



Da Afghanistan Bank Financial Supervision Department

Financial Supervision Department Accounting and Reporting Circular 84/02 “Balance Sheet with Formulas”

28 March 2005

To: General Managers of Permitted Branches of Foreign Banks

This is to inform you that due to the presence of intra-bank transactions, the balance sheets of most of the branches of foreign banks operating in Afghanistan have often contain material errors in the “due to” and “due from” amounts, as well as in the statistical adjustments.

In order to understand the level of customer service activity of a branch, it is necessary to distinguish between transactions resulting in assets and liabilities with **unrelated parties** and transactions resulting in assets and liabilities with **related parties** (primarily the home office and other branches of the same bank). **Assets from unrelated parties** will be primarily the branch’s cash, DAB current account and capital note, deposits in unrelated banks and loans to its customers. **Liabilities to unrelated parties** will be primarily customer deposits. These assets and liabilities involving unrelated parties will be a main focus of ADB’s supervision. However, the net due to and net due from are also important; since these tell DAB which branches are engaging in meaningful customer service activities and which are not. (The attached note on accounting for branches of foreign banks provides these details.)

So in order to get a meaningful and true representation of customer service activities of the branches, we have introduced a balance sheet with some formulas which will automatically calculate the summery of intra-bank transactions (**net due to** and **net due from** the related parties and head office).

Attached please find a hard copy of the sample of the balance sheet. A soft copy of the balance sheet with formulas will be sent to you through email. Please remember not to fill the cells that are marked gray, because those cells will be filled in automatically through formulas.

If you have any questions on any of these matters, please contact the following person:

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Very truly yours,

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