

FEDERAL RESERVE BOARD

WASHINGTON

X-3136
June 8, 1921.

SUBJECT: Closing of books on June 30, 1921.

Dear Sir:

The Board requests that the books of all Federal Reserve Banks be closed on June 30, 1921, and in order to insure uniformity of practice the following method of treatment of net earnings, reserves and depreciation allowances has been approved by the Federal Reserve Board:

1. Cost of Federal Reserve and Federal Reserve Bank notes, also of Furniture and Equipment:
Charge balance of accounts as shown by books on June 30 to current expense account.
2. Net Income or Expense Other Real Estate:
Credit Net income or debit net expense connected with other real estate, as defined in the report of the Auditors' Conference approved by the Federal Reserve Board in its letter St. 1593 dated November 22, 1920, to current net earnings.
3. Extraordinary Charge-offs and Depreciation Allowances:
Charge current net earnings and set up as a "Special reserve" one-half the estimated amount to be written off at the end of the year (See Board's letter St. 1936 dated April 23, 1921)
4. Surplus and Franchise Tax:
After all current expenses, extraordinary charge-offs, and dividend payments have been provided for, the net earnings should be distributed as follows:
 - (a) Transfer to surplus account all available net earnings provided the normal surplus account would not as a result exceed the bank's subscribed capital, in which case only such amount should be transferred as is necessary to increase the normal surplus to an amount equal to the bank's subscribed capital. This transfer should be made without reference to any amounts which the bank may have in its super-surplus account.

- (b) Of the balance of net earnings, if any, 10 per cent should be transferred to super-surplus account and 90 per cent reserved for Government franchise tax.

In view of the fact that the daily balance sheet, form 34, now shows the current net earnings and accrued dividends of the Bank, it will not be necessary to accompany the resolution of your Board of Directors with reference to the closing of the books and the payment of dividends with a detailed statement of the estimated amount of gross and net earnings for the current 6-month period.

Inasmuch as the detailed statement of the estimated gross and net earnings need not be submitted, a modification will be necessary in the form of the usual dividend resolution and accordingly there is enclosed herewith a suggested form for future use.

May we request that you present this letter to your Board of Directors at an early date so that their resolution in the matter of closing the books and payment of dividends on June 30 may reach the Board not later than June 27, 1921.

Very truly yours,

Vice Governor.

Copy to all Chairmen

RESOLUTION FOR DIVIDEND

WHEREAS, It appears from the bank's daily balance sheet, form 34, for the _____ day of _____ that the estimated amount of accrued dividends which will be due stockholders on _____ day of _____ will amount to \$ _____, and that after charging to Profit & Loss Account all expenses whether paid or accrued, which are properly chargeable as current expenses, and after making provision for any depreciation that may have occurred in the value of the assets owned by the bank and for probable losses, there will remain in said Profit & Loss Account an amount sufficient to fully warrant the payment of the regular semi-annual dividend.

NOW, THEREFORE, BE IT RESOLVED, That a dividend for the six months period ending _____, at the rate of 6% per annum on the paid in capital stock, payable on the _____ day of _____ be and is hereby declared to all stockholders of this bank as shown by the books of the bank on that date.

FURTHER, After making allowance for dividend payments on _____ day of _____ that the balance remaining in the Profit & Loss Account be distributed in such manner as the Federal Reserve Board may direct.