

Illustrative examples for accounting of GSL transactions**A. GSL transaction on a normal date**

Security lent under GSL transaction	05.85% GS 2030
Market Price of security	₹ 98.50
Date of the GSL transaction - first leg	Jan 18, 2021
GSL fee in % percentage terms	3.00%
Tenor of borrowing	4 days
Date of the GSL transaction - second leg	Jan 22, 2021
GSL fee in ₹ terms [^]	$98.5 * 3\% / 365 * 4 = 0.032$

[^] **Using actual /365 day count convention**

1. Accounting for Borrower of SecuritiesFirst Leg

	Debit	Credit
GSL-Borrowed Securities A/c	98.5	
GSL-Repayable Securities A/c		98.5

Second Leg

	Debit	Credit
GSL fee Expenditure A/c	0.032	
Cash		0.032
GSL-Borrowed Securities A/c		98.5
GSL-Repayable Securities A/c	98.5	

2. Accounting for lender of securitiesFirst leg

	Debit	Credit
GSL-Lent Securities A/c		98.5
GSL-Receiveable Securities A/c	98.5	

Second Leg

	Debit	Credit
GSL fee Income A/c		0.032
Cash	0.032	
GSL-Lent Securities A/c	98.5	
GSL-Receiveable Securities A/c		98.5

3. Ledger entries for the memorandum accounts

GSL-Borrowed Securities A/c

Debit		Credit	
To GSL-Repayable Securities A/c (GSL transaction 1 st leg)	98.5	By GSL-Repayable Securities A/c (GSL transaction 2 nd leg)	98.5

GSL-Repayable Securities A/c

Debit		Credit	
To GSL-Borrowed Securities A/c (GSL transaction 2 nd leg)	98.5	By GSL-Borrowed Securities A/c (GSL transaction 1 st leg)	98.5

GSL-Lent Securities A/c

Debit		Credit	
To GSL-Receiveable Securities A/c (GSL transaction 2 nd leg)	98.5	By GSL-Receiveable Securities A/c (GSL transaction 1 st leg)	98.5

GSL-Receiveable Securities A/c

Debit		Credit	
To GSL-Lent Securities A/c (GSL transaction 1 st leg)	98.5	By GSL-Lent Securities A/c (GSL transaction 2 nd leg)	98.5

B. GSL transaction with an intervening balance sheet date

If the balance sheet date falls during the tenor of a GSL transaction, participants may use the transit accounts, i.e., GSL fee payable account and GSL fee receivable account to record the accrued income/expenditure and reverse the same the following day. The balances in the GSL fee payable account and GSL fee receivable account shall be taken to the P & L Account with appropriate entries passed in the Balance sheet, as below (for 05.85% GS 2030 paper with market price at ₹98.5 and GSL fee at 3%).

Transaction Leg	1st leg	Balance Sheet Date	2nd leg
Dates	26-Mar-21	31-Mar-21	02-Apr-21

a) Entries in the Books of borrower of securities on 31-Mar-21

Account Head	Debit	Credit
GSL fee Expenditure A/c [Balances under the account to be transferred to P & L]	0.049 ^{^^} (being the GSL fee for 6 days)	
GSL fee payable A/c		0.049

$$^{\wedge}98.5 \times 3\% / 365 \times 6 = 0.049$$

Account Head	Debit	Credit
P & L A/c	0.049	
GSL fee expenditure A/c		0.049

b) Reversal of entries in the Books of borrower of securities on 01-Apr-21

Account Head	Debit	Credit
GSL fee payable A/c	0.049	
GSL fee expenditure A/c		0.049

c) Entries in books of lender of securities on 31-Mar-21

Account Head	Debit	Credit
GSL fee receivable A/c	0.049	
GSL fee income A/c [Balance under the account to be transferred to P & L]		0.049 (being the GSL fee for 6 days)

Account Head	Debit	Credit
GSL fee income A/c	0.049	
P & L A/c		0.049

d) Reversal of entries in the Books of lender of securities on 01-Apr-21

Account Head	Debit	Credit
GSL fee income A/c	0.049	
GSL fee receivable A/c		0.049