

**RBI/2007-2008/94**

UBD. PCB.Cir.No. 5/09.16.901/ 2007-08

July 13, 2007

The Chief Executive Officer of All  
Primary (Urban) Co-operative Banks

Dear Sir/Madam,

**Amortization of goodwill on merger-UCBs**

Please refer to our circular UBD. PCB.Cir.No 18 /09.16.901/05-06 dated November 22, 2005 permitting the acquirer bank to amortize the loss taken over from the acquired UCB over a period of not more than five years, including the year of merger.

2. The matter has been reviewed taking into consideration the underlying provisions of AS-14 of Accounting Standards issued by Institute of Chartered Accountants of India and it is advised as under:

i) Where the consideration, if any, paid for the acquisition/amalgamation exceeds the book value of the net assets taken over, the excess amount should be treated as goodwill and amortized over a period of five years in equal installments.

ii) Where no consideration is paid but the book value of the assets is less than the book value of liabilities taken over, the excess of the book value of liabilities over the book value of the assets taken over will be considered as goodwill and amortized over a period of five years in equal installments.

iii) Where no consideration is paid, but the book value of the assets taken over is greater than the book value of the liabilities taken over, the excess of the book value of assets over the book value of the liabilities will be considered as Capital Reserve.

3. Please acknowledge receipt of the circular to the Regional Office concerned.

Yours faithfully,

(N.S.Vishwanathan)  
Chief General Manager-in-Charge