

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Functional Cost Analysis
Circular No. 70-123

May 21, 1970

TO: The Officer of the Member Bank Addressed

Non-Checking Account Expense, Page A-7, Line 8

Non-Checking Account Expense is derived by multiplying the total demand deposit expense, including indirect expense allocation by the non-checking account expense weight unit.

The non-checking account expense weight unit value is determined by multiplying a computer programmed constant for the demand deposit function by the non-checking demand deposits and dividing this product by the total of all demand deposits.

K = A Computer programmed constant for the demand deposit function.

Non-Checking Demand Deposits = Line 25, Schedule C -- Other Demand Deposits. This includes certified and Officers' checks, Travelers' checks, Letters of Credit, Treasury Tax and Loan Account, Dealers Reserves and all other non-checking demand deposits.

Total Demand Deposits = Lines 23, 24, and 25 of Schedule C. This includes Regular Checking, Special Checking, and Other Demand Deposits.

Non-Checking Account Expense Weight =
$$\frac{K \text{ (Constant)} \times \text{Non-Checking Demand Deposits}}{\text{Total Demand Deposits}}$$

The non-checking account expense weight unit is now multiplied times the total demand deposit expense to determine Non-Checking Account Expense as used on Page A-7, Line 8 of the Functional Cost Analysis Report.

Total Demand Deposit Expense = The Total expense of the demand deposit function from Line 33, Schedule B, plus the indirect expense allocated to demand deposits.

Non-Checking Account Expense Weighting = Weight Unit X Total Demand Deposit Expense

We hope this explanation may clear up any questions concerning this subject which may have remained unanswered at our recent Functional Cost Analysis Meeting.

Annual Functional Cost Analysis Meeting

On May 12, 44 representatives attended the seminar to discuss the significant aspects of the 1969 FCA report. We extend a special thanks to Mr. David Crim, Peoples National Bank, Tyler, for sharing what his bank has accomplished by putting the report to profitable use.

Leon W. Cowan	Jesse D. Sanders	William R. Miller	Larry M. Snell
Vice President	Assistant Cashier	Functional Cost Analyst	Functional Cost Analyst