

Banking Regulation Act 1949

Income recognn on advances.

Performing asset (other than NPA) ↓ accrual basis	Non performing asset (NPA) (due more days than 90 days) ↓ cash basis
• classification is per borrower and not facility wise.	• provide for income on NPA booked on accrual
• if before year end - repay but through facility - loan then still NPA.	

Classification of advances for provision

	Standard x problem 0.4% (advance)	Substandard NPA ≤ 12 mths. securd = 10% unsecurd = 20%	doubtful NPA > 12 m securd: 0-1 - 20% 1-3 - 30% ↑ 3 - 100% unsecurd: 100%	loss identified by bank/auditor 100%
Adv.	Amnt	Prov %	Total Prov.	
Standard		0.4		
Substandard:				
securd		10		
unsecurd		20		
Doubtful				
securd:				
0-1		20 (upto one year)		
1-3		30		
↑ 3		100 (↑ 3)		
unsecurd		100		
loss		100		

Prov for advances under ECGC DICGC

Advance amt
(-) realisable value of secur A
Bal advance.
(-) ECGC / DICGC cover
unsecurd advance. B
Provision:
securd Amt A (100%)
unsecurd amt B (100%)

Discount on bills discounted & purchased (P&D)

Purchase & disc bill	Bill P&D	To int & D. To cash
unsecurd to rebate	int & D	To rebate on bill D
op ⁿ rebate to int	rebate of B/D	To int & D.
bal of int & D to P&L	int & disc	To P&L
rebate = A bal. int & D - income		

Acceptance, endorsements & other obligation (AEO)

Contingent Liability.
guarantee given: constituents via AEO to AEO.
customer honour or AEO
Bank honours (customer default) (reverse) To const liab for AEO
dishonour memorandum = actual A/c
AEO = li. bal.

Bills for collection (BFC)

bill clear a for colln	BFC (asset) To BFC (liab)
bills collected nonsecurd + dishonoured (reverse)	BFC (liab) To BFC (asset)
seen in TB - both sides	

Classification of investment - valuation

Held for maturity ① long term @ COST except when there is fall in value & it is other than temporary x ↑ 25% of total inv.	Available ② for sale other than 12 m. marked @ quarterly or frequent interval.	Held for trading ③ short term (≤ 3 mths) mark to market @ m.v - monthly
Inv - Prov for loss = Inv.		

Cash Reserve Ratio (CRR)

9% of demand & time liab.
be kept with RBI.

demand & time = Fixed / saving, (D&T liab) current demand dep
statutory liq ratio (SLR)
25% of D&T liab in form of cash in hand, bal with bank, gold

- Loan - asset - inc cint on loan
- deposit - liab - exp (FP, saving)
- Transfer to SR (25% out of CY x cumulative profit)
- In India / ops india sep disc.
- securd & unsecurd - disc

Prov on adv:-

sch 5 + P&L Prov & cont.

Form B

P&L A/c of — Bank for
year ended —

Pat — Sch CY PV

Income:

Int earned 13
Other income 14
Total 1

Expenses

Int expended 15
operating exp 16
Prov & contingency
Total 2

P/L Loss for CY (PAT) 1-2+3
(+) P/L b/f 4
Total 3+4

Appropriations

Transf to statutory reserve (25%)
Proposed div
= Transf to other reserve } of CY profit
i.e 3

Balance c/f to B/s

Prov & contingency **

Prov for tax
Addn RDP

Unemployed disc / Rebate (unbal) 0

Sch 13 Int earned

Int/disc on adv & bills
(+) opn rebate 0
Other int
Int on inv
Int on bal with RBI & bank

Sch 14: Other income

Commission
P/L on inv / forward contract
(-) loss

Sch 15: Int expended

Int on deposit
Int on RBI borrow
Other int

Capital adequacy norms:- (study from notebook)

Seq on income on NPA

P/L - earned (acc)

NPA - collected (cash)

ce od TL

Income xx

(-) earned

(-) collected

Int on CPA

Form A

Balance sheet of — as at —

Pat — Sch CY PV

Capital A/c 1 CRDBO

Reserves & surplus 2

Deposit 3

Borrowings 4

Other Liab (int all on dep) 5

Total 6 CBIAFO

Cash & Bank with RBI 7

Balance with Bank & money @ call & sheet

Investment 8

Advances 9

Fixed assets 10

Other assets (int all on loan) 11

Total 12

Contingent Liab

Bills for collection