THE TRANSACTION ACCOUNT IN INDIA

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ABSTRACT

A Transaction account also called a checking account, chequing account, current account, demand deposit account, or share draft account at credit unions, is a deposit account held at a bank or other financial institution. It is available to the account owner on demand and is available for frequent and immediate access by the account owner or to others as the account owner may direct. Access may be in a variety of ways, such as cash withdrawals, use of debit cards. cheques (Checks) and electronic transfer. In economic terms, the funds held in a transaction account are regarded as liquid funds. in accounting terms they are considered as cash.

Transation accounts are known by a variety of descriptions, including a current account (British English), Chequing Account or checking account when held by a bank, share draft account when held by acredit union in North America. In the united Kingdom, Hong North America.

Introduction :-

In Holland in the early 1500s, Amsterdam was a major trading and shipping city. People who had acquired large accumulatons of cash began to deposit their money with cashiers to protect their wealth. THese cashiers held the money for a fee. Competition drove cashiers to offer additional services. Inlcuding paying out money to any person bearing a written order from a depositor to do so. They kept the note as proof of payment.

This concept spread to other countries including England and its colonies in North America, where land owners in Boston in 1681 Mortgaged their land to cashiers who provided an account against which they could write checks.

In the 18^{th} Century in England, preprinted checks, serial numbers, and the world cheque appeared. By the late 18^{th} Century the difficulty of clearing checks (sending them from one bank to another for collection) gave rise to the development of clearing houses.

Features and access :-

All transactino accounts offer itemised lists of all financial transactions, either through a bank statement or a passbook. A transaction account allows the account holder to make or receive payments by :

- *ATM Cards (Withdraw cash at any Automated Teller Machine)*
- *Debit Card (Cashless direct payment at a store or merchant)*
- *Cash (Deposit and withdrawal of cons and banknotes at a branch)*
- *Cheque and money order (Paper Instruction to pay)*
- *Direct Debit. (Pre-authorized debit)*
- *Standing order (automatic regular funds)*
- *Standing order (Automatic regular funds transfers)*
- *Electronic funds transfers (Transfer funds electronically to another account)*
- *Online banking (Transfer funds directly to another person via internet banking facility)*

Bank offering transactional accounts may allow an account to go into overdraft if that has been previosuly arranged. If an account has a negative balance money is being borrowed from the bank and interest and overdraft fees as normally charged.

Country specific Differences :-

In the United kingdom and other countries with a UK Banking heritage, transaction accounts are known as current accounts. These offer various flexible payment methods to allow customers to distribute money directly. One of the main differences between a UK current account and an American checking account is that the earn condiderable interest, sometime comparable to a savings account, and there is generally no charge for withdrawals at cashpoints (ATMs), other than charges by third party owners of such machines.

Transfer System :-

Certain modes of pamynet are country specific :-

- *Giro (Funds transfer, direct deposit in European countries)*
- *In the UNited Kingdom, Faster payments service offers near immediate transfer, BACS offers giros that clear in a matter of days while CHAPS is done on the same day.*
- *Canada has an Interac E-Transfer service.*

- *In India, NEFT and RTGS Services are available to clear funds in a day.*

In the European Union :-

The Regulation (EU) n. 655/2014 has introduced the European Account preservation order, a new procedure of asset freezing in order to facilitate cross-border debt crecovery in civil and commercial matters.

Access :-

Branch Access :-

Customers may need to attend a bank branch for a wide range of banking transactions including cash withdrawals and financial advice. There may be restrictions on cash withdrawals, even at a branch. For example, withdrawals of cash above a threshold figure may require notice.

An Automated Teller Machine (ATM)

Many transactions that previously could only be performed at a branch cash now be done in other ways, such as use of ATMs, Online mobile and telephone banking.

Cheques :-

Cheques were the traditional method of making withdrawals from a transaction account.

Automated teller machines :-

Automated teller machines. (ATMs) enable customers of a financial institution to perform financial Transaction without attending a branch this enables, for example Cash to be withdrawn from an account outside normal branch trading hours. However, ATMs usually have quite low lmits for cash withdrawls, and there may be daily limits to cash withdrawals other than at a branch.

Mobile Banking :-

With the Introduction of mobile banking a customer to perform banking transactions and payments, to view balances and statements, and various other facilities using their mobile phone. In the UK this has become the leading way people manage their finanaces, as mobile banking has overtaken internet banking as the most popular way to bank.

Internet Banking :-

Internet or Online banking enables a customer to perform banking transactions and payment, to view balances and statements, and various other facilities, This can be convenient especially wehen a bank is not open and enables banking transactions to be effected from anywhere internet access is available.

Telephone Banking :-

Telephone Banking provides access to banking transactions over the telephone. In may cases telephone banking opening times are considerably longer than branch times.

Mail Banking :-

A Financial institution may allow its customers to deposit cheque into their account by mail.Mail banking can be used by customers of virtual Bank (as they may not offer branches or ATMs That accept deposits) and by customers who live too far from a branch.

Cost :-

Any cost of fees charged by the financial institution that maintains the account, whether as a single monthly maintenance charge or for each financial transaction, wil depend on a variety of factors, including the country regulations and overall interest rtates for lending and saving, as well as the finnacial institution size and number of channels of accress offered. This is why a direct bank can afford to offer low-cost or fre banking, as well as why in some countries, trsanction fees do not exist but extremrely high lending rates are the norm This is the case in the united kingdom, where they have had free banking since 1984 when the then midland Bank, In a bid to grab market share, scrapped current account charges. It was so successful that all other banks had no choice but offer the same or cuntinue losing customers. Free banking account holders are now charged only if they use an add-on service such as an overdraft.

Financial transactions fees may be charged either per item or for a flat rate covering a certain number of transactions. Often, youths, students, senior citizens or high-valued customers do not pay fees for basic financial transactions. Some offer free transactions for mainting a very high average balance in their account. Other service charges are applicable for overdraft, non-sufficient funds, the use of an external intervbank network, etc. IN countries where there are no service charges for transaction fees, there are, on the other hand, other recurring service charges such as a debit card annual Fee.

Over Draft :-

An overdraft occurs when withdrawals from a bank account exceed the available balance. This gives the account a negative balance and in effect means the account provider is providing credit. If there is a prior agreement with the account provider for an overdraft facility, and the amount overdrawn is within this authorised overdraft, then interet in normally charged at the agreed rate. If the balance exceeds the agred facility then fees may be charged and a higher interest rate might apply.

Conclusion :-

All Transactions of an entity must be accounted for. To account these trsnactino the entity must pass journal entries which will then summarise into ledgers. The Journal entries are passed on the basis of the Golder Rules of accounting.

Every economic entity must present its financial information to all its stakeholders. The information provided in the financial must be accurate and present a true picture of the entity. For this presentation, it must accoutn for all its transactinos. Since economic entities are compared to understand their financial status, there has to be uniformity in accounting.

To bring about uniformity and to account for the transactions correctly there are three Golden Rules of Accounting. These rules form the very basis of passing journal entries which in turn form the basis of accounting and bookkeeping.

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