

**Stock statement—how important it is? ---Part One**

When I received the sanction letter, it indicated following conditions—among others.

1. Credit limit of Rs.10 lacs.
2. Withdrawals in the account will be subject to Drawing Power.
3. Drawing power will be determined on the basis of stock statement.
4. Periodicity of submission of stock statement is monthly and the same is to be submitted before 10<sup>th</sup> of the month for the preceding month.
5. If the stock statement is not submitted on time, penal interest of 2% will be charged.
6. If the stock statement is not submitted, Bank has the right to stop further operations in the account.
7. Margin is 25%
8. Rate of interest is 12%

This was the first sanction I had received. I was so much happy that I did not care to read it carefully.

When I wanted to issue cheque in favour of a supplier, I was advised to see the officer in the Credit Department. The officer informed me that the withdrawals will be allowed on the basis of stock statement and he gave me the format.

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When I went through the format, it broadly contained following blank columns.

1. Stock statement for the month of.....
2. Purchases during the month
3. Sales during the month
4. Stock as of .....
5. Debtors as of.....
6. Creditors as of.....

I went back to my office and sought help from my Accounts department who informed me that the data is not ready and will take couple of days time to update it. So I had to wait for a while before I received the data and also had to postpone the withdrawal.

Accounts department updated the Tally record within next two days and gave me following figures

Purchases during April	2,15,000
Sales during April	3,40,000
Stock as of 30.04	5,26,000
Debtors as of 30.04	2,96,000
Creditors as of 30.04	4,26,000

Without carrying out another check, I filled up the stock statement format and went to the bank to submit the same.

Credit department official, received the stock statement and informed me that the needful will be done.

I issued a cheque for Rs.4,15,000 in favour of the supplier concerned.

However, to my surprise—the cheque was not honoured. The supplier was naturally angry with me.

I went back to the Bank to know why the cheque was not honoured though I had more than sufficient limit.

The counter clerk directed me to the Credit department official who listened to me patiently and gave me the following information.

1. Limit sanctioned is subject to drawing power.
2. Drawing power in my case was 2,97,000
3. Hence the cheque for Rs.4,15,000/\*-was returned unpaid.