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—  
ADDRESS REPLY TO  
FEDERAL RESERVE BOARD

FEDERAL RESERVE BOARD  
WASHINGTON

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November 22, 1920.  
St.1593.

SUBJECT: Monthly Reports of Earnings  
and Expenses, Forms 95, 96,  
97 and 97a.

Dear Sir:

Forms for use in reporting earnings and expenses of the Federal Reserve Banks during the calendar year 1921 have been revised and a supply will be forwarded to you as soon as received from the printer. In order to insure uniformity in the treatment of the various items, it will be appreciated if the methods outlined herein are followed in the preparation of these reports.

INCOME AND EXPENSE - BANK PREMISES.

With a view to enabling Federal Reserve Banks to render uniform reports in detail to the Board in connection with their operations in Bank Premises, the Chief of the Board's Division of Reports and Statistics asked the Auditors at their conference held in Cleveland in June 1919 to study the question of accounting with relation to Real Estate or Bank Premises owned by the Federal Reserve Banks. The report, as submitted by the Auditors and later modified after conference with the Chief of the Board's Division of Reports and Statistics, has been adopted by the Board with the following modifications, and it is requested that the plan outlined be made effective January 1, 1921.

The item "Bank Premises" appearing in the weekly press state-

ment of the Federal Reserve Board showing "Resources and Liabilities of the Federal Reserve Banks", includes all real estate owned by the Federal Reserve Banks whether or not occupied as a banking house. In order therefore that there may be no confusion of terms, the words "Banking House" should be substituted for the words "Bank Premises" wherever they occur in the Committee's report, and such substitution of terms is made in this letter.

OTHER REAL ESTATE - The committee's report provides:

When property classed as "Other Real Estate" is occupied in part by the bank, "Expenses - Other Real Estate" should be credited and "Expenses, Banking House" debited with the proper proportion of expenses, based upon the percentage of the floor space occupied by the Federal Reserve Bank.

There may be cases where the "floor space basis" would be manifestly unfair, and the Federal Reserve Banks are therefore authorized to adopt a different basis, to be approved in each instance by the Federal Reserve Board, whenever conditions warrant.

BANKING HOUSE - CLASS 3 - When property purchased by a Federal Reserve Bank for use as a permanent banking house is partially occupied by tenants, either temporarily or permanently, "Expenses, Other Real Estate" should be charged and "Expenses, Banking House" credited with the proper proportion of the cost of maintaining the property. Likewise income received from property thus rented should be credited to "Income, Other Real Estate". This will obviate the necessity of setting up the new account "Income, Banking House" on Form 34 as recommended in the committee's report. It is understood, of course, that the books of the Federal Reserve Bank will be kept in such manner that the proportion of the total rents received, which is applicable to Banking House account and to Other Real Estate account, respectively, will be available at all times.

DEFERRED CHARGES - OTHER REAL ESTATE - The committee's report recommends that:

Extraordinary expenditures for major repairs and alterations to property classed as "Other Real Estate" be distributed monthly over a period of one year.

Approval of the Federal Reserve Board should be obtained before any extraordinary expenditures are incurred for major repairs and alterations to "Other Real Estate". In certain cases it may be found advisable to prorate such expenditures to "Expenses, Other Real Estate" over the period covered by a rental contract, or that during which the Federal Reserve Bank expects to rent the building to be altered or repaired, rather than for a definite period of one year. Requests submitted to the Federal Reserve Board for approval of extraordinary expenditures for repairs and alterations to "Other Real Estate" should include a statement specifying the period over which it is expected to prorate such expenditures.

NEW BUILDING ACCOUNT - Requests submitted to the Federal Reserve Board for permission to charge off certain expenses connected with the "New Building Account", as recommended in the Committee's report, should include a statement in detail covering the expenditures it is proposed to charge off as well as a statement giving the fair market value of the ground and new building separately.

INCOME AND EXPENSE, OTHER REAL ESTATE - New Form 97 has been prepared for use in reporting income and expenses connected with property classed by the committee as "Other Real Estate". The net amount of such income or expense should be shown on the liability side of form 34 among deductions from current net earnings against new item "Less Net Expense (or plus net income) Other Real Estate" instead of being reported as part

of the Profit and Loss account as recommended by the Committee. On December 31, the net income or net expense resulting from the operation of "Other Real Estate" during the current year will be credited or debited, as the case may be, to current net earnings.

#### FORM 96 - CURRENT EXPENSES

FEDERAL RESERVE CURRENCY (Original cost including shipping charges): Amounts reported against this item should represent the total expense to the Federal Reserve Bank connected with the printing of Federal Reserve and Federal Reserve Bank Notes, also the cost of shipping such notes from Washington to the Federal Reserve Bank and its branches.

#### MISCELLANEOUS CHARGES ACCOUNT FEDERAL RESERVE CURRENCY:

The cost of shipping Federal Reserve and Federal Reserve Bank notes to Washington or to another Federal Reserve Bank for credit or redemption as well as the cost to the Federal Reserve Bank of redeeming such notes at Washington should be reported against this item.

TAXES ON FEDERAL RESERVE BANK NOTE CIRCULATION: Taxes accrued on Federal Reserve Bank notes should be estimated as at the close of business on the last day of each month and the amount thereof charged to current expenses and credited to account "Reserved for Taxes other than Franchise Tax" of Form 34.

#### MEMORANDUM ITEMS

MEMORANDA ON REVERSE SIDE OF FORM 96: It is requested that only such amounts be reported against the memorandum items as represent

expenditures which are not charged to current expenses or to "Expenses, Other Real Estate", during the month in which the expenditure occurred. For example, the cost of office furniture which is taken up on your books as an asset and shown against caption "Furniture and Equipment" of Form 34 should be reported against memorandum item No. 4 of Form 96, while office furniture which is charged to current expenses at the time of purchase should be reported against item No. 31, "Other Current Expenses" on Form 96.

FORM 95 - EARNINGS

DISCOUNT PROFIT OR LOSS ON BILLS REDISCOUNTED WITH OR SOLD TO ANOTHER FEDERAL RESERVE BANK: Net earnings resulting from the rediscount of discounted paper or the sale of bankers' acceptances to another Federal Reserve Bank at a lower rate than that at which the paper was originally discounted or purchased should be credited to earnings on discounted or purchased bills as the case may be, while any loss resulting from the rediscount or sale of such paper to another Federal Reserve Bank at a rate in excess of that at which the paper was originally acquired should be deducted from earnings on discounted or purchased bills as shown on the daily balance sheet, Form 34, and on the monthly earnings reports, Forms 95 and 722.

INTEREST ON PAST DUE PAPER: Past due paper should be carried among the earning assets of your bank and interest earned on such paper credited to earnings on discounted bills.

Very truly yours,

Assistant to Governor.