

FEDERAL RESERVE BOARD

WASHINGTON

December 21, 1932

B-860

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARDSUBJECT: Earnings and Dividends Reports of
State Bank Members, Form 107

Dear Sir:

There is inclosed a copy of revised form 107, Report of Earnings and Dividends of state bank members of the Federal Reserve System, and of instructions governing the preparation of such reports. Corresponding revisions have been made in the Comptroller of the Currency's form 2129, Report of Earnings and Dividends of National banks, and the Comptroller's office is also issuing similar instructions to national banks governing the preparation of their reports. A supply of revised form 107, for the use of state bank members in submitting their reports of earnings and dividends for the six months ending December 31, 1932, together with a supply of instructions, is being sent to you under separate cover.

It is requested that you include the following paragraphs in your letter transmitting the blank forms 107 to state bank members for use in submitting their reports for the six months ending December 31, 1932:

"The form heretofore used by member banks in submitting their semi-annual earnings and dividends reports has been rearranged in order to simplify its preparation by member banks, as well as to facilitate its

use by the Federal Reserve System. Instructions governing the preparation of the report are inclosed.

"It will be noted from an examination of the revised form and accompanying instructions that dividends declared but not payable until after the end of the report period are to be included with 'Deductions from Undivided Profits' and reported against item 12-c of earnings and dividends reports, and included in 'Other liabilities' in condition reports; that reserves for depreciation on banking house, furniture and fixtures, and other real estate, which are deducted from asset accounts in condition reports, form 105, are not to be included in 'Reserves for contingencies' in earnings and dividends reports, form 107; and that amounts set aside to cover 'Interest, taxes and other expenses accrued and unpaid' are to be included in item 2, 'Expenses,' of earnings and dividends reports in the period in which they are set aside, regardless of when paid, and reported against item 29 of 'Liabilities' in condition reports.

"If the 'reserve' items as reported by your bank in its earnings and dividends report for the six months ended June 30, 1932, included any reserves for dividends, for depreciation on banking house, furniture and fixtures and other real estate, or for interest, taxes and other expenses accrued and unpaid, it will be necessary for you to make certain adjustments in reserve accounts when preparing your report for the six months ending December 31, 1932. It is realized that these adjustments will result in a reduction in the amount which would otherwise be reported against item 7, 'Net addition to profits for current period.'

In order that the reason for any such reduction in net profits may appear on the report itself, and to make it possible to eliminate the adjustments in summarizing the figures for publication, the adjustments should be reported as follows:

"Reserves for dividends. Dividends declared but not payable until after June 30, 1932, if included in item 21, 'Net amount reserved for --,' in the report of earnings and dividends submitted for the six months ended June 30, 1932, should be included in the report covering the six month period ending December 31, 1932, with amounts withdrawn from reserves, items 10-a and 17, and also shown separately following item 12-c as 'Dividends paid, declared during prior periods.'

"Reserves for depreciation on real estate. Any depreciation reserves on banking house, furniture and fixtures, and other real estate, that were included in item 21, 'Net amount reserved for --,' in the report of earnings and dividends submitted for the six months ended June 30, 1932, should be included in the report covering the six months ending December 31, 1932, with amounts withdrawn from reserves, items 10-a and 17, and also shown separately under item 6-d as 'Withdrawals from depreciation reserves on banking house, furniture and fixtures' or 'Withdrawals from depreciation reserves on other real estate,' as the case may be.

"Interest, taxes and other expenses accrued and unpaid. If item 21, 'Net amount reserved for --,' as shown in the report of earnings and dividends submitted for the six months ended June 30, 1932, included any

amount set aside for expenses payable after June 30, 1932, such amount should be included in the report covering the six months ending December 31, 1932, with amounts withdrawn from reserves, items 10-a and 17, and also shown separately under item 2-f as 'Withdrawals from reserves for expenses.' In addition, a memorandum should be attached or shown at the bottom of the report, classifying this amount in accordance with the subdivisions of item 2, 'Expenses.'

Very truly yours,

Chester Morrill,
Secretary.

Inclosures.

TO ALL FEDERAL RESERVE AGENTS*