



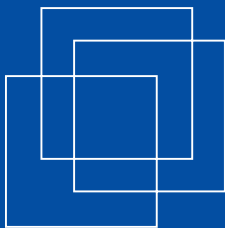
International
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VILLAGE BANKING IN LAO PDR

Ledger Guide



Subregional Office for East Asia



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Ledger Guide

Linda Deelen and Eva Majurin

INTERNATIONAL LABOUR ORGANIZATION
Subregional Office for East Asia, Bangkok

About this guide

This guide elaborates on how to fill in and use the ledger. As explained in Chapter 7 of the handbook, the ledger is used to show expenditure and income by the type of item (e.g. membership fees, loans, or interest).

This guide has six main sections:

1. What does the ledger look like?
2. How the ledger is started each month by recording the previous month's balance
3. How each transaction that occurs is added to the ledger, and how the balance is updated following the transaction. For each transaction, there is an explanation showing which sections of the ledger need to be filled in and how
4. How the end balance of each is recorded and how the balance entries are checked at the end of the month
5. How the balances are used to prepare the profit and loss statement and balance sheet
6. How cash deposited in a commercial bank account affects the village bank's ledger

1. What does the ledger look like?

The ledger contains a section for each different type of category of item. The categories of items in the ledger used by LCSDPA are:

- Cash on hand
- Cash in the bank
- Member savings
- Loans to members
- External loans
- Interest received and paid
- Income from sale of passbooks
- Capital
- Income from membership fee
- Other expenses

For each of these categories, there is a column for “credit”, a column for “debit” and a column for “balance” (or the equivalent).

When a transaction has taken place, it is recorded in the relevant sections of the ledger. A separate row is used for each item.

The following pages of this booklet show how the ledger is filled in step by step during the month as new transactions occur, using an imaginary example of a village bank.

2. Recording the previous balance at the beginning of the month

Item No. 1: At the beginning of the month, the balance from the previous month is recorded in each section in the “balance” column.

For example:

- for the **cash on hand** section, the previous balance from January was 6,610,000 Kip. At the beginning of February, this amount is recorded in the “balance” column of the cash on hand section.
- for the **member savings** section, the previous balance from January was 9,000,000 Kip. At the beginning of February, this amount is recorded in the “balance” column of the member savings section.
- for the **external loans** section, the previous balance from January was 3,000,000 Kip. At the beginning of February, this amount is recorded in the “balance” column of the external loans section.

No.	Month	Date	Item	No. of members	Cash on hand			Cash in the bank			Member Savings			Loans to Members		
					Credit 1	Debit 2	Balance 3	Deposit 4	Withdrawal 5	Balance 6	Deposit 7	Withdrawal 8	Balance 9	Extended 10	Paid back 11	Outstanding Balance 12
1	2	1	Previous balance				6,610,000						9,000,000			10,000,000
			End balance													

External Loans			Interest			Capital			Income from sale of passbooks		Income from membership fee		Other expenses		Remarks
Loan received 13	Repayments 14	Outstanding Balance 15	Received from members 16	Paid on external loan 17	Balance 18	Received 19	Paid 20	Balance 21	Received 22	Balance 23	Received 24	Balance 25	Paid 26	Balance 27	
		3,000,000			800,000			4,000,000		200,000		210,000		600,000	

➤ **Checking the balance**

The **balance in the cash on hand section** should always equal **savings balance - loan balance + external loan balance + interest received + income from passbook + capital + income from membership fee – other expenses**.

In this case, $6,610,000 = 9,000,000 - 10,000,000 + 3,000,000 + 800,000 + 200,000 + 4,000,000 + 210,000 - 600,000$.

This should always be checked, and if the two sides of the equation are not equal, something is wrong and the entries should be re-checked.

➤ **Transferring the balance after dividend distribution**

Note that when the ledger is filled in for the first month after dividend distribution, all of the “previous balance” entries in sections which relate to income and expenditure (and therefore appear in the income and expenditure statement) will equal zero. This includes:

- Interest
- income from the sale of passbooks
- income from membership fees
- other expenses

This is because what is left over after annual expenses are deducted from all annual income – i.e. surplus – is divided up for different purposes at the end of the year (with the largest part distributed to members as dividend), and therefore is not carried over to the next year.

Only categories which do not relate to income and expenditure (and which appear in the balance sheet) will have a non-zero previous balance as they are carried over from one year to the next. These include:

- cash on hand
- cash in the bank
- member savings
- loans to members
- external loans
- capital

3. Filling in the ledger as transactions occur during the month: examples of individual entries

Item No. 2: On 1/2/08, the village bank receives 225,000 Kip in membership fees

No., month and date sections

The number of the transaction (2), the month (2 - February) and the date (1) are recorded in the no, month, and date sections.

Item section

The item (“membership fees”) is recorded in the item section

Cash on hand section

The amount of cash received (225,000 Kip) is recorded in the credit column.

The balance column is updated by adding the amount received (225,000 Kip) to the previous balance (6,610,000 Kip). The sum (6,835,000 Kip, which is the new balance) is recorded in the balance column.

The amount is *added* to the previous balance rather than subtracted from it because membership fee payments mean that money is coming in, rather than going out.

Income from membership fee section

The amount of cash received (225,000 Kip) is recorded in the credit column.

The balance column is updated by adding the amount received (225,000 Kip) to the previous balance (210,000 Kip). The sum (435,000 Kip, which is the new balance) is recorded in the balance column.

The amount is *added* to the previous balance rather than subtracted from it because membership fee payments increase the income from membership fees.

No.	Month	Date	Item	No. of members	Cash on hand			Cash in the bank			Member Savings			Loans to Members		
					Credit 1	Debit 2	Balance 3	Deposit 4	Withdrawal 5	Balance 6	Deposit 7	Withdrawal 8	Balance 9	Extended 10	Paid back 11	Outstanding Balance 12
1	2	1	Previous balance				6,610,000						9,000,000			10,000,000
2	2	1	Membership fees	150	225,000		6,835,000									

External Loans			Interest			Capital			Income from sale of passbooks		Income from membership fee		Other expenses		Remarks
Loan received 13	Repayments 14	Outstanding Balance 15	Received from members 16	Paid on external loan 17	Balance 18	Received 19	Paid 20	Balance 21	Received 22	Balance 23	Received 24	Balance 25	Paid 26	Balance 27	
		3,000,000			800,000			4,000,000		200,000		210,000		600,000	
											225,000	435,000			

Item No. 3: On 1/2/08, the village bank receives 300,000 from the sale of passbooks.

No., month and date sections

The number of the transaction (3), the month (2 - February) and the date (1) are recorded in the no, month, and date sections.

Item section

The item (“revenue from passbooks”) is recorded in the item section

Cash on hand section

The amount of cash received (300,000 Kip) is recorded in the credit column.

The balance column is updated by adding the amount received (300,000 Kip) to the previous balance (6,835,000 Kip). The sum (7,135,000 Kip, which is the new balance) is recorded in the balance column.

The amount is *added* to the previous balance rather than subtracted from it because income from the sale of passbooks means that money is coming in, rather than going out.

Income from sale of passbooks section

The amount of cash received (300,000 Kip) is recorded in the received column.

The balance column is updated by adding the amount received (300,000 Kip) to the previous balance (200,000 Kip). The sum (500,000 Kip, which is the new balance) is recorded in the balance column.

The amount is *added* to the previous balance rather than subtracted from it because selling passbooks increases the income from the sale of passbooks.

No.	Month	Date	Item	No. of members	Cash on hand			Cash in the bank			Member Savings			Loans to Members		
					Credit 1	Debit 2	Balance 3	Deposit 4	Withdrawal 5	Balance 6	Deposit 7	Withdrawal 8	Balance 9	Extended 10	Paid back 11	Outstanding Balance 12
1	2	1	Previous balance				6,610,000						9,000,000			10,000,000
2	2	1	Membership fees	150	225,000		6,835,000									
3	2	1	Revenue from passbooks	150	300,000		7,135,000									

External Loans			Interest			Capital			Income from sale of passbooks		Income from membership fee		Other expenses		Remarks
Loan received 13	Repayments 14	Outstanding Balance 15	Received from members 16	Paid on external loan 17	Balance 18	Received 19	Paid 20	Balance 21	Received 22	Balance 23	Received 24	Balance 25	Paid 26	Balance 27	
		3,000,000			800,000			4,000,000		200,000		210,000		600,000	
											225,000	435,000			
									300,000	500,000					

Item No. 4: On 1/2/08, the village bank receives 3,000,000 from member deposits

No., month and date sections

The number of the transaction (4), the month (2 - February) and the date (1) are recorded in the no, month, and date sections.

Item section

The item (“member deposits”) is recorded in the item section

Cash on hand section

The amount of cash received (3,000,000 Kip) is recorded in the credit column.

The balance column is updated by adding the amount received (3,000,000 Kip) to the previous balance (7,135,000 Kip). The sum (10,135,000 Kip, which is the new balance) is recorded in the balance column.

The amount is *added* to the previous balance rather than subtracted from it because new member deposits mean that money is coming in, rather than going out.

Member savings section

The amount of cash received (3,000,000 Kip) is recorded in the credit column.

The balance column is updated by adding the amount received (3,000,000 Kip) to the previous balance (9,000,000 Kip). The sum (12,000,000 Kip, which is the new balance) is recorded in the balance column.

The amount is *added* to the previous balance rather than subtracted from it because new member deposits increase the amount of members deposits held by the bank.

No.	Month	Date	Item	No. of members	Cash on hand			Cash in the bank			Member Savings			Loans to Members		
					Credit 1	Debit 2	Balance 3	Deposit 4	Withdrawal 5	Balance 6	Deposit 7	Withdrawal 8	Balance 9	Extended 10	Paid back 11	Outstanding Balance 12
1	2	1	Previous balance				6,610,000						9,000,000			10,000,000
2	2	1	Membership fees	150	225,000		6,835,000									
3	2	1	Revenue from passbooks	150	300,000		7,135,000									
4	2	1	Member deposits	150	3,000,000		10,135,000				3,000,000		12,000,000			

External Loans			Interest			Capital			Income from sale of passbooks		Income from membership fee		Other expenses		Remarks
Loan received 13	Repayments 14	Outstanding Balance 15	Received from members 16	Paid on external loan 17	Balance 18	Received 19	Paid 20	Balance 21	Received 22	Balance 23	Received 24	Balance 25	Paid 26	Balance 27	
		3,000,000			800,000			4,000,000		200,000		210,000		600,000	
											225,000	435,000			
									300,000	500,000					

Item No. 5: On 3/2/08, the village bank pays back its 2,000,000 loan from the government

No., month and date sections

The number of the transaction (5), the month (2 - February) and the date (3) are recorded in the no, month, and date sections.

Item section

The item (“pay back old loan to government”) is recorded in the item section

Cash on hand section

The amount of paid back (2,000,000 Kip) is recorded in the debit column.

The balance column is updated by subtracting the amount paid back (2,000,000 Kip) from the previous balance (10,135,000 Kip). The difference (8,135,000 Kip, which is the new balance) is recorded in the balance column.

The amount is *subtracted* from the previous balance rather than added to it because in this case money is going out, rather than coming in.

External Loans section

The amount of paid back (2,000,000 Kip) is recorded in the paid back column.

The outstanding balance column is updated by subtracting the amount paid back (2,000,000 Kip) from the previous outstanding balance (3,000,000 Kip). The difference (1,000,000 Kip, which is the new balance) is recorded in the balance column.

The amount is *subtracted* from the outstanding balance rather than added to it because the repayment reduces the amount of loan capital that is still outstanding and must be paid back.

No.	Month	Date	Item	No. of members	Cash on hand			Cash in the bank			Member Savings			Loans to Members		
					Credit 1	Debit 2	Balance 3	Deposit 4	Withdrawal 5	Balance 6	Deposit 7	Withdrawal 8	Balance 9	Extended 10	Paid back 11	Outstanding Balance 12
1	2	1	Previous balance				6,610,000						9,000,000			10,000,000
2	2	1	Membership fees	150	225,000		6,835,000									
3	2	1	Revenue from passbooks	150	300,000		7,135,000									
4	2	1	Member deposits	150	3,000,000		10,135,000				3,000,000		12,000,000			
5	2	3	Pay back old loan to government			2,000,000	8,135,000									

External Loans			Interest			Capital			Income from sale of passbooks		Income from membership fee		Other expenses		Remarks
Loan received 13	Repayments 14	Outstanding Balance 15	Received from members 16	Paid on external loan 17	Balance 18	Received 19	Paid 20	Balance 21	Received 22	Balance 23	Received 24	Balance 25	Paid 26	Balance 27	
		3,000,000			800,000			4,000,000		200,000		210,000		600,000	
											225,000	435,000			
									300,000	500,000					
	2,000,000	1,000,000													

Item No. 6: On 3/2/08, the village bank pays 100,000 Kip interest on its loan from the government.

No., month and date sections

The number of the transaction (**6**), the month (**2** - February) and the date (**3**) are recorded in the no, month, and date sections.

Item section

The item (“**interest on government loan**”) is recorded in the item section.

Cash on hand section

The amount of interest paid (**100,000** Kip) is recorded in the debit column.

The balance column is updated by subtracting the amount paid (**100,000** Kip) from the previous balance (**8,135,000** Kip). The difference (**8,035,000** Kip, which is the new balance) is recorded in the balance column.

The amount is **subtracted** from the previous balance rather than added to it because in this case money is going out, rather than coming in.

Interest section

The amount of interest paid (**100,000** Kip) is recorded in the paid on external loan column.

The balance column is updated by subtracting the amount paid (**100,000** Kip) from the previous balance (**800,000** Kip). The difference (**700,000** Kip, which is the new balance) is recorded in the balance column.

The amount is **subtracted** from the previous balance rather than added to it because the repayment reduces the amount of money that is left over from interest income.

No.	Month	Date	Item	No. of members	Cash on hand			Cash in the bank			Member Savings			Loans to Members		
					Credit 1	Debit 2	Balance 3	Deposit 4	Withdrawal 5	Balance 6	Deposit 7	Withdrawal 8	Balance 9	Extended 10	Paid back 11	Outstanding Balance 12
1	2	1	Previous balance				6,610,000						9,000,000			10,000,000
2	2	1	Membership fees	150	225,000		6,835,000									
3	2	1	Revenue from passbooks	150	300,000		7,135,000									
4	2	1	Member deposits	150	3,000,000		10,135,000				3,000,000		12,000,000			
5	2	3	Pay back old loan to government			2,000,000	8,135,000									
6	2	3	Interest on government loan			100,000	8,035,000									

External Loans			Interest			Capital			Income from sale of passbooks		Income from membership fee		Other expenses		Remarks
Loan received 13	Repayments 14	Outstanding Balance 15	Received from members 16	Paid on external loan 17	Balance 18	Received 19	Paid 20	Balance 21	Received 22	Balance 23	Received 24	Balance 25	Paid 26	Balance 27	
		3,000,000			800,000			4,000,000		200,000		210,000		600,000	
											225,000	435,000			
									300,000	500,000					
	2,000,000	1,000,000													
				100,000	700,000										

Item No. 7: On 5/2/08, the village bank receives a new loan of 3,000,000 from the government

No., month and date sections

The number of the transaction (7), the month (2 - February) and the date (5) are recorded in the no, month, and date sections.

Item section

The item (“government loan”) is recorded in the item section

Cash on hand section

The amount of cash received (3,000,000 Kip) is recorded in the credit column.

The balance column is updated by adding the amount received (3,000,000 Kip) to the previous balance (8,035,000 Kip). The sum (11,035,000 Kip, which is the new balance) is recorded in the balance column.

The amount is *added* to the previous balance rather than subtracted from it because money is coming in, rather than going out, through the new loan.

External Loans section

The amount of cash received (3,000,000 Kip) is recorded in the credit column.

The balance column is updated by adding the amount received (3,000,000 Kip) to the previous balance (1,000,000 Kip). The sum (4,000,000 Kip, which is the new balance) is recorded in the balance column.

The amount is *added* to the previous outstanding balance rather than subtracted from it because the new loan increases the amount of money owed by the village bank to external loan givers.

No.	Month	Date	Item	No. of members	Cash on hand			Cash in the bank			Member Savings			Loans to Members		
					Credit 1	Debit 2	Balance 3	Deposit 4	Withdrawal 5	Balance 6	Deposit 7	Withdrawal 8	Balance 9	Extended 10	Paid back 11	Outstanding Balance 12
1	2	1	Previous balance				6,610,000						9,000,000			10,000,000
2	2	1	Membership fees	150	225,000		6,835,000									
3	2	1	Revenue from passbooks	150	300,000		7,135,000									
4	2	1	Member deposits	150	3,000,000		10,135,000				3,000,000		12,000,000			
5	2	3	Pay back old loan to government			2,000,000	8,135,000									
6	2	3	Interest on government loan			100,000	8,035,000									
7	2	5	New loan from government		3,000,000		11,035,000									

External Loans			Interest			Capital			Income from sale of passbooks		Income from membership fee		Other expenses		Remarks
Loan received 13	Repayments 14	Outstanding Balance 15	Received from members 16	Paid on external loan 17	Balance 18	Received 19	Paid 20	Balance 21	Received 22	Balance 23	Received 24	Balance 25	Paid 26	Balance 27	
		3,000,000			800,000			4,000,000		200,000		210,000		600,000	
											225,000	435,000			
									300,000	500,000					
	2,000,000	1,000,000													
				100,000	700,000										
3,000,000		4,000,000													

Item No. 8: On 7/2/08, the village bank receives a district grant of 2,000,000 Kip

No., month and date sections

The number of the transaction (8), the month (2 - February) and the date (7) are recorded in the no, month, and date sections.

Item section

The item (“**district grant**”) is recorded in the item section

Cash on hand section

The amount of cash received (2,000,000 Kip) is recorded in the credit column.

The balance column is updated by adding the amount received (2,000,000 Kip) to the previous balance (11,035,000 Kip). The sum (13,035,000 Kip, which is the new balance) is recorded in the balance column.

The amount is **added** to the previous balance rather than subtracted from it because money is coming in, rather than going out, through the district grant.

Capital section

The amount of cash received (2,000,000 Kip) is recorded in the credit column.

The balance column is updated by adding the amount received (2,000,000 Kip) to the previous balance (4,000,000 Kip). The sum (6,000,000 Kip, which is the new balance) is recorded in the balance column.

The amount is **added** to the previous balance rather than subtracted from it because the district grant increases the amount of capital that the village bank owns.

No.	Month	Date	Item	No. of members	Cash on hand			Cash in the bank			Member Savings			Loans to Members		
					Credit 1	Debit 2	Balance 3	Deposit 4	Withdrawal 5	Balance 6	Deposit 7	Withdrawal 8	Balance 9	Extended 10	Paid back 11	Outstanding Balance 12
1	2	1	Previous balance				6,610,000						9,000,000			10,000,000
2	2	1	Membership fees	150	225,000		6,835,000									
3	2	1	Revenue from passbooks	150	300,000		7,135,000									
4	2	1	Member deposits	150	3,000,000		10,135,000				3,000,000		12,000,000			
5	2	3	Pay back old loan to government			2,000,000	8,135,000									
6	2	3	Interest on government loan			100,000	8,035,000									
7	2	5	New loan from government		3,000,000		11,035,000									
8	2	7	District subsidy		2,000,000		13,035,000									

External Loans			Interest			Capital			Income from sale of passbooks		Income from membership fee		Other expenses		Remarks
Loan received 13	Repayments 14	Outstanding Balance 15	Received from members 16	Paid on external loan 17	Balance 18	Received 19	Paid 20	Balance 21	Received 22	Balance 23	Received 24	Balance 25	Paid 26	Balance 27	
		3,000,000			800,000			4,000,000		200,000		210,000		600,000	
											225,000	435,000			
									300,000	500,000					
	2,000,000	1,000,000													
				100,000	700,000										
3,000,000		4,000,000													
						2,000,000		6,000,000							

Item No. 9: On 10/2/08, the village bank receives 400,000 Kip in interest from members.

No., month and date sections

The number of the transaction (9), the month (2 - February) and the date (10) are recorded in the no, month, and date sections.

Item section

The item (“**interest from members**”) is recorded in the item section.

Cash on hand section

The amount of cash received (400,000 Kip) is recorded in the credit column.

The balance column is updated by adding the amount received (400,000 Kip) to the previous balance (13,035,000 Kip). The sum (13,435,000 Kip, which is the new balance) is recorded in the balance column.

The amount is **added** to the previous balance rather than subtracted from it because interest payments from members mean that money is coming in, rather than going out.

Interest section

The amount of cash received (400,000 Kip) is recorded in the interest received column.

The balance column is updated by adding the amount received (400,000 Kip) to the previous balance (700,000 Kip). The sum (1,100,000 Kip, which is the new balance) is recorded in the balance column.

The amount is **added** to the previous balance rather than subtracted from it because interest payments from members increase the amount of income that the village bank has received from interest.

No.	Month	Date	Item	No. of members	Cash on hand			Cash in the bank			Member Savings			Loans to Members		
					Credit 1	Debit 2	Balance 3	Deposit 4	Withdrawal 5	Balance 6	Deposit 7	Withdrawal 8	Balance 9	Extended 10	Paid back 11	Outstanding Balance 12
1	2	1	Previous balance				6,610,000						9,000,000			10,000,000
2	2	1	Membership fees	150	225,000		6,835,000									
3	2	1	Revenue from passbooks	150	300,000		7,135,000									
4	2	1	Member deposits	150	3,000,000		10,135,000				3,000,000		12,000,000			
5	2	3	Pay back old loan to government			2,000,000	8,135,000									
6	2	3	Interest on government loan			100,000	8,035,000									
7	2	5	New loan from government		3,000,000		11,035,000									
8	2	7	District subsidy		2,000,000		13,035,000									
9	2	10	Interest from members		400,000		13,435,000									

External Loans			Interest			Capital			Income from sale of passbooks		Income from membership fee		Other expenses		Remarks
Loan received 13	Repayments 14	Outstanding Balance 15	Received from members 16	Paid on external loan 17	Balance 18	Received 19	Paid 20	Balance 21	Received 22	Balance 23	Received 24	Balance 25	Paid 26	Balance 27	
		3,000,000			800,000			4,000,000		200,000		210,000		600,000	
											225,000	435,000			
									300,000	500,000					
	2,000,000	1,000,000													
				100,000	700,000										
3,000,000		4,000,000													
						2,000,000		6,000,000							
			400,000		1,100,000										

Item No. 10: On 15/2/08, the village bank receives 1,000,000 Kip in loan repayments from members.

No., month and date sections

The number of the transaction (**10**), the month (**2** - February) and the date (**15**) are recorded in the no, month, and date sections.

Item section

The item (“**Member loan repayments**”) is recorded in the item section.

Cash on hand section

The amount of cash received (**1,000,000** Kip) is recorded in the credit column.

The balance column is updated by adding the amount received (**1,000,000** Kip) to the previous balance (**13,435,000** Kip). The sum (**14,435,000** Kip, which is the new balance) is recorded in the balance column.

The amount is **added** to the previous balance rather than subtracted from it because when members repay their loans to the bank, it involves money coming in, rather than going out.

Loans to Members section

The amount of cash received (**1,000,000** Kip) is recorded in the paid back column.

The balance column is updated by subtracting the amount received (**1,000,000** Kip) from the previous outstanding balance (**10,000,000** Kip). The difference (**9,000,000** Kip, which is the new balance) is recorded in the balance column.

The amount is **subtracted** from the previous outstanding balance rather than added to it because loan repayment reduces the amount of money that is still owed to the bank by borrowers.

No.	Month	Date	Item	No. of members	Cash on hand			Cash in the bank			Member Savings			Loans to Members		
					Credit 1	Debit 2	Balance 3	Deposit 4	Withdrawal 5	Balance 6	Deposit 7	Withdrawal 8	Balance 9	Extended 10	Paid back 11	Outstanding Balance 12
1	2	1	Previous balance				6,610,000						9,000,000			10,000,000
2	2	1	Membership fees	150	225,000		6,835,000									
3	2	1	Revenue from passbooks	150	300,000		7,135,000									
4	2	1	Member deposits	150	3,000,000		10,135,000				3,000,000		12,000,000			
5	2	3	Pay back old loan to government			2,000,000	8,135,000									
6	2	3	Interest on government loan			100,000	8,035,000									
7	2	5	New loan from government		3,000,000		11,035,000									
8	2	7	District subsidy		2,000,000		13,035,000									
9	2	10	Interest from members		400,000		13,435,000									
10	2	15	Member loan repayments		1,000,000		14,435,000							1,000,000		9,000,000

External Loans			Interest			Capital			Income from sale of passbooks		Income from membership fee		Other expenses		Remarks
Loan received 13	Repayments 14	Outstanding Balance 15	Received from members 16	Paid on external loan 17	Balance 18	Received 19	Paid 20	Balance 21	Received 22	Balance 23	Received 24	Balance 25	Paid 26	Balance 27	
		3,000,000			800,000			4,000,000		200,000		210,000		600,000	
											225,000	435,000			
									300,000	500,000					
	2,000,000	1,000,000													
				100,000	700,000										
3,000,000		4,000,000													
						2,000,000		6,000,000							
			400,000		1,100,000										

Item No. 11: On 16/2/08, the village bank pays out 7,000,000 Kip in new loans to members.

No., month and date sections

The number of the transaction (11), the month (2 - February) and the date (16) are recorded in the no, month, and date sections.

Item section

The item (“loans to members”) is recorded in the item section.

Cash on hand section

The amount of cash paid out (7,000,000 Kip) is recorded in the debit column.

The balance column is updated by subtracting the amount paid out (7,000,000 Kip) from the previous balance (14,435,000 Kip). The difference (7,435,000 Kip, which is the new balance) is recorded in the balance column.

The amount is *subtracted* from the previous balance rather than added to it because giving out new loans involves money going out, rather than coming in.

Loans to members section

The amount of cash paid out (7,000,000 Kip) is recorded in the extended column.

The balance column is updated by adding the amount paid out (7,000,000 Kip) to the previous balance (9,000,000 Kip). The sum (16,000,000 Kip, which is the new balance) is recorded in the balance column.

The amount is *added* to the previous outstanding balance rather than subtracted from it because giving out new loans increases the amount of money that is owed to the bank by borrowers.

No.	Month	Date	Item	No. of members	Cash on hand			Cash in the bank			Member Savings			Loans to Members		
					Credit 1	Debit 2	Balance 3	Deposit 4	Withdrawal 5	Balance 6	Deposit 7	Withdrawal 8	Balance 9	Extended 10	Paid back 11	Outstanding Balance 12
1	2	1	Previous balance				6,610,000						9,000,000			10,000,000
2	2	1	Membership fees	150	225,000		6,835,000									
3	2	1	Revenue from passbooks	150	300,000		7,135,000									
4	2	1	Member deposits	150	3,000,000		10,135,000				3,000,000		12,000,000			
5	2	3	Pay back old loan to government			2,000,000	8,135,000									
6	2	3	Interest on government loan			100,000	8,035,000									
7	2	5	New loan from government		3,000,000		11,035,000									
8	2	7	District subsidy		2,000,000		13,035,000									
9	2	10	Interest from members		400,000		13,435,000									
10	2	15	Member loan repayments		1,000,000		14,435,000							1,000,000		9,000,000
11	2	16	Loans to members			7,000,000	7,435,000						7,000,000			16,000,000

External Loans			Interest			Capital			Income from sale of passbooks		Income from membership fee		Other expenses		Remarks
Loan received 13	Repayments 14	Outstanding Balance 15	Received from members 16	Paid on external loan 17	Balance 18	Received 19	Paid 20	Balance 21	Received 22	Balance 23	Received 24	Balance 25	Paid 26	Balance 27	
		3,000,000			800,000			4,000,000		200,000		210,000		600,000	
											225,000	435,000			
									300,000	500,000					
	2,000,000	1,000,000													
				100,000	700,000										
3,000,000		4,000,000													
						2,000,000		6,000,000							
			400,000		1,100,000										

Item No. 12: On 18/2/08, the village bank pays 500,000 Kip for stationary.

No., month and date sections

The number of the transaction (12), the month (2 - February) and the date (18) are recorded in the no, month, and date sections.

Item section

The item (“stationary”) is recorded in the item section.

Cash on hand section

The amount of cash paid out (500,000 Kip) is recorded in the debit column.

The balance column is updated by subtracting the amount paid (500,000 Kip) from the previous balance (7,435,000 Kip). The difference (6,935,000 Kip, which is the new balance) is recorded in the balance column.

The amount is *subtracted* from the previous balance rather than added to it because paying for stationary involves money going out, rather than coming in.

Other expenses section

The amount of cash paid out (500,000 Kip) is recorded in the paid column.

The balance column is updated by adding the amount paid out (500,000 Kip) to the previous balance (600,000 Kip). The sum (1,100,000 Kip, which is the new balance) is recorded in the balance column.

The amount is *added* to the previous balance rather than subtracted from it because paying for stationary increases the expenses of the village bank.

No.	Month	Date	Item	No. of members	Cash on hand			Cash in the bank			Member Savings			Loans to Members		
					Credit 1	Debit 2	Balance 3	Deposit 4	Withdrawal 5	Balance 6	Deposit 7	Withdrawal 8	Balance 9	Extended 10	Paid back 11	Outstanding Balance 12
1	2	1	Previous balance				6,610,000						9,000,000			10,000,000
2	2	1	Membership fees	150	225,000		6,835,000									
3	2	1	Revenue from passbooks	150	300,000		7,135,000									
4	2	1	Member deposits	150	3,000,000		10,135,000				3,000,000		12,000,000			
5	2	3	Pay back old loan to government			2,000,000	8,135,000									
6	2	3	Interest on government loan			100,000	8,035,000									
7	2	5	New loan from government		3,000,000		11,035,000									
8	2	7	District subsidy		2,000,000		13,035,000									
9	2	10	Interest from members		400,000		13,435,000									
10	2	15	Member loan repayments		1,000,000		14,435,000								1,000,000	9,000,000
11	2	16	Loans to members			7,000,000	7,435,000							7,000,000		16,000,000
12	2	18	Stationary			500,000	6,935,000									

External Loans			Interest			Capital			Income from sale of passbooks		Income from membership fee		Other expenses		Remarks
Loan received 13	Repayments 14	Outstanding Balance 15	Received from members 16	Paid on external loan 17	Balance 18	Received 19	Paid 20	Balance 21	Received 22	Balance 23	Received 24	Balance 25	Paid 26	Balance 27	
		3,000,000			800,000			4,000,000		200,000		210,000		600,000	
											225,000	435,000			
									300,000	500,000					
	2,000,000	1,000,000													
				100,000	700,000										
3,000,000		4,000,000													
						2,000,000		6,000,000							
			400,000		1,100,000										
													500,000	1,100,000	

4. Calculating and checking the balance at the end of the month

At the end of the month, the end balance is recorded in the ledger.

The “**end balance**” row is filled in by transferring the last entry in the “balance” column entry of each section.

For example, as in the example of a completed ledger on the following page, in the cash on hand section, the end balance is 6,935,000. This is the same as the balance after the last entry (item 12, stationary”). The end balance can be transposed without any additional calculations because the balance column is updated after each transaction, and the last entry of the column is always the most up to date balance.

It is important to check that:

$$\text{balance in the cash on hand section} = \text{savings balance} - \text{loan balance} + \text{external loan balance} + \text{interest received} + \text{income from passbook} + \text{capital} + \text{income from membership fee} - \text{other expenses.}$$

In this case, the two sides of the equation are equal:

$$6,935,000 = 12,000,000 - 16,000,000 + 4,000,000 + 1,100,000 + 500,000 + 6,000,000 + 435,000 - 1,100,000$$

If after checking the two sides of the equation are not equal, something is wrong and the entries should be re-checked.

Complete Ledger for February 2008

No.	Month	Date	Item	No. of members	Cash on hand			Cash in the bank			Member Savings			Loans to Members		
					Credit 1	Debit 2	Balance 3	Deposit 4	Withdrawal 5	Balance 6	Deposit 7	Withdrawal 8	Balance 9	Extended 10	Paid back 11	Outstanding Balance 12
1	2	1	Previous balance				6,610,000						9,000,000			10,000,000
2	2	1	Membership fees	150	225,000		6,835,000									
3	2	1	Revenue from passbooks	150	300,000		7,135,000									
4	2	1	Member deposits	150	3,000,000		10,135,000				3,000,000		12,000,000			
5	2	3	Pay back old loan to government			2,000,000	8,135,000									
6	2	3	Interest on government loan			100,000	8,035,000									
7	2	5	New loan from government		3,000,000		11,035,000									
8	2	7	District subsidy		2,000,000		13,035,000									
9	2	10	Interest from members		400,000		13,435,000									
10	2	15	Member loan repayments		1,000,000		14,435,000								1,000,000	9,000,000
11	2	16	Loans to members			7,000,000	7,435,000							7,000,000		16,000,000
12	2	18	Stationary			500,000	6,935,000									
			End balance				6,935,000						12,000,000			16,000,000

External Loans			Interest			Capital			Income from sale of passbooks		Income from membership fee		Other expenses		Remarks
Loan received 13	Repayments 14	Outstanding Balance 15	Received from members 16	Paid on external loan 17	Balance 18	Received 19	Paid 20	Balance 21	Received 22	Balance 23	Received 24	Balance 25	Paid 26	Balance 27	
		3,000,000			800,000			4,000,000		200,000		210,000		600,000	
											225,000	435,000			
									300,000	500,000					
	2,000,000	1,000,000													
				100,000	700,000										
3,000,000		4,000,000													
						2,000,000		6,000,000							
			400,000		1,100,000										
													500,000	1,100,000	
		4,000,000			1,100,000			6,000,000		500,000		435,000		1,100,000	

5. Preparing an income and expenditure statement and balance sheet from the ledger

The ledger is used for preparing end of year financial statements (see Chapter 7 of the handbook for a more detailed explanation).

i. Income and Expenditure Statement

If the village bank wants to prepare an income and expenditure statement at the end of the financial year, it will use the entries in the end balance row of the ledger for the last month of the financial year (i.e. the most up-to-date ledger).

This is done as follows:

1. The end balances from the sections of items which make up expenses are transferred from the ledger to the “expenses” section of the income and expenditure statement.
2. The end balances from the sections of items which make up income are transferred from the ledger to the “income” section of the income and expenditure statement.

Using the ledger on the previous page, if we assume that February was the last month of the financial year, the village bank’s expenses and income would be transferred to the income and expenditure statement as shown below:

Expenses		Income	
Other expenses	1,100,000	Interest	1,100,000
		Selling Passbooks	500,000
		Membership Fees	435,000
Total	1,100,000	Total	2,035,000
Surplus = 935,000			

In this case, the **surplus (income-expenses)** of the village bank would be **935,000** Kip.

ii. Balance sheet

If the village bank wants to prepare a balance sheet at the end of the financial year, it will use the entries in the end balance row of the ledger for the last month of the financial year (i.e. the most up-to-date ledger) and in the income and expenditure statement (see above).

This is done as follows:

1. The end balances from the sections of items which are assets are transferred from the ledger to the “assets” section of the balance sheet.
2. The end balances from the sections of items which are liabilities are transferred from the ledger to the “liabilities” section of the balance sheet.
3. Surplus added to the village bank’s capital is transferred from the income and expenditure statement to the “capital” section of the balance sheet.

Using the ledger and the income and expenditure statement above, if we assume that February was the last month of the financial year, the village bank’s assets, liabilities and capital would be transferred to the balance sheet as shown below:

Assets		Liabilities	
Cash on hand	6,935,000	Savings	12,000,000
Loans to members	16,000,000	External loans	4,000,000
		Capital	
		Capital	6,000,000
		Surplus added to village bank’s capital	935,000
	22,935,000		22,935,000

As explained in Chapter 7 of the handbook, the **sum of assets must always equal the sum of liabilities and capital**. If the two sides of the balance sheet are not equal, something is wrong and the entries in the ledger and balance sheet must be re-checked.

In the case above, the two sides are equal (both the sum of assets and the sum of liabilities and capital is 22,935,000 (which is also the net worth of the village bank)).

6. How cash deposited in a commercial bank account affects the village bank's ledger

In the ledger used by ILO-supported village banks, there is a section for **cash in the bank**. This section is not always used – it is only used by village banks when they have deposited some money in a commercial bank. In that case, any transactions which involve money being added to the commercial bank account or withdrawn from it are recorded in the “cash in the bank” section. When village banks use a commercial bank account, some of the entries which are in the cash on hand section in the example might be put in the cash in the bank section instead, if that is where the money comes in/goes out from for the transaction in question. Most of the time, however, village banks only use their commercial bank account to store extra money which is not needed, and these transactions are usually therefore only limited to putting in and taking it out of the commercial bank account.

If we assume that the village bank used as an example in this guide would have an excess of cash on hand at the end of February which could not be lent out to members, it might decide to put some of that money into a commercial bank account. Later, it might decide to withdraw some of it to be able to use it.

In the ledger, the deposit and withdrawal would be recorded as follows:

➤ **On 1/3/08, the village bank deposits 3,000,000 Kip in its commercial bank account.**

No., month and date sections

The number of the transaction (**3**), the month (**3** - March) and the date (**1**) are recorded in the no, month, and date sections.

Item section

The item (“**Deposit in commercial bank account**”) is recorded in the item section.

Cash on hand section

The amount of cash deposited (**3,000,000** Kip) is recorded in the debit column, since some of the cash on hand is used for the deposit.

The balance column is updated by subtracting the amount deposited (**3,000,000** Kip) from the previous balance (**6,935,000** Kip). The difference (**3,935,000** Kip, which is the new balance) is recorded in the balance column.

The amount is **subtracted** from the previous balance rather than added to it because the deposit reduces the amount of cash on hand.

Cash in the bank section

The amount of cash deposited (**3,000,000** Kip) is recorded in the “deposit” column.

The balance column is updated by adding the amount deposited (**3,000,000** Kip) to the previous balance (**0** Kip). The sum (**3,000,000** Kip, which is the new balance) is recorded in the balance column.

The amount is **added** to the previous balance rather than subtracted from it because the deposit increases the amount of money in the commercial bank account.

No.	Month	Date	Item	No. of members	Cash on hand			Cash in the bank			Member Savings			Loans to Members		
					Credit 1	Debit 2	Balance 3	Deposit 4	Withdrawal 5	Balance 6	Deposit 7	Withdrawal 8	Balance 9	Extended 10	Paid back 11	Outstanding Balance 12
1	3	1	Previous balance			6,935,000			0			12,000,000			16,000,000	
3	3	1	Deposit in commercial bank account	150		3,000,000	3,935,000	3,000,000		3,000,000						

External Loans			Interest			Capital			Income from sale of passbooks		Income from membership fee		Other expenses		Remarks
Loan received 13	Repayments 14	Outstanding Balance 15	Received from members 16	Paid on external loan 17	Balance 18	Received 19	Paid 20	Balance 21	Received 22	Balance 23	Received 24	Balance 25	Paid 26	Balance 27	
		4,000,000			1,100,000			6,000,000		500,000		435,000		1,100,000	

➤ On 26/3/08, the village bank withdraws 1,000,000 Kip from its commercial bank account.

No., month and date sections

The number of the transaction (5), the month (3 - March) and the date (26) are recorded in the no, month, and date sections.

Item section

The item (“Withdraw from commercial bank account”) is recorded in the item section.

Cash on hand section

The amount of cash withdrawn (1,000,000 Kip) is recorded in the credit column, since the cash goes back to ‘cash on hand’.

The balance column is updated by adding the amount withdrawn (1,000,000 Kip) to the previous balance (3,935,000 Kip). The sum (4,935,000 Kip, which is the new balance) is recorded in the balance column.

The amount is *added* to the previous balance rather than subtracted from it because the withdrawal increases the amount of cash on hand.

Cash in the bank section

The amount of cash deposited (1,000,000 Kip) is recorded in the “deposit” column.

The balance column is updated by subtracting the amount deposited (1,000,000 Kip) from the previous balance (3,000,000 Kip). The sum (2,000,000 Kip, which is the new balance) is recorded in the balance column.

The amount is *subtracted* from the previous balance rather than added to it because the withdrawal reduces the amount of cash in the commercial bank account.

No.	Month	Date	Item	No. of members	Cash on hand			Cash in the bank			Member Savings			Loans to Members		
					Credit 1	Debit 2	Balance 3	Deposit 4	Withdrawal 5	Balance 6	Deposit 7	Withdrawal 8	Balance 9	Extended 10	Paid back 11	Outstanding Balance 12
1	3	1	Previous balance				6,935,000			0			12,000,000			16,000,000
3	3	1	Deposit in commercial bank account	150		3,000,000	3,935,000	3,000,000		3,000,000						
5	3	26	Withdraw from commercial bank account		1,000,000		4,935,000		1,000,000	2,000,000						

External Loans			Interest			Capital			Income from sale of passbooks		Income from membership fee		Other expenses		Remarks
Loan received 13	Repayments 14	Outstanding Balance 15	Received from members 16	Paid on external loan 17	Balance 18	Received 19	Paid 20	Balance 21	Received 22	Balance 23	Received 24	Balance 25	Paid 26	Balance 27	
		4,000,000			1,100,000			6,000,000		500,000		435,000		1,100,000	