

Prospects of Accounting Information in Bank Activities

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Abstract: Accounting is the precise and thorough chronicle of monetary exchanges (transactions only, not events) pertaining to a business concern and it additionally alludes to the way toward identifying, summarizing, analyzing and hitting off these transactions to the concerned gatherings. Transparent accounting information consents commercial banks to come up with opportunity of striking business in location, resource attraction and uses as well as goodwill in the long run. Accounting information are some of a banking organization's most valuable assets. Accounting information is data/information about a business entity's transactions or that arises from business transactions (Laura Chapman, 2018). Transparent accounting information simply implies some significant qualitative characteristics like fundamental qualitative characteristics (relevance and faithful representation) and enhancing qualitative characteristics (comparability, timeliness, verifiability and understandability). The role of accounting information in everyday banking activities is extremely important for ensuring stability and consistency of bank management towards successful strategies that of course play a vital role to have a sound banking industry in a country. It is obviously significant that without exercising the main functions, consecrated by banking law, banks can't generate extremely useful accounting information for both clients and bank management. There are different users of bank accounting information like primary (internal) users (business owners/partners, managers and other employees in bank office) and secondary (external) users (clients, NBFCs, lenders, Government, tax authorities, insurance companies, other banks). Accounting information in bank activity can be gathered mainly from different bank accounts of its client, bank computerized programs where AIS plays a significant role and many other records and reports preserved and prepared by a bank itself. Bank operations can be classified into direct and indirect operations which detect the significance of accounting information in the transparent whole bank activity. These bank operations provide accounting information regarding the attraction and uses of bank capital. In this era of globalization every bank wants its identity and for this reason they fight ferociously for supremacy where only accounting information and the transparency of their accounting systems can lead banks to success that they want.

Key words: Accounting, monetary exchanges, accounting information, transparency, bank operations, global economy.

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I. Accounting Information in the Bank Activity: Significance and Necessity

Whatever the nature of organization-private or public, profit making or non-profit making, large, medium or small scale, normally uses accounting information to make current & future decisions and this information vary according to the requirement of each user (Nickels et al., 2002).

Initially the suitable data was arranged physically by the accountant which has various disadvantages. With the coming of data innovation, the accountant currently has available to him various accounting data instruments that help him in rearranging issues and giving quality information to the association where he renders administrations to. The division that has been most profoundly influenced by this advancement is the financial segment (Hassan, 2010).

In the data age, organizations are discovering achievement or disappointment as progressively subject to their administration and utilization of data. Along these lines, banks need a decent information framework that empowers a proficient and powerful utilization of information to give them progressively upper hand (Moscove et al., 1999). An information framework is a lot of interrelated subsystems that work together to gather, procedure and store, change and circulate information for arranging, choices making and ensuring sound control. The utilization of PC in data frameworks can improve the effectiveness of information assortment, preparing, putting away, change and dissemination.

Commercial banks perform a varied function themselves that simply describe the significance & importance of the accounting information. Usually this information is derived from the daily bank activity. As financial intermediaries banks have a great deal & impact on modern economy.

Banks generate significantly useful accounting information from exercising their basic functions, both for their client & for the bank authority.

Commercial banks are institutions that conduct business for profit motive through performing different functions or operations which are conventional for the banks & affirmed by law- generators of accounting information, allude mostly to the:

- **Primary functions**

(handling deposits -demand deposits, time deposits, recurring deposits, Tax-saving deposits, advancing loans etc.,)

- **Secondary functions**

(agency functions- collecting checks, collecting income, paying expenses etc.
general utility functions- providing locker facilities, issuing traveler's checks, dealing in foreign exchange, transferring funds & other mandate operations, creating money, electronic banking etc.)

As a part of annual report, statement of financial position can give the true picture of the concern to the interested parties & also show the nature of the classification of bank operations in direct (different banking policies, inter-bank transactions etc.) or indirect (clients' deposits, self-capital, various mandate operations etc.) operations which simply state & underline the significance and necessity of accounting information in the entire bank activity.

Accounting information is utilized to plan fiscal summaries. Fiscal summaries report on an organization's situation for a particular timespan. They demonstrate the organization's capacity to cover their long-and momentary obligation, their benefit or misfortunes and their capacity to meet their month to month money needs. The fiscal summaries pull information straightforwardly from the general record accounts. The most common financial statements pertaining to commercial banks are the comprehensive income statement, statement of financial position, cash flow statements, the statement of retained earnings & notes to the financial statement.

The banking company's going concern position can be determined by accounting information which tells the company's position related to its ability to continue meaningful operations into the future. In the event that it is predicted that an organization can't proceed with activities for longer than a few months then the organization has a going concern issue. This is determined by reviewing the financial statements that are prepared using accounting information early provided. Ratio analysis is conducted to determine the company's financial position i.e. the debt structure of the banks. (The Uses of Accounting Information, 2019)

Transparent bank accounting information help commercial banks to grab instant business opportunities connected to giving credits, guarantees and other facilities in favor of performing clients & also help banks in gathering huge capital.

The significance and necessity of accounting information in the bank activity is extremely important in the direction of bank management towards successful policies & strategies.

Bank Accounting Information: Sources and Users

Banks perform their different banking activities regularly & keep track of records of these banking activities which are the remarkable sources generating accounting information in bank activity are:

Bank clients' accounts: Clients open different account in a bank based on their needs such as current/saving/fixed/recurring deposit accounts, stock accounts, credit accounts etc. In these accounts the payment-received instruments, encashment, card operations etc. are registered.

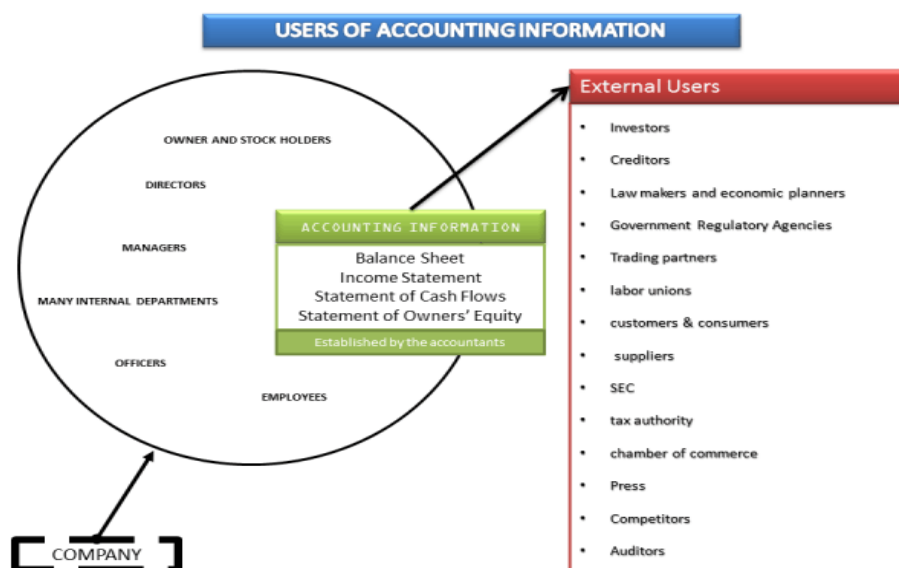
Self-bank entity accounts: Commercial banks do various transactions with their own country's Central Bank as well as other public & private banks. The different inter-banking settlement accounts, income and spending accounts of the bank etc. are maintained with this account.

Accounts along with the bank cash statement: Sometimes banks engage themselves in guarantee accords, guarantees related to credits, claims from current assets and followed afterwards-reflected into these accounts that provide a significant amount of accounting information.

Bank customized programs: Different banks use different computerized software that help manage both accounting and statistical data based on which bank authority make valuable future decisions.

Commercial banks can also take help from Central Bank for necessary accounting information as a guardian of these banks but the fundamental hotspots for gathering accounting information originate from the banks' own front office, clients' operations and inter- and intra- banking transaction records. Accounting information in bank activity mainly comes in the annual report of banks that may exist in raw or advanced form with the aid of the bank computerized programs.

Bank Accounting Information: Users and how being used by them



Source: (<https://iedunote.com/users-of-accounting-information>)

Accounting supplies users both internal&external with significant financial information that is useful for decision making where

a) **internal users** can be business owners/partners, directors, top-middle-lower management and other employees in bank office etc.;

Some of the ways internal users employ accounting information include the following:

- Assessing how management has discharged its responsibility for protecting, collecting and managing the company's resources
- Shaping decisions about when to borrow or invest company resources in the best possible alternatives
- Shaping decisions about expansion or downsizing or discontinuation of operations etc.

b) **external users** can be clients, investors, lenders, Government, tax authorities, insurance companies, labor union, suppliers, SEC, chamber of commerce, press, external auditors & other banks etc.;

Some of the ways external users employ accounting information include the following:

- Stockholders have the right to know how a company is managing the line of its borrowings & investments
- Federal and State Governments require tax returns and other documents often prepared by accountants
- Banks or lending institutions may use accounting information to guide decisions such as whether to lend or how much to lend a business
- Investors will also use accounting information to guide investment decisionsetc. (Users of Accounting Information)

The banks must respect the confidentiality principle regarding bank accounting information for the operations in clients' accounts. But sometimes several external users like Federal and State Governments, tax authority & so on require accounting information from the clients' accounts. As banks must ensure the confidentiality of clients' & their bank account information, banks usually give accounting information to internal users only. And again in case of emergency & national issue sometimes banks have to share clients' bank account information with Govt. & its special agencies/authorities. But this is not happened frequently & it is related only to a few special clients.

Along with the confidentiality principle banks must ensure the transparency and accuracy principles too as these are another issues related to the goodwill of the banks. By and large in the financial framework everywhere throughout the world the straightforwardness of bank accounting frameworks is significant for the recognizable proof of pay sources and misfortune sources inside a bank. The straightforwardness of accounting frameworks is additionally basic for setting up the bank priorities and for depicting the business skyline. Sometimes banks must think of greater confidentiality, transparency and accuracy than higher profitability use&

for this reason they should use accounting systems that do not allow the stockholders to know the real financial situation of the bank.

An indispensable area for any bank is finance & accounting department that produce & use accounting information on which different results of the bank activity are greatly dependent. Banks use their own statement of comprehensive income that reports on their financial performance (income, expenses and profits) in terms of net profit or loss over a period of time. And cash flow statement (CFS) also reports the movement of cash during the period under consideration. CFS summarizes information about cash outflows (payments) and inflows (receipts). CFS particularly reports on cash flow activities, particularly its operating, investing and financing activities.

In the present current business world, any financial accountant who works in the worldwide business condition of the 21st century will fit into the wide meaning of global accountant. The interest for cross-fringe money related data has correspondingly expanded as business and capital markets are more generally scattered the world over than any other time in recent memory.

For instance, the question arises about the quality of financial reporting in many countries & to solve this issue international financial reporting is receiving growing attention. Hence various significant factors and forces of an economic and political nature mostly influence the global accounting. Accounting concepts & conventions have greater impact & that's why these should be kept up to date. The significant qualities of accounting information must be maintained to ensure a greater impact on international capital markets & to prevent any scandals that rapidly affect the capital market transactions. Here the accounting information systems have sound contributions for different national, multinational & international organizations. Today different computerized programs are being used rapidly to serve these global purposes.

Accounting uses its different tools to measure the performance & positions of the commercial banks that basically shows the relationship between accounting and bank activity and between accounting and corporate governance. Accounting also helps ensure a harmony between economic and political dimensions.

II. Supposition

Effective strategies help smooth running of bank that require accounting information in due time. Different accounting software is used as domain where all accounting information essential for bank activities are gathered, integrated, stored & disseminated to the concerned authority as and when required.

Accounting information systems need to be transparent that normally takes into account a right and finish assessment of the bank activities and the setting up of separate bank needs for the outline of their business skyline. Transparent accounting information systems are the prerequisites for the quality and best utilization of accounting information relying upon the other consequent results.

Banks are trying to keep pace with global economy through exchanging information among their communities. Only sound performances that are completely dependent on transparent accounting information can lead banks toward success. Sound financial performance is the outcome of transparent accounting information in the banking industries. The biggest challenge for commercial banks is to keep the banking information transparent & secret as this are closely related to significant banking performance & goodwill of this industries as a whole.

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