

Contents

page
vii

Preface

**PART I
THE BANKING INDUSTRY**

1 The banking industry today	1
2 Banking risks	5

**PART II
CONTROL OF BANKING ACTIVITY**

3 The control environment	13
4 The Banking Act 1987	30
5 Capital adequacy	46
6 Supervision of the banking sector	61
7 The Financial Services Act 1986	95
8 European Community legislation	109
9 Money laundering	120

**PART III
ACCOUNTING AND AUDITING FRAMEWORK**

10 Presentation in financial statements	133
11 The auditing framework	148

**PART IV
FINANCIAL STATEMENTS CONTENTS AND AUDIT**

12 Liquid assets	163
13 Bills	191
14 Securities	202
15 Loans and advances	219
16 Leased assets	248
17 Bad and doubtful loans	265
18 Deposits and customer accounts	281
19 Certificates of deposit issued	291
20 Capital funds	299

v

Contents

21 Contingent liabilities and commitments	305
22 Off balance sheet finance	320
23 Investment management and other fiduciary services	330
24 Corporate advisory services	344
25 The profit and loss account	350
26 Taxation	360
27 Transactions with directors	383
28 Window dressing	400

**PART V
FOREIGN EXCHANGE AND OFF BALANCE
SHEET INSTRUMENTS**

29 Off balance sheet instruments – introduction	405
30 Foreign exchange – operation, control and audit	411
31 Foreign exchange – accounting	427
32 Financial futures	435
33 Forward rate agreements	447
34 Interest rate swaps	455
35 Options	468

APPENDICES

1 Glossary of terms	483
2 Banking Act 1987: orders and regulations	515
3 Principal policy and other papers issued by Banking Supervision Division	517
4 Bank of England statistical and prudential returns	519
5 Examples of banks' financial statements	521
A Consolidated balance sheet	523
B Consolidated profit and loss account	524
C Consolidated cash flow statement	525
6 International Accounting Standard 30 – Disclosures in the Financial Statements of Banks and Similar Financial Institutions	527
7 Auditing Guideline – Banks in the United Kingdom	531
Bibliography	534
Index	537