

**Compliance by banks with Accounting Standards (AS) -  
Applicability of AS 17,18,21 and 22**

DBOD.No.BP.BC. 109 /21.04.018/2001-02

May 29, 2002

All Scheduled Commercial Banks  
(excluding RRBs and LABs)

Dear Sir,

Compliance by banks with Accounting Standards (AS) -  
Applicability of AS 17,18,21 and 22

As you are aware, in terms of the amended / new clauses of the revised listing agreement with stock exchanges, listed banks are required to mandatorily comply with all the Accounting Standards (AS) issued by the Institute of Chartered Accountants of India (ICAI) from time to time. Banks have expressed difficulties in complying with certain Accounting Standards especially AS 17 on Segment Reporting, AS 18 on Related Party Disclosure, AS 21 on Consolidated Financial Statements and AS 22 on Taxes on Income.

The difficulties arise

- i) due to absence of uniform disclosure formats,
- ii) due to absence of appropriate MIS to support the comprehensive disclosures,  
and
- iii) due to the likely impact on their regulatory compliances.

2. In accordance with the announcement made in Paragraph 73 of the Mid-Term Review of Monetary and Credit Policy for the year 2001-2002 in October 2001, the RBI has set up a Working Group under the Chairmanship of Shri. N.D.Gupta, the then President of the ICAI, with representatives, inter alia, of IBA, banks and RBI to identify the compliance as also gaps in compliance with Accounting Standards issued by the ICAI and recommend steps to eliminate/reduce the gaps. The difficulties expressed by the banks are being discussed in detail in the meetings of the above Working Group and the Working Group is expected to submit its recommendations shortly for eliminating / reducing the gaps in compliance by banks with the Accounting Standards. The constraints faced by banks in the interim have also been apprised to SEBI.

3. In view of the above, keeping in view the nature of operations of banks and the need to ensure uniformity in regulatory requirements, it has been decided that compliance with the following Accounting Standards be made optional for banks only for the financial year ended 31<sup>st</sup> March 2002 :

- i) AS 17 on Segment Reporting,
- ii) AS 18 on Related Party Disclosure,
- iii) AS 21 on Consolidated Financial Statements, and
- iv) AS 22 on Taxes on Income.

4. It may be noted that the above exemption is limited to the financial year ended 31<sup>st</sup> March 2002. Banks would be required to conform to the above Accounting Standards by 31<sup>st</sup> March, 2003 in accordance with the detailed guidelines to be issued shortly on the basis of the recommendations of the above Working Group.

Yours faithfully,

(M.R.Srinivasan)  
Chief General Manager-in-Charge.