

FEDERAL RESERVE BANK
OF NEW YORK

Circular No. 1340
January 19, 1934
[Superseding Circular No. 29]

FINANCIAL STATEMENTS

**To all Member Banks in the
Second Federal Reserve District:**

It is customary at the beginning of the year for banks to request their customers for new financial statements. To the extent that banks may have occasion to send these statements to us in connection with offerings of notes, drafts, etc., for rediscount or otherwise, it is desirable to acquaint them with our requirements so that they may at the one time obtain all information that is likely to be needed.

In this connection, there are given on the following pages various suggestions as to the character of the information we should like to have in the case of various classes of borrowers, and copies of the financial statements referred to are enclosed. We do not require that our particular forms of statements be used, but if member banks wish to use these forms, we shall be glad to furnish them upon request and without charge.

If our forms are not used, we should like to have the statements sent us include substantially the information requested in our forms. It is especially important to have the information requested at the bottom, as well as on the reverse side, of each form.

Particular attention is called to the necessity of obtaining a full and complete statement with respect to contingent liabilities where they exist. This statement should include not only liabilities incurred through discounting customers' notes with banks and finance companies, but also accommodation or other endorsements, guarantees, etc. We have recently revised the statement forms to include a profit and loss statement and a reconciliation of surplus or net worth. We believe it will be helpful to the banks as well as to us to have this information furnished with respect to all statements.

Your assistance in these matters will facilitate our consideration of paper offered to us and will, we believe, be mutually advantageous in other respects as well.

GEORGE L. HARRISON,
Governor.

SUGGESTIONS REGARDING PREPARATION OF FINANCIAL STATEMENTS

The Federal Reserve Bank of New York will furnish upon request to any member bank, without charge, any of the following special forms of financial statements:

For individuals Form Cr. 1
For corporations Form Cr. 7
For firms and partnerships Form Cr. 9
For farmers Form Cr. 8A—long form
For farmers Form Cr. 8B—short form

Copies of these or similar statements are to be furnished for makers and, wherever possible, for endorsers or guarantors in all cases where the paper of any one borrower offered exceeds \$1,000 in amount.

In the case of a borrower having subsidiary or affiliated corporations or firms, it is necessary to obtain the separate financial statement of the borrowing company. If the borrowing company's separate statement does not clearly indicate that its note is both eligible technically and acceptable from a credit standpoint, then such statement should be accompanied by individual statements of the affiliated corporations and firms.

All copies of statements furnished should bear a signed certificate reading substantially as follows:

"This is a true copy of a signed financial statement held in our files.

.....
Official Signature."

It will be appreciated if the statements and other information are obtained in form to accord with the following suggestions.

Automobile Dealers. Statement should include a segregation of merchandise into new cars, used automobiles, parts and miscellaneous merchandise.

Contractors. In conjunction with the statement, there should be furnished a schedule of contracts uncompleted on statement date. The schedule should include:

- (1) Nature of work.
- (2) Contract price.
- (3) Per cent completed.
- (4) Retained percentages.
- (5) Amount due on completed portion (exclusive of No. 4).
- (6) Estimated cost to complete.
- (7) Per cent of profit included in assets.

Farmers, Fruit Growers, Poultry Raisers, etc. Statements should be prepared on the Farmer's Statement Form (Cr. 8A) and should indicate as each case requires:

Number of acres and value of farm land owned.
Number of acres under cultivation.
Number of bearing and non-bearing fruit trees.
Number of horses, cattle, poultry, etc., separately indicated.

The following covers various points in connection with balance sheet items and other pertinent matters that are often the subject of inquiry.

Notes and Accounts Receivable. If these are relatively large, there should be furnished information as to their age and collectibility and whether there are included therein any personal advances or loans not directly connected with the regular business. All notes and accounts receivable from officers, stockholders, employees, subsidiaries and affiliates and all receivables of a doubtful nature, should be shown separately.

Stocks, Bonds and Other Securities. A detailed list is usually required, showing number of shares, name of company, type of security, etc. In the case of stocks and bonds listed on a recognized stock exchange, market value can be determined from this information, but if the statement includes the stock of local companies a recent statement of each company and information as to the total number of shares outstanding should be furnished.

Mortgages Owned. Information should be furnished as to whether these are chattel or real estate mortgages and what property is covered by each lien. In the case of real estate mortgages, state whether they are first, second or third mortgages, as well as the amount of prior liens, and wherever possible, your own valuation of the property covered by the mortgage. It would also be of interest to know whether principal and interest payments are up to date and taxes are paid.

Life Insurance. Cash surrender value of life insurance is usually classed as a current asset. All loans against insurance policies should be shown among liabilities.

Real Estate. In most instances where the real estate owned represents an important part of the net worth, a complete real estate schedule should be furnished for which purpose separate forms will be supplied upon request.

Notes and Accounts Payable to Affiliated Interests. All obligations to officers, stockholders, relatives, friends and employees or to subsidiary and affiliated companies, should be segregated and information furnished as to whether such obligations are subordinated and/or deferred.

Mortgages Payable. There should be an indication as to whether these are chattel or real estate mortgages and what property is covered by the lien in each instance. Maturities should be indicated.

Bonds Payable. Maturities and sinking fund requirements for the period within a year after statement date should be separately indicated.