

Banking account

The second lecture

Definition and Function of Banking and the Banking System

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The second axis: the banking accounting system

Definition of the accounting information system in banks “a set of forms, records, means and procedures concerned with recording and processing data and then producing accounting information for the purposes of decision-making to internal (bank management) and external bodies (such as customers, government agencies and others), or it is a group of sub-systems Each system belongs to one of its departments, and these sub-systems are poured into the General Accounts Department, which is responsible for making the general journal entries and posting to the general ledger, preparing the financial statements.

Or it is “a set of means and procedures that enable the bank’s management to collect, operate and report data of all kinds on the result of the work carried out under its direction and supervision.

Objectives of the banking accounting system:

- 1- Achieving complete accuracy in the implementation of accounting operations and ensuring that they are completed in the correct manner.
- 2- Achieving speed in the completion of accounting work and so that the trial balance and daily reconciliations can be prepared
- 3- Achieving the principle of internal control.
- 4- Achieving the principle of economy in expenditures, which makes the system extremely flexible so that it can be easily applied to suit the technological achievements.
- 5- Completion of periodic financial statements, statements and reports.
- 6- Adjust the operations implemented for the various aspects of the bank’s activities in a way that allows the management to follow them on an ongoing basis and to take decisions and procedures in a timely manner for the purposes of control.
- 7- Completing reports, statistics and accounting data for users.

Components of a banker's accounting system:

The accounting information system in banks (like other accounting information systems in other economic units) consists of four basic elements:

- 1- Inputs: The inputs are from a set of documents supporting banking transactions that take place within the bank, such as the check, cash deposit slip, cash withdrawal slip, addition notes, discount notes, transfer request...etc.
- 2- Operations: If the system is manual, the operation process is done by evidence in the auxiliary journal tables and the general journal and deportation to the auxiliary ledgers and the general ledger. A database for each of the banking departments is used to obtain many reports and by using the computer.
- 3- Outputs: the system in the financial statements that include the final accounts (income statement, financial position statement, cash flow statement) and also includes a set of reports, the most important of which are the liquidity report, a report on credit and debit current accounts, a report on foreign currencies, a daily audit balance Monthly, daily movement statement, central bank reports.
- 4- Feedback (control): In the accounting system, feedback is done through the process of controlling the previous elements with the aim of evaluating and directing them in the right direction in order to achieve the goals that the accounting system aims to achieve in the service of the economic unit as a whole. The interest attached to accounting information systems in banks requires It is important to pay attention to the feedback as a tool for recognizing the value of information to its users, which helps to develop and increase this value on an ongoing basis.

The components of the accounting information system in banks The accounting information system in banks is based on a set of components, as follows:

- 1- Documentary group

The documentary group in the banks represents the basis for the work of these banks, so we see that the documents in the banks are

characterized by a special and accurate cycle, and sacrificing one of its stages represents a sacrifice of the results of the accounting information system. Without sacrificing considerations of control, speed and accuracy. The process of designing documents for any accounting system must achieve a central goal, which is the ability of each document to contain the best amount of data, taking into account simplicity and clarity when designing documentary courses. And the process of designing documents for the banking system is consistent with the nature of banking work, for example, the design of the deposit voucher document in the current account is different from the document of the deposit voucher in savings accounts, and so on. What distinguishes it from other documentary collections used in other financial organizations, as it is designed in a way that accurately reflects the performance of banking work. This collection can be divided into two parts:

A- Set of internal documents: the forms that are prepared by the bank itself to suit the nature of its currency. Under the concept of these documents, accounting entries and other documents are included.

B- Set of external documents: a set of documents that are organized for the purposes of customers and others, such as deposit slips, cash withdrawal receipts, deposit portfolios, bills of exchange and others. The internal documents are the basis for the accounting information systems cycle, and at a time when each department is concerned with designing models for its activity, this must be within a general framework that allows tracking the cycle and its integration with the General Accounts Department, otherwise the documentary cycle will lose one of its basic components.

1- The book group

The book group held by commercial banks varies according to the different accounting method used in recording and compiling transactions by each bank. One of the most common accounting methods in the field of banking activity is the French method or what is known as (the central journal) due to the large size and

diversity of operations , especially in manual or automated operations, and the book group in banks is summarized as follows:

A- Auxiliary journals and accounting tables: These are organized daily to summarize the work of each of the technical departments, as they collect, match and send with the documents supporting them to the General Accounts Department for the purpose of recording in the general journal record if the system is manually, or through daily reports shown by the computer According to the program if the system is automated.

B - Assistant ledgers: These books summarize the debit and credit movements for each sub-account according to the system followed by the bank, for example, the current account cards for customers, which represent each card as an independent account belonging to a particular customer. Among the most important auxiliary ledgers in commercial banks: current accounts (debit and credit), assistant professor of expenses, assistant professor of branches, assistant professor of secretariats, and assistant professor of regular accounts.

C- General journal: This record is kept with the accounts department, where the daily operations are recorded from the reality of the auxiliary diaries of the departments and divisions.

d- General ledger: It is the main record that includes the main accounts of the bank, as the debit and credit daily movements recorded in the general journal are carried over to this record so that the balance of the total accounts for each account can be known separately. The total account is in the general ledger. This record is used for the purposes of control, monitoring and preparation of final accounts. It does not contain any internal details.

3- The chart of accounts is a tool for categorizing the various banking operations within the framework of an approved classification of accounts in homogeneous groups, which helps to monitor the accounts of the general ledger as well as the accounts used in other records.

4- Accounting reports and auditing balances

The follow-up of activity in the field of commercial banks daily, weekly, monthly and annually represents an essential process for continuous verification of the accuracy of the executed operations.

From the accounting reports for the purposes of monitoring and evaluating performance in the commercial bank and according to the purpose or nature of the beneficiary from them:

A - internal reports

These are submitted to the various administrative levels in the unit. Among the internal reports prepared by the commercial bank are:

1. Planning budgets
2. Weekly, monthly, or detailed reports, which are known as periodic reports, which reflect the performance of the technical departments in the bank to provide their banking services to customers and which clarify

Plans for future activity in light of the available possibilities and opportunities.

A statement of deviations between what was planned in advance and what was actually implemented.

- Studying and analyzing those deviations, whether positive or negative, for the purposes of evaluation, taking corrective decisions for the negative path, and supporting positive activity that serves the bank's objectives.

b- external reports

These are the reports prepared by the commercial bank to meet the needs of external parties of all categories, to the data and information they are interested in accessing, and from these data what is obligatory to the bank under the prevailing laws and regulations. Including a comprehensive statement on the banking facilities and services provided by the bank to its customers, which include:

- All types of customers' deposits (current accounts, time or fixed deposits, savings accounts)

Documentary credits open to clients.

- Letters of guarantee issued (guarantees)

- Loans offered to customers, and the quality of the guarantees that support them.

A statement of the foreign currencies held by the bank, and the amount of what was sold or bought during the period.

5- Monitoring tools

The internal control in banks is one of the basic elements whose goal is not limited to achieving accuracy in the accounting data, but extends to achieve several goals:

A- Protecting the assets and funds of the bank.

B- Commitment to the set administrative goals and policies by following the procedures and rules and adhering to the limited powers under internal instructions or issued by external official bodies.

C - Raising the efficiency and effectiveness of the bank's management.

D - performance evaluation in light of specific criteria set by the administration.

E- Work to raise the efficiency of performance and develop it and set plans to develop work procedures and increase the efficiency and competitiveness of the bank.

Sources of money in a bank

1- Liabilities

These are the funds that the bank has from its liabilities and capital, which are used to finance its investments or to finance the assets available to it. The most important elements of liabilities are:

A- Deposits is an obligation owed by the bank to the depositor and is divided into:

- Current Account: Also called Demand Deposit Account, it is a basic checking account; Where consumers deposit funds, they can withdraw these deposited funds as desired by the account holder upon request.

Savings Accounts: Savings accounts offer account holders interest on their deposits, however, in some cases, account holders may incur monthly fees if they do not maintain a specific balance or a certain number of deposits.

Term deposits, also known as certificates of deposit (CD), have a higher rate of return than traditional savings accounts, but the money must remain in the account for a specified period of time.

b- Paid-up capital: It is the money that the bank receives from the owners of the project at the start of its formation

C- Retained profits are the profits that the company achieves and does not distribute to shareholders, either with the aim of investing it in new business or to pay off outstanding debts, or to distribute it to investors at a later stage.

d- Special (optional) reserve: It is a reserve that the bank creates on its own, other than that

E-Legal reserve (capital reserve): It is a reserve required by law and stipulated that it be a certain percentage of the capital

H- Borrowed funds: It is one of the sources of funds by borrowing funds from institutions, including the stock market, the Central Bank...