

THE IDENTIFICATION AND REFLECTION IN ACCOUNTING OF THE PLUSSES AND MINUSES WITHIN A CREDIT INSTITUTION

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*Abstract:*The cashier is the oldest banking activity and is present in almost all commercial banks, which created the picture that a banking society is first of all a cashier. This activity is a form of cash flow which passes from one customer to another through bank cashier. At the same time, cash is stored in the credit institution, used coins and banknotes are taken out and replaced by new ones whose authenticity is verified and are re-entered into circulation.

Key words: Credit institution; Circulation pay office; Cash in hand; Cash over; Cash short.

JEL Classification Codes: G02, L21, M42.

1. INTRODUCTION

In the pages of this article, there are presented aspects on how to account for the plus or minus of cash within credit institutions. Banks send to the National Bank of Romania centralized, the existence of cash in the circulation offices, daily, in terms of value and monthly, quantity and value, in structure on denominations (paper tickets with special printing). The National Bank of Romania concludes contracts with credit institutions in which specific clauses will be included on the way of effective conduct of cash operations.

As in the case of economic agents, credit institutions may retain in their cash accounts a certain amount up to a certain value threshold for cash payments and which constitutes the circulation pay office. The amount exceeding the limits of this threshold must be deposited in current accounts with the National Bank of Romania.

The activity of the bank cashier is a form of the cash flow through which he passes from one client to another through the bank cashier. It is the oldest banking activity, being present in almost all commercial banks, which formed the image that the bank means, above all, the cashier. Any credit institution has the obligation to have arranged a cashier's compartment with the help of which it will provide its customers with services of depositing and extracting cash and counting the cash. The cashier compartment is characterized primarily by the separation from the rest of the banking spaces by a solid construction, which does not allow burglary having as a means of interaction with the other compartments a metal door.

At the level of the banking company, the circulation pay office consists of the existing cash in the bank's cash accounts. The daily average of the payments made in one month is considered representative for determining the threshold of the circulation pay office. The second element taken into account for the calculation of the threshold is the storage of cash and the distance from the Central Bank. The balance of the circulation pay office of a credit institution is kept by transferring the amounts of the deposits between banks located in the same county as well as between the Commercial Bank and the Central Bank.



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2. METHODOLOGY AND RESULTS

In order to carry out this study, various research methods were used, such as: analysis, synthesis, argumentation, comparison and inference. Thus, the study and analysis of the specialized literature, the presentation of the synthesis of the obtained results, the argumentation of the necessity of certain measures were carried out.

The circulation pay office of a credit institution comprises five components (Firescu & Brînză, 2017):

- ✓ Cash receipt desk¹ which ensures receipt of cash from individuals or legal persons.
- ✓ Payment desk² which ensures cash payments towards bank's customers.
- ✓ Currency exchange offices. These can sell and buy currencies against lei, to resident or non-resident individuals, according to the NBR Regulation on the transactions.
- ✓ Offices for operations with precious metals, precious stones and other values, which conduct operations regarding their expertise and storage.
- ✓ Special offices, being those carrying out cash operations in the banking network, being specific to banking subsidiaries and able to sell also banking printed books (in some banking companies, the sale of printed books is carried out through one of the cash receipts or payments desks).

The operational record of the cash operations shall be made daily using the Register of values in the bank's cash office, in which:

- ✓ Receipts and payments are recorded on a daily basis through the counter;
- ✓ It is determined the outstanding amount of the circulation pay office from that day. The resulting balance shall be shown in the Register by denominations³;
- ✓ The balances of other values that are held in the treasury are also highlighted.

The entries in this register shall be made only by the chief cashier or the cashier from the second shift, after receipt at the closure of daily operations, of the receipts and expenditure situation and after their totals have been confronted with the cash records handled by the cashiers.

According to the rules of the credit institution, this Register must be numbered, twined and sealed.

The circulation house is defined as a house of the subunit of the credit institution that carries out operations of withdrawal or deposit of cash in the treasury, of remittance or receipt of cash and other values between the subunits of the credit institution and the Treasury Department, but also the replenishment or withdrawal of cash from the operational house.

In order to verify whether there is information in the cashier's office of the credit institution on the existence of cash pluses or minuses, certain checks are carried out at the end of each operative day materialized, mainly when the amounts recorded in the accounts are confronted with those actually existing in the cashier's office.

When these pluses or minuses of cash occur, it is necessary to reconcile the records with the actual cash that is found in the cashier at the end of each operative day.

¹The supporting documents for cash deposits may be: payment sheet or electronic receipt, payment record, receipt order.

²The supporting documents relating to cash payments are: cash check, payment order, request for the redemption of certificates of deposit, bill of exchange, promissory note, accompanied receipt.

³Paper tickets with special printing.

The cash plus is constituted as an income of the state budget and is recorded in the debit of the Casa account, it will be transferred to the state budget until the 20th of the month following the one in which the cash plus was recorded.

If the balance of the House account is higher than the actual cash existing in the cashier of the unit at the end of the operative day, **a cash minus** is found that makes it necessary to reduce by credit the House account at the level of the cash existing in the cashier of the credit institution.

The periodical control is carried out in order to ensure the integrity of the values managed by the workers who carry out their activity in the cashier's service, within the branches and banking agencies, the special attention being given to the cash.

In order to carry out the control of cash and other securities managed by the cashier service, an unannounced control by the supervisory body specialized in cashier issues in the branch is carried out once a quarter.

The control must be carried out at least once a year by the control bodies of the Unannounced Internal Control Directorate.

It must be carried out on 31st of December of each year on the occasion of the inventory of the values managed by the cashier service.

And lastly, the control is carried out with the change of the key holders whenever it is considered necessary by the bank's headquarters or the branch manager.

The minutes are the documents made on the occasion of signaling the findings made after the control, in them being specified the shortcomings signaled, their causes and the initial measures for their liquidation and prevention being brought to the attention of the management of the banking unit.

Taking into account these documents and the taking into account of some indicators of the cashier's activity, the Treasury and Cash Operations Department of the National Bank analyzes annually the cashier activity of the branches and subsidiaries taking appropriate measures meant to contribute to the liquidation of the deficiencies found.

The banking units draw up once a year the situation of the cash banking operations, this situation provides statistical data, which analyzes in dynamics and structure, indicates the slowdown or acceleration of the speed of money rotation, and the presented indicators have the role of allowing the credit institutions to determine the return on work of the operative staff involved in the cashier activity and implicitly the productivity of their work.

2.1. Identification of cash shorts and overs

Following the checks carried out at the end of each business day, which were mainly reflected in the confrontation of amounts registered in accounting versus those actually existing in the bank cashier, there may be differences as cash shorts and overs.

Their occurrence requires agreeing to actual cash in hand with existing records at the end of each business day.

The main criterion, depending on which the above mentioned agreement occurs is actually the existing cash on hand and not its record. According to this criterion, agreeing doesn't mean increase or decrease of the existing cash from the point of view of records, but the corresponding increase or decrease in the outstanding balance of the account *Cash*, up to the effectively existing cash in the bank cashier.

The existence of a *Cash* account balance lower than actual cash by the end of the business day indicates a **cash over** and it's necessary to increase by debit the *Cash* account up to the existing cash actually in hand.

At the level of the banking central, it's found the *reserve fund* structure in order to centralize the cash surplus from the banking network. When there is a *Cash* account balance larger than the actual cash available at the end of the business day, it results a **cash short** which makes necessary the reduction by credit of the *Cash* account up to the existing cash actually in hand.

If there is a supply of funds from the National Bank of Romania branches, any differences will be adjusted based on the minutes drawn up in two copies by commercial banks units:

- ✓ One copy remains at the commercial bank
- ✓ The other one is sent to National Bank of Romania branch.

When shorts and overs (of equal value) are established for the same denominations in packs of banknotes or bags of coins checked the same day by the same person of the commercial bank unit, the management of this unit can agree to make compensation.

The evidence of shorts and overs found at the bank staff will be held in the *Shorts and overs register* in lei and in foreign currency.

To ensure the integrity of securities managed by workers who operate as cashiers within the bank branches and agencies, there is a regularly exercised control over them, paying a special attention to cash.

The control of cash and of other assets managed by cashier service from branches is carried out: by the supervisory bodies of the internal control Directorate, by the monitoring body specialized on cash issues from branches, by the central of the credit institution or branch manager.

2.2. Value differences found as a result of cash processing and settlement

The National Bank of Romania specifies, through Norm no. 1 (October 31st, 2013) on the cash operations of credit institutions and the State Treasury in relation to the National Bank of Romania and their settlement, the following:

- According to art. 37, as a result of the cash processing activity deposited at the regional branches of the National Bank of Romania, value differences, pluses or minuses of cash, can be found between the amounts deposited and those settled in the ReGIS⁴ system.
- Art. 39 mentions that in order to settle the amounts related to the value differences, the National Bank of Romania - Payments Directorate will initiate a payment instruction in the ReGIS system, through which it will credit or debit the settlement account of the participant with the net amount resulting from the value differences found on that day at all regional branches of the National Bank of Romania.
- If the net amount is positive, the National Bank of Romania - Payments Directorate initiates a payment instruction, having allocated the transaction type code 142 "Cash differences found when depositing cash - pluses", on the basis of which it credits the settlement account of the participant. (Art.40 (1))
- If the net amount is negative, the National Bank of Romania initiates a payment instruction, having allocated the transaction type code 136 "Cash differences found when depositing cash - minuses", based on which it debits the settlement account of the participant. (Art.40 (2)).

⁴ ReGIS is the national system for payments in RON offered by the National Bank of Romania. The system is used to settle central bank operations, interbank transfers, as well as payments in lei of high value (over 50,000 lei) or urgent. The system ensures real-time processing (i.e. on a continuous basis) and settlement in central bank money, with immediate finality.

2.3. Reflection in accounting of cash shorts and overs

The recording in accounting of cash over is done (Firescu, 2012)

✓ When it's found out:

101	=	35391
<i>Cash</i>		<i>Other debts towards state budget</i>

✓ until the 20th of the month following that in which there have been cash overs, they are to be paid to the state budget and accounted:

35391	=	1111
<i>Other debts towards state budget</i>		<i>NBR current account</i>

Example: The BRD credit institution, Pitesti subsidiary, finds out at the end of the day 03.03.2022 a cash over in amount of 2.000 lei. The recording in accounting of this cash over is as follows:

101	=	35391	2000 lei
<i>Cash</i>		<i>Other debts towards state budget</i>	

The accounting article which highlights the cash short is as follows:

3556	=	101
<i>Other debtors</i>		<i>Cash</i>

As debts are recovered, the account 3556 "Other debtors" diminishes until cancellation and the cash is reloaded factually and on paper through the accounting article.

101	=	3556
<i>Cash</i>		<i>Other debtors</i>

All cash shorts are attributed to the staff working at the cashiers, which remain debtors towards the bank until coverage of the full amount that is being imputed to them.

Example: At the end of the business day 04.03.2022, the BCR credit institution, Pitesti subsidiary, finds out a cash short in amount of 800 lei. In accounting, this cash short is highlighted by the accounting formula:

3556	=	101	800 lei
<i>Other debtors</i>		<i>Cash</i>	

When the debit is recovered from the credit institution's staff, the accounting formula corresponding to our example is:

101	=	3556	800 lei
<i>Cash</i>		<i>Other debtors</i>	

3. CONCLUSIONS

Cash provides payment and savings options for people with limited or no access to digital money, making it crucial for the inclusion of socially vulnerable citizens such as the elderly or lower-income groups (European Central Bank).

The strategic principles and objectives related to the treasury activity are: the principle of prudence, which refers to the management of the Bank's excess liquidity, the maturity of assets and liabilities, the structure of the interest rate and the market risks to which the Bank is exposed, in accordance with the risk thresholds set out in the Bank's Risk Strategy and/or with the regulations governing the Romanian banking system; the principle of dispersion, refers to the limits of exposure to the counterparty, resulting from all types of specific treasury operations; maximising revenues, under prudent conditions and taking into account the estimated multiannual evolution of the various macroeconomic indicators of a cyclical nature.

To ensure the integrity of securities managed by workers who operate as cashiers within the bank branches and agencies, there is a regularly exercised control over them, paying a special attention to cash.

The findings made during the check, the reported shortcomings, their causes and the measures initiated for their prevention and cessation, are recorded in the minutes and brought to the knowledge of the management of the credit institution. On the basis of these findings and of some indicators of cash activity, the Treasury and cash operations Department from the central of National Bank analyzes annually the cash activity of branches and subsidiaries, initiating appropriate measures to contribute to the cessation of reported shortcomings. In order to do this, the operational banking units prepare annually the "cash banking operations situation." This provides statistical data whose dynamic and structural analysis indicates the acceleration or slowdown of rotational speed of money. These indicators allow banks to determine the work efficiency of operational personnel involved in the cash activity and thus their productivity.

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