

PROJEK PELAJAR



UNIVERSITI TEKNOLOGI MARA

**A study on the usefulness of
Financial Reporting with reference to
Lending Bankers ;**

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ABSTRACTS

This paper is an attempt to examine the usefulness of financial reporting with particular reference to banks.

The stewardship function of the management in a business enterprises, is to produce the common report known as an annual report. This paper is therefore intended to highlight the objectives of financial reporting and the users of financial reporting information. In relation to this, the author also discuss on commercial banks' functions with special emphasis on lending.

The research done by the author is base on commercial banks procedures in loan considerations. Though not exhaustive, the outcome shows that banks do make use of financial statement as one of the criteria in lending procedures and policies. Other than that, non-financial factors are also considered.

CHAPTER 1

FINANCIAL REPORTING TO LENDING BANKERS - AN INTRODUCTION-

1.1 INTRODUCTION

The banker's need for some understanding of accounting statements is easily explained: the competent banker must be capable of appreciating the financial affairs of his business customers and accounts provide a fundamental source of financial information. Accounting is concerned with the quantification and interpretation of past and prospective economic transactions.

Any person or organization which indulges in economic transactions is a potential object of the accountant's attentions, but this research paper is essentially concerned with the profit-seeking enterprise with special emphasis on companies.

The banker's primary concern with accounting information for lending purposes is set in the context of a continuing banker-customer relationship. The familiar annual accounts are widely used by lenders, but they represents the externally visible tip of the iceberg of accounting activity. Chapter 2 of this paper will present the provisions available for lending banker in term of rule and regulations and other statutory information.

CHAPTER 2

COMMERCIAL BANKING FUNCTIONS

2.1 INTRODUCTION

A clear understanding of the role of commercial banks in the economy is obviously a prime prerequisite for the formulation of bank policy. Often the banker's concept of that role shapes the nature and character of his bank. The deposit-minded banker may underemphasize safety. Their attitudes often reflect the nature of the locality in which their banks operate; conservatism is frequently the mark of the stable, long-settled community, and more aggressive banking is found where growth is rapid and the need for credit is greatest.

Actually, commercial banks perform a number of interrelated functions, many of which are necessary parts of our private, free-enterprise system. Commercial banks bring into being the most important ingredient of the money supply - demand deposits - through the creation of credit in the form of loans and investments. Banks are the custodians of the community's money as well as the suppliers of its liquidity. Commercial banks also provide flexibility and mobility of the money supply by maintaining the interchangeability of currency and bank deposits and by providing the mechanism through which money payments can be most speedily and efficiently made.