Reasons Why Fundamental Accounting Concept[1] Test Fails

Interest Based Revenues

InterestIncomeExpenseOperatingNet = InterestAndDividendIncomeOperating – InterestExpenseOperating

InterestIncomeExpenseAfterProvisionForLosses = InterestIncomeExpenseOperatingNet – ProvisionForLoanLeaseAndOtherLosses

IncomeLossBeforeEquityMethodInvestments = InterestIncomeExpenseAfterProvisionForLosses + NoninterestIncome - NoninterestExpense

Interest based revenues is used by certain types of financial institutions to report such as banks. The area of the income statement which is different from a commercial and industrial company is in the following relation:

Reporting of net interest income (expense):

- (+) Interest and dividend income (operating)
- (-) Interest and dividend expenses (operating)
- (=) Interest income (expense), net (operating)

Reporting for net interest income (expense) adjusted for provision for loan losses:

- (+) Interest income (expense), net (operating)
- (-) Provision for loan, lease, and other losses
- (=) Interest income (expense) after provision for loan losses (operating)

Noninterest income and expenses:

- (+) Interest income (expense) after provision for loan losses (operating)
- (+) Non interest income
- (-) Non interest expense
- (=) Income (loss) before equity method investments –OR– Income (loss) from continuing operations before tax

Note that some entities report income (loss) from equity method investments before tax, others report the same line item after tax. The location of income (loss) from equity method investments needs to be taken into account for this model.

[1] For more information on the fundamental accounting concepts and the relations between these concepts please see http://fundamentalaccountingconcepts.wikispaces.com

This is the structure of the statement of income, insurance based revenues in the US GAAP XBRL Taxonomy:

Interest based reporting is used by financial institutions such as banks. Approximately 610 such financial institutions use this approach.

The income statement of this financial report uses interest based revenues:

http://www.sec.gov/cgi-bin/viewer?action=view&cik=1397533&accession_number=0000950123-11-073471&xbrl_type=v#

Consolidated Statements of Operations (USD $)	3 Months Ended		6 Months Ended	
	Jun. 30, 2011	Jun. 30, 2010	Jun. 30, 2011	Jun. 30, 2010
INTEREST INCOME:				
Interest on loans	$ 8,893,880	$ 9,816,008	$ 17,881,281	$ 19,815,235
Interest and dividends on investment and mortgage-backed securities:				
Taxable	2,186,224	2,674,497	4,507,786	5,372,474
Tax-exempt	367,945	388,246	745,579	786,273
Interest and dividends on other interest-earning assets	15,822	19,761	32,356	25,653
Total interest income	11,463,871	12,898,512	23,167,002	25,999,635
INTEREST EXPENSE:				
Interest on deposits	2,725,409	3,232,872	5,494,719	6,521,455
Interest on Federal Home Loan Bank advances	713,796	1,413,977	1,588,708	2,968,343
Interest on other borrowed money	21,929	20,324	43,307	34,616
Total interest expense	3,461,134	4,667,173	7,126,734	9,524,414
NET INTEREST INCOME	8,002,737	8,231,339	16,040,268	16,475,221
PROVISION FOR LOAN LOSSES				(563,445)
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	8,002,737	8,231,339	16,040,268	15,911,776
NON-INTEREST INCOME				
Service charges	287,718	326,956	561,649	623,334
Income on bank owned life insurance	438,866	446,012	869,886	884,498
Net loss on real estate owned	(136,896)	(131,921)	(332,473)	(713,196)
Other income	195,121	164,721	380,175	366,462
Total non-interest income	784,809	805,768	1,479,237	1,161,098
NON-INTEREST EXPENSES				
Salaries and employee benefits	3,021,289	3,030,727	6,118,246	5,960,509
Occupancy	641,254	711,988	1,389,916	1,424,708
Depreciation	190,193	227,810	386,953	457,535
Professional services	444,244	576,209	1,414,886	1,020,120
Data processing	461,639	431,789	910,379	854,411
Deposit insurance premium	336,042	494,416	854,067	854,919
Advertising and promotions	175,626	148,884	345,283	256,257
Director compensation	144,879	225,509	287,795	445,455
Other	465,863	549,406	1,109,731	1,090,145
Total non-interest expenses	5,881,029	6,396,738	12,817,256	12,364,059
INCOME BEFORE INCOME TAXES	2,906,517	2,640,369	4,702,249	4,708,815
PROVISION FOR INCOME TAXES	756,300	668,090	1,009,579	1,128,176
NET INCOME	$ 2,150,217	$ 1,972,279	$ 3,692,670	$ 3,580,639

Each of the reporting entities below is considered good examples as they contain no nonconformance issues related to the fundamental accounting concepts. These are 10 consistent examples from the 431, or approximately 71% of all reporting entities who make use of interest based revenues conform to 100% of the fundamental accounting concept relations for ***interest based revenue***:

CIK	EntityRegistrantName	SECFilingPage
0001141807	1ST CONSTITUTION BANCORP	http://www.sec.gov/Archives/edgar/data/1141807/000121465914005928/0001214659-14-005928-index.htm
0001415277	1st United Bancorp, Inc.	http://www.sec.gov/Archives/edgar/data/1415277/000117120014000063/0001171200-14-000063-index.htm
0001397533	ABINGTON BANCORP, INC./PA	http://www.sec.gov/Archives/edgar/data/1397533/000095012311073471/0000950123-11-073471-index.htm
0000715579	ACNB CORP	http://www.sec.gov/Archives/edgar/data/715579/000110465914055703/0001104659-14-055703-index.htm
0000855574	AMERIANA BANCORP	http://www.sec.gov/Archives/edgar/data/855574/000119312514300925/0001193125-14-300925-index.htm
0000004962	AMERICAN EXPRESS COMPANY	http://www.sec.gov/Archives/edgar/data/4962/000119312514286961/0001193125-14-286961-index.htm
0000741516	AMERICAN NATIONAL BANKSHARES INC.	http://www.sec.gov/Archives/edgar/data/741516/000074151614000044/0000741516-14-000044-index.htm
0000351569	Ameris Bancorp	http://www.sec.gov/Archives/edgar/data/351569/000119312514302365/0001193125-14-302365-index.htm
0000707605	AMERISERV FINANCIAL INC /PA/	http://www.sec.gov/Archives/edgar/data/707605/000114420414047920/0001144204-14-047920-index.htm
0001448301	Anchor Bancorp	http://www.sec.gov/Archives/edgar/data/1448301/000093905714000202/0000939057-14-000202-index.htm