§ 386. Profits; how and when to be computed. 1. Every savings and loan association shall close its books, for the purpose of computing its profits, at the end of any period for which a dividend is to be paid and in no event less frequently than quarterly. To determine the amount of gross income for any such accounting period the following items may be included:

(a) All income received or properly accrued, provided that no interest shall be accrued upon any interest-bearing asset upon which a default of principal or interest has existed for a period which shall be determined by the superintendent, except for interest-bearing assets secured by collateral the ascertained value of which is at least equal to the amount at which such asset plus all interest accrued thereon is carried on its books.

(b) Amounts added to cost for the purpose of amortizing discounts on securities purchased for less than par, provided that no discount shall be amortized on securities upon which a default exists.

(c) Any profits actually realized from the sale or other disposition of securities, real estate or other property.

(d) Amounts recovered on assets previously charged off, including amounts allowed by the superintendent on account of assets previously disallowed by him; and other amounts allowed by the board of directors on account of assets previously disallowed by it.

(e) Provided the superintendent shall have approved, and only to the extent of such approval, any increase in the book value of the real estate and building or buildings thereon used by it as its place or places of business.

(f) Such other items as the superintendent, in his discretion, may permit to be included.

2. To determine the amount of net profits for such accounting period the following items shall be deducted from gross income:

(a) All expenses paid or properly accrued, both ordinary and extraordinary, in the transaction of its business, the collection of its debts and the management of its affairs.

(b) Interest paid or properly accrued upon time deposits held pursuant to section three hundred seventy-eight-a of this article, interest paid or properly accruing upon deposits referred to in section three hundred

seventy-eight-b of this article and debts owing by it.

(c) Amounts deducted from cost for the purpose of amortizing premiums on securities purchased for more than par.

(d) Any losses sustained by it except to the extent that such losses have been charged against the surplus account or valuation reserves. In the computation of such losses there shall be included all deductions from the book value of assets made pursuant to the direction of the board of directors or by reason of the disallowance of assets by the superintendent. The balance thus obtained shall constitute the net profits of such savings and loan association for such period.