u>Savings Deposits</u>	
	2.1 Local Currency	
	2.2 Foreign Currency	
	3. <u>Call Deposits</u>	
	3.1 Local Currency	
	3.2 Foreign Currency	
	4. Certificate of Deposits	
	B. On Borrowings	
	1. Debentures and Bonds	
	2. Loan from Nepal Rastra Bank	
	3. Inter Bank/ Financial Institutions Borrowing	
	4. Other Corporate Body	
	5. Other Loans	
	C. On Others	
	1. Provident Fund	
	2. Retirement Benefit Fund	
	Total	

4.20 Commission & Discount

.....Company Limited
COMMISSION AND DISCOUNT INCOME
(As on End of Ashad, 20..)

This Year	Particulars	Last Year
	A. BILLS PURCHASE AND DISCOUNT 1. Local 2. Foreign	
	B. COMMISSION 1. Commission Earned 2. Commission On Insurance 3. Commission On Guarantee Issue 4. Service Charge 5. Miscellaneous Income 6. Share Underwriting/Issues 7. Government Transactions 8. Agency Commission 9. Western Union Commission	
	C. OTHERS	
	Total	

4.21 Other Operating Income

.....Company Limited
OTHER INCOME
(As on End of Ashad, 20..)

Last Year	Particulars	This Year
	1. Safe Deposit Lockers Rental 2. Issue and Renewals of Credit Cards 3. Issue and Renewals of ATM Cards 4. Telex /T.T. 5. Service Charges/Processing Fees 6. Renewal Fees 7. Mortgage Fees 8. Others	
	Total	

4.22 Exchange Fluctuation Income/ Expenses

.....Company Limited
EXCHANGE GAIN/LOSS

Last Year	Particulars	This Year
	(A) Revaluation Gain	
	(B) Trading Gain (except Exchange Fee)	
	TOTAL INCOME (LOSS)	

4.23 Staff Expenses

.....Company Limited
EXPENSES RELATING TO EMPLOYEES
(As on End of Ashad, 20..)

Last Year	Particulars	This Year
	1. Salary	
	2. Allowances	
	3. Contribution to Provident Fund	
	4. Training Expenses	
	5. Uniform	
	6. Insurance	
	7. Pension and Gratuity Provision	
	9. Staff Amenities	
	TOTAL	

4.24 Other Operating Expenses

.....Company Limited
OFFICE OVERHEAD EXPENSES
(As on End of Ashad, 20..)

Last Year	Particulars	This year
	1. House Rent	
	2. Electricity & Water	
	3. Repair and Maintenance	
	(a) Building	
	(b) Vehicles	
	(c) Others	
	4. Insurance	
	5. Postage, Telex, Telephone, Fax	
	6. Maintenance of Furniture & Office Equipment	
	7. Travelling Allowances and Expenses	
	8. Stationery and Printing	
	9. Periodicals and Books	
	10. Advertisements	
	11. Legal Expenses	
	12. Donations	
	13. Expenses Relating to Board of Directors	
	(a) Meeting Fees	
	(b) Other Expenses	
	14. Annual General Meeting Expenses	
	15. Expenses Relating to Audit	
	(a) Audit Fees	
	(b) Other Expenses	
	16. Commission on Remittances	
	17. Depreciation on Fixed Assets	
	18. Amortization of Preliminary Expenses	
	19. Share Issue Expenses	
	20. Technical Services Fee	
	21. Business Promotion	
	22. Other Exp. Written Off	
	23. Security Expenses	
	24. Refreshment & Entertainment	
	25. Commission and Discount	
	26. Others Office Expenses	
	27. Fuel Expenses	
	28. Membership and Renewal	
	29. Miscellaneous Expenses	
	30. Loan Loss Provision	
	31. Bank Charges	
	TOTAL	

4.25 Provision for Loan Loss

.....Company Limited
PROVISION FOR POSSIBLE LOSSES
(As on End of Ashad, 20..)

Last Year	Particulars	This year
	1. Increase in Loan Loss Provision	
	2. Increase in Provision for Loss on Investmen	
	3. Provision Against Non-Banking Assets	
	4. Provision Against Other Assets	
	Total	

4.26 Non Operating Income/Loss

.....Company Limited
NON-OPERATING INCOME/LOSS
(As on End of Ashad, 20..)

Last Year	Particulars	This year
	1. Profit (Loss) on Sale of Investment	
	2. Profit (Loss) on Sale of Assets	
	3. Dividend	
	4. Subsidies Received from Nepal Rastra Bank a. Reimbursement of losses of specified branches b. Interest Subsidy c. Exchange Counter	
	5. OTHERS	
	TOTAL NON-OPERATING INCOME (LOSS)	

4.27 Loss Provision write back

LOSS PROVISIONS WRITTEN BACK
(As on End of Ashad, 20..)

Last Year	Particulars	This Year
	1. Loan Loss Provision Written Back	
	2. Provision against Non-Banking Assets Written Back	
	3. Investment Provision Written Back	
	4. Provision against Other Assets Written Back	
	Total	

4.28 Profit/ Loss From extra ordinary activities:**PROFIT/ LOSS FROM EXTRA-ORDINARY ACTIVITIES
(As on End of Ashad, 20..)**

Last Year	Particulars	This year
-	1. Recovery of write off loan	-
-	2. Voluntary Retirement Scheme Expenses	-
-	3. Loan Write-Offs {4.28 (a)}	-
-	4. Other Expenses/ Income	-
-	Total	-

4.28(A) Statement of Loans Written Off:**.....Company Limited
STATEMENT OF LOANS WRITTEN-OFF
(As on End of Ashad, 20..)**

S.N.	Types of Loan	Written off Amount	Types of Security	Basis of Valuation of Collateral	Loan Approved by Name/ Designation	Initiations made for Recovery	Remarks
1	Working Capital Loan	-	-	-	-	-	
2	Project Loan	-	-	-	-	-	
3	Fixed Capital Loan	-	-	-	-	-	
4	Personal Loan	-	-	-	-	-	
5	Other Loan	-	-	-	-	-	
	Total Loan	-	-	-	-	-	

4.29 Loan & Advances to Promoter/Shareholder/Employee:

.....Company Limited
STATEMENT OF LOANS AND ADVANCES EXTENDED TO DIRECTORS/CHIEF
EXECUTIVE/PROMOTER/EMPLOYEES
AND SHAREHOLDERS

The Statement of amount, included under total amount of Bills Purchased and Discounted, Loans Advances and Overdraft, Provided to the Directors, Chief Executive, Promoters, Employees, Shareholders and to the individual members of their undivided family OR against the guarantee of such persons OR to the organizations or companies in which such individuals are managing agent, are as follows:

Name of Promoter/Director/CEO	Last Year's Balance		FIRST QUARTER		This Year Additions	Balance as of Ashad end 20..	
	Principal	Interest	Principal	Interest		Principal	Interest
(A) Directors							
1.							
2.							
(B) Chief Executive							
1.							
2.							
(C) Promoters							
1.							
2.							
(D) Employees							
1.							
2.							
(E) Shareholders							
1.							
2.							

4.30 Capital Fund Table

.....Company Limited
TABLE OF CAPITAL FUND
As on 20..

Particulars	Last Year	This year
A) Core Capital 1) Paid Up Capital 2) Share Premium 3) Non-Redeemable Preference Share 4) General Reserve Fund 5) Cumulative Profit/Loss (Up to previous FY) 6) Current Year Profit/Loss as per shown in Balance Sheet 7) Capital Redemption Reserve 8) Capital Adjustment Reserve 9) Other Free Reserves Less:- Goodwill Investment in excess of prescribed limit Fictitious Assets Investment in securities of companies with financial interest		
B) Supplementary Capital 1) Loan Loss Provision on PASS loans 2) Assets Revaluation Reserve 3) Hybrid Capital Instruments 4) Unsecured Subordinated Term Debt 5) Exchange Equalization Reserve 6) Additional Loan Loss Provision 7) Investment Adjustment Reserve 8) Provision for loss on Investment		
C) Total Capital Fund (A+B)		
D) Minimum Capital Fund required to be maintained on the basis of Risk Weighted Assets Capital Fund (@ 11% Percent) Core Capital Capital (@5.5% Percent)		
Capital Fund (excess/ Short) (@ 11% Percent)		
Core Capital (Excess/ Short) (@ 5.5% Percent)		

4.30(A) Statement of Risk Weighted Assets:
.....Company Limited
TABLE OF RISK WEIGHTED ASSETS STATEMENT
As on 20..

On-Balance Sheet Assets	Weightage	Last Year		This year	
		Amount	RWA	Amount	RWA
Cash Balance	0%				
Gold (tradable)	0%				
Balance with Nepal Rastra Bank	0%				
Investment in Govt. Securities	0%				
Investment in NRB Bonds	0%				
Fully secured loan against own Fixed Deposit Receipt	0%				
Fully secured loan against Govt. Securities	0%				
Interest accrued on National Saving Certificate	0%				
Balance with Domestic Licensed banks and Fin. Institutions	20%				
Fully secured FDR loan against FDR of other licensed banks and Fin. Ins.	20%				
Balance with foreign banks	20%				
Money at call	20%				
Loan against the guarantee of internationally rated banks	20%				
Other Investments in with internationally rated banks	20%				
Investments in Shares, Debentures and Bonds	100%				
Other Investments in with internationally rated banks	100%				
Other Investment	100%				
Loan, Advances and Bills Purchased/ Discounted	100%				
Fixed Assets	100%				
All other Assets	100%				
Total (A)					
Off Balance Sheet Items					
Bills Collection	0%				
Forward Foreign Exchange Contract	100%				
Letters of Credit with Maturity of less than 6 months (Full Value)	20%				
Guarantees provided against counter guarantee of int. rated foreign banks	20%				
Letters of Credit with Maturity of more than 6 months(Full Value)	50%				
Bid Bond	50%				
Performance Bond	50%				
Advance Payment Guarantee	100%				
Financial Guarantee	100%				
Other Guarantee	100%				
Irrevocable loan Commitment	100%				
Contingent Liability in respect of Income Tax	100%				
All other contingent Liabilities	100%				
Total (B)					
Total Risk Weighted Assets					

4.31 Principal Indicators:

.....Company Limited
PRINCIPAL INDICATORS

(At least for previous 5 Years)

Particulars	Indicators	Fiscal Year	Fiscal Year	Fiscal Year ...	Fiscal Year	Fiscal Year ...
1. Percent of Net Profit/ Gross Income	Percent					
2. Earning Per Share	Rs.					
3. Market Value Per Share	Rs.					
4. Price Earning Ratio	Ratio					
5. Dividend (Including Bonus) on share Capital	Percent					
6. Cash Dividend on Share Capital	Percent					
7. Interest Income/ Loan & Advances	Percent					
8. Staff Expenses/ Total operating Expenses	Percent					
9. Interest Expenses on Total Deposit and Borrowings	Percent					
10. Exchange Gain/ Total Income	Percent					
11. Staff Bonus/ Total Staff Expenses	Percent					
12. Net Profit/ Loan and advances	Percent					
13. Net Profit/ Total Assets	Percent					
14. Total Credit/ Deposit	Percent					
15. Total Operating Expenses/ Total Assets	Percent					
16. Adequacy of Capital Fund on Risk Weighted Assets						
a. Core Capital	Percent					
b. Supplementary Capital	Percent					
c. Total Capital Fund	Percent					
17. Liquidity (CRR)	Percent					
18. Non-Performing Credit/ Total Credit	Ratio					
19. Weighted Average Interest Rate Spread	Percent					
20. Book Net-Worth	Rs.					
21. Total Shares	No.					
22. Total Staffs	No.					
23. Others						