

**ARKANSAS STATE BANK DEPARTMENT
EXAMINATION POLICY**

Policy Number	<u>93-04</u>
Effective Date	<u>03-01-93</u>
Supersedes	_____
Approval	_____

SUBJECT: Correcting Accounting Treatment for State Bank Department Assessments

Assessments for state chartered banks in Arkansas are due semi-annually based upon total assets shown in the bank's Report of Condition for the periods ending June 30 and December 31 of each year. These assessments are based upon the last six months of operation of the institution and, as such, are paid in arrears. The correct accounting treatment for this activity would be to accrue this expense with an offsetting liability entry over the six-month period in which the assessments apply and then pay the assessment when billed. It is incorrect to book payment of Bank Department assessments as a prepaid asset and amortize this expense over the six-month period following payment. Assessments booked in this manner should be accorded a loss classification and promptly charged off.