
CHAPTER 5

SUMMARY AND CONCLUSION

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The study was undertaken with the following objectives:

- i) To allocate the expenses to the various departments and compute the cost of each such department,
- ii) To suggest measures, if any, on installation of a cost accounting system in the Youth Bank.

PROCEDURE FOR BANK COST ANALYSIS:

- i) The procedure starts with the adjustment of the Youth Bank's Profit & Loss Statement to a cost basis.
- ii) The expenses accounts are then distributed to departments of the Bank on the basis of each of its Department's responsibility for the incurrence of each expense.

Data to be collected for the above purpose relate the Youth Bank and those data were available from the Annual Reports and other accounts, registers and books of the bank. Three years data of the years 1986-87, 1987-88 and 1988-89 have been thus collected. Departments were classified into Operating and Non-operating departments.

Major expense items were then considered for the allocation to the various operating as well as non-operating departments. It was important at this stage to decide the basis on which the apportionment was to be made. The Manager and Chief Executive Officer was consulted in this matter. He was firstly, briefed as to what was to be done and the reasons for the same. He was also suggested a basis of allocation which was based on the

Researcher's observation and the costg accounting principles. Thus, the various basis were decided for the various items of the bank expenses. After decision on the basis of allocation, the expenses were allocated and the functional annual costs for various departments were calculated for three years of the study.

FINDINGS AND CONCLUSIONS:

i) Salaries and allowances was the major expense items for all the three years of this study. The percentage of salary and allowances to the total expenditure was 58.35, 58.10 and 57.03 for the years 1986-87, 1987-88 and 1988-89 respectively. It shows a marginally declining trend.

ii) Pigmy commission, Telephone charges and Printing and stationery are next three items to receive attention. Percentage of Pigmy Commission to the total expenditure ranged between 8.53 to 9.61 while that of Telephone charges ranged between 3.57 to 4.98. Percentage of printing and stationery to the total expenditure ranged between 4.90 to 5.24.

iii) Annual General Meeting Expenses, Miscellaneous Expenses, Depreciation and Repairs, Advertising, Audit Fees, Insurance, Office Rent, Deposit Insurance, Postage and Telegram etc., are the other expenses to receive attention as they are material expenses. Election expenses in 1988-89 were also material cost.

iv) Cost of Operating Departments:

Costs pertaining to Deposits were around 25% of the total cost during the three years of the study. Next in

importance was the Loans Department which required around 15% to 17% of the total cost. Recovery Department (a little over 4%) and Borrowings Department (around 3.5%) are next in order of importance.

Of the deposits; Deposits, Pigmy Deposits required around 9.30% to 10.60% of the total costs followed by Fixed Deposits (6 to 8%), Saving Deposits (around 3%) etc.

v) Costs of Non-operating Departments:

Share Capital, General Administration, Board of Directors, Manager, Officer, Senior Clerks, and Cashier, Junior Clerks, and Investments are the non-operating departments. These incur a little over 50% of the total costs. General Administration Department (20 to 23%), Manager (around 6%), Senior Clerks and Cashier (around 5%) are the departments in their order of importance as for as incurrence of cost is concerned. That means these departments, in that order, should be closely controlled.
