

+

ANNUAL REPORT

**RESERVE BANK OF INDIA**  
**BALANCE SHEET AS AT 30TH JUNE 2004**  
**ISSUE DEPARTMENT**

(Rupees Thousands)

2002 - 03	LIABILITIES	2003 - 04	2002 - 03	ASSETS	2003 - 04
28,16,95 292509,85,82	Notes held in the Banking Department Notes in circulation 23,89,70 332654,21,56		14036,76,55 — 255000,00,00	Gold Coin and Bullion: (a) Held in India (b) Held outside India Foreign Securities 15240,39,42 — 313709,35,44	
292538,02,77	Total Notes issued	332678,11,26	269036,76,55 228,78,36 23272,47,86 —	Total Rupee Coin Government of India Rupee Securities Internal Bills of Exchange and other Commercial Paper	328949,74,86 261,59,80 3466,76,60 —
292538,02,77	Total Liabilities	332678,11,26	292538,02,77	Total Assets	332678,11,26

**BANKING DEPARTMENT**

2002- 03	LIABILITIES	2003- 04	2002- 03	ASSETS	2003- 04
5,00,00 6500,00,00	Capital paid-up Reserve Fund	5,00,00 6500,00,00	28,16,95 29,02 25,25	Notes Rupee Coin Small Coin	23,89,70 6,94 2,21,73
12,00,00	National Industrial Credit (Long Term Operations) Fund	13,00,00		Bills Purchased and Discounted :	
186,00,00	National Housing Credit (Long Term Operations) Fund	187,00,00		(a) Internal (b) External (c) Government Treasury Bills	— — —
	Deposits		109831,26,17	Balances Held Abroad	194673,18,21
100,16,22 41,15,13	(a) Government (i) Central Government (ii) State Governments	37912,22,37 41,15,30		Investments	57668,22,25
78614,08,82 1643,02,50 1548,21,00 47,07,61 2748,21,23 17454,27,45	(b) Banks (i) Scheduled Commercial Banks (ii) Scheduled State Co-operative Banks (iii) Other Scheduled Co-operative Banks (iv) Non-Scheduled State Co-operative Banks (v) Other Banks	80069,04,70 2034,54,55 1667,74,11 81,83,91 3043,39,61	86514,01,14	Loans and Advances to :	
	(c) Others	15521,74,89	9783,00,00 3058,92,35	(i) Central Government (ii) State Governments	3272,00,00 4159,80,49
48,81,69	Bills Payable	77,34,78	1,05,48 7,06,97	Loans and Advances to:	
			— — —	(i) Scheduled Commercial Banks (ii) Scheduled State Co-operative Banks (iii) Other Scheduled Co-operative Banks (iv) Non-Scheduled State Co-operative Banks	— 2,78,00 — —
118356,01,11	Other Liabilities	129929,49,45	4475,64,84 1004,78,34	(v) NABARD (vi) Others	2732,09,05 39,50,00
				Loans, Advances and Investments from National Industrial Credit (Long Term Operations) Fund:	
				(a) Loans and Advances to:	
				(i) Industrial Development Bank of India (ii) Export Import Bank of India (iii) Industrial Investment Bank of India Ltd. (iv) Others	— — — —
				(b) Investments in bonds/debentures issued by:	
				(i) Industrial Development Bank of India (ii) Export Import Bank of India (iii) Industrial Investment Bank of India Ltd. (iv) Others	— — — —
				Loans, Advances and Investments from National Housing Credit (Long Term Operations) Fund:	
			175,00,00	(a) Loans and Advances to National Housing Bank	50,00,00
				(b) Investments in bonds/ debentures issued by National Housing Bank	—
			12424,56,25	Other Assets	14459,77,30
227304,02,76	Total Liabilities	277083,53,67	227304,02,76	Total Assets	277083,53,67

Significant Accounting Policies and Notes to the Accounts as per Annex.

+

**THE RESERVE BANK'S ACCOUNTS FOR 2003-04**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2004**

(Rupees Thousands)

2002- 03	INCOME	2003- 04
15561,40,98	Interest, Discount, Exchange, Commission etc. <sup>1</sup>	13166,13,55
15561,40,98	<b>Total</b>	<b>13166,13,55</b>
	EXPENDITURE	
1990,08,87	Interest	1808,48,34
1488,85,85	Establishment	2232,99,22
55,14	Directors' and Local Board Members' Fees and Expenses	93,14
28,09,43	Remittance of Treasure	21,09,23
1352,40,66	Agency Charges	1539,12,19
1433,08,53	Security Printing (Cheque, Note forms etc.)	1709,56,01
26,15,85	Printing and Stationery	51,81,29
17,86,79	Postage and Telecommunication Charges	23,01,90
59,88,44	Rent, Taxes, Insurance, Lighting etc.	58,80,81
1,00,39	Auditors' Fees and Expenses	1,28,87
1,63,67	Law Charges	1,90,60
125,52,79	Depreciation and Repairs to Bank's Property	154,34,33
198,24,57	Miscellaneous Expenses	158,77,62
6723,40,98	<b>Total</b>	<b>7762,13,55</b>
8838,00,00	Available Balance	5404,00,00
	Less: Contribution To:	
	National Industrial Credit (Long Term Operations) Fund	1,00,00
	National Rural Credit (Long Term Operations) Fund <sup>2</sup>	1,00,00
	National Rural Credit (Stabilisation) Fund <sup>2</sup>	1,00,00
	National Housing Credit (Long Term Operations) Fund	1,00,00
4,00,00		<b>4,00,00</b>
8834,00,00	<b>Surplus Payable to Central Government</b>	<b>5400,00,00</b>

1. After making the usual or necessary provisions in terms of Section 47 of the Reserve Bank of India Act, 1934.  
2. These funds are maintained by National Bank for Agriculture and Rural Development (NABARD).

**V. S. Das**  
Chief General Manager

**K. J. Udeshi**  
Deputy Governor

**Rakesh Mohan**  
Deputy Governor

**Y.V. Reddy**  
Governor

**REPORT OF THE AUDITORS**

**TO THE PRESIDENT OF INDIA**

We, the undersigned auditors of the Reserve Bank of India, do hereby report to the Central Government upon the Balance Sheet of the Bank as at 30th June, 2004 and the Profit and Loss Account for the year ended on that date.

We have examined the above Balance Sheet of the Reserve Bank of India as at 30th June, 2004 and the Profit and Loss Account of the Bank for the year ended on that date and report that where we have called for information and explanations from the Bank, such information and explanations have been given and have been satisfactory.

These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion and according to the best of our information and explanations given to us and as shown by the books of account of the Bank, the Balance Sheet read with Significant Accounting Policies and Notes to the Accounts is a full and fair Balance Sheet containing all necessary particulars and is properly drawn up in accordance with the Reserve Bank of India Act, 1934 and Regulations framed thereunder so as to exhibit a true and correct view of the state of the Bank's affairs, in conformity with the accounting principles generally accepted in India.

P. B. Santhanakrishnan  
(M. No. 20309)  
M/s. P.B.Vijayaraghavan & Co.,  
Auditors

S. N. Nanda  
(M. No. 5909)  
M/s. S.N. Nanda & Co.,  
Auditors

P. Parthasarathy  
(M. No. 19410)  
M/s. J.L.Sengupta & Co.,  
Auditors

Shivji K. Vikamsey  
(M. No. 2242)  
M/s. Khimji Kunverji & Co.,  
Auditors

R. K. Goel  
(M. No. 6154)  
M/s. Rajendra K.Goel & Co.,  
Auditors

A. D. Shenoy  
(M. No. 11549)  
M/s. Ford, Rhodes, Parks & Co.,  
Auditors

## RESERVE BANK OF INDIA

SIGNIFICANT ACCOUNTING POLICIES AND  
NOTES TO THE ACCOUNTS FOR 2003-04

## SIGNIFICANT ACCOUNTING POLICIES

## 1. CONVENTION

The financial statements are prepared in accordance with the Reserve Bank of India Act, 1934 and the notifications issued thereunder and in the form prescribed by the Reserve Bank of India General Regulations, 1949.

Historical cost basis of accounting is used except where it is modified to reflect revaluation.

The accounting practices and policies followed in the statements, unless otherwise stated, are consistent with those followed in the previous year.

## 2. REVENUE RECOGNITION

Income and expenditure are recognised on accrual basis except penal interest and dividend which are accounted for on receipt basis. Only realised gains are recognised. Provision for outstanding expenditure is made for unpaid bills in each case of Rs. 1 lakh and above.

Balances unclaimed and outstanding for more than three consecutive years in certain transitory accounts including Drafts Payable Account, Payment Orders Account, Sundry Deposits Account, Remittance Clearance Account and Earnest Money Deposit Account are reviewed and written back to the Reserve Bank's income. Claims in this respect are considered and charged against the Reserve Bank's income as and when paid.

Income and expenditure in foreign currency are translated on the basis of exchange rates prevailing on the last business day of the preceding week.

3. GOLD AND FOREIGN CURRENCY ASSETS  
AND LIABILITIES

## (a) Gold

Gold is valued at the end of the month at 90 per cent of the daily average price quoted at London for the month. The rupee equivalent is determined on the basis of the exchange rate prevailing on the last business day of the month. Unrealised gains/losses are adjusted to the Currency and Gold Revaluation Account.

## (b) Foreign Currency Assets and Liabilities

All foreign currency assets and liabilities are translated at the exchange rates prevailing on the last business day of the week and also on the last business day of the month.

At the year-end, assets and liabilities in foreign currencies are translated at the exchange rates prevailing on the last business day except in cases where rates are contractually fixed. Foreign securities other than Treasury Bills are valued at lower of book value or market price prevailing on the last business day of each month. The depreciation is adjusted against current income. Foreign Treasury Bills are valued at cost. Forward exchange contracts are evaluated half-yearly and net loss, if any, is provided for.

Profit/loss on sale of foreign currency assets is recognised with respect to the book value. Exchange gains and losses arising from translation of foreign currency assets and liabilities are accounted for in Currency and Gold Revaluation Account and remain adjusted therein.

## 4. RUPEE SECURITIES

Rupee securities, other than Treasury Bills, held in the Issue and Banking Departments, are valued at lower of book value or market price or rates based on the yield curve prevailing on the last business day of the month where the market price for such securities is not available. The depreciation in the value is adjusted against current income. Treasury Bills are valued at cost.

## 5. SHARES

Investments in shares are valued at cost.

## 6. FIXED ASSETS

Fixed Assets are stated at cost less depreciation.

Depreciation on computers, motor vehicles, office equipments, furniture and electrical fittings, *etc.*, is charged on a straight-line basis. Depreciation on other assets including premises and fixtures is charged on written-down value basis.

Depreciation on fixed assets is charged only if held for a period of more than six months as at the year-end.

## 7. RETIREMENT BENEFITS

The liability on account of retirement benefits and leave encashment to employees is estimated based on an actuarial valuation.

## 8. CONTINGENCY RESERVE AND ASSET DEVELOPMENT RESERVE

Contingency Reserve represents the amount provided on a year-to-year basis for meeting unexpected and unforeseen contingencies including depreciation in value of securities, exchange guarantees and risks arising out of monetary/exchange rate policy compulsions.

In order to meet the internal capital expenditure and make investments in subsidiaries and associate institutions, a further specified sum is provided and credited to the Asset Development Reserve.

## NOTES TO THE ACCOUNTS

### 1. SURPLUS TRANSFER TO THE GOVERNMENT OF INDIA

Surplus transferable to the Government includes an amount of Rs.2,331 crore representing interest differential pertaining to the period April 1, 2003 – March 31, 2004 on account of conversion of Special Securities into marketable securities.

### 2. RESERVE FUND

The Reserve Fund comprises initial contribution of Rs. 5 crore made by the Government of India and appreciation of Rs. 6,495 crore on account of revaluation of gold up to October 1990. Subsequent gains/losses on monthly revaluation of gold are taken to Currency and Gold Revaluation Account.

### 3. DEPOSITS

a. Deposits of the Central Government include an amount of Rs. 37,812.01 crore on account of operations under the Market Stabilisation Scheme.

b. Deposits - Others :

Particulars	(Rupees crore)	
	As at June 30	
	2004	2003
1	2	3
I. Rupee Deposits from Foreign Central Banks and Foreign Financial Institutions	4,087.35	3,311.34
II. Deposits from Indian Financial Institutions	453.50	538.73
III. Accumulated Retirement Benefits	5,152.38	4,447.63
IV. Surplus transferable to Government of India	5,400.00	8,834.00
V. Miscellaneous	428.52	322.57
<b>Total</b>	<b>15,521.75</b>	<b>17,454.27</b>

## 4. OTHER LIABILITIES

(Rupees crore)

Particulars	As at June 30		
	2004	2003	
	1	2	3
<b>I. Contingency Reserve</b>			
Balance at the beginning of the year	55,249.29	48,434.17	
<b>Add : Accretion during the year</b>	969.47	6,733.92	
<b>Add : Transfer from unresolved items of credit</b>	–	81.20	
Balance at the end of the year	<b>56,218.76</b>	<b>55,249.29</b>	
<b>II. Asset Development Reserve</b>			
Balance at the beginning of the year	5,590.85	4,700.54	
<b>Add : Accretion during the year</b>	188.09	890.31	
Balance at the end of the year	<b>5,778.94</b>	<b>5,590.85</b>	
<b>III. Currency and Gold Revaluation Account</b>			
Balance at the beginning of the year	51,276.41	51,010.77	
<b>Add : Net Accretion during the year</b>	11,006.63	265.64	
Balance at the end of the year	<b>62,283.04</b>	<b>51,276.41</b>	
<b>IV. Exchange Equalisation Account</b>			
Balance at the beginning of the year	567.25	51.50	
Transfer from Exchange Account	763.65	1,123.92	
<b>Add : Net Accretion(+)/ Net Utilisation(-) during the year</b>	(-)1,325.25	(-)608.17	
Balance at the end of the year	<b>5.65</b>	<b>567.25</b>	
<b>V. Provision for net debit entries in RBI General Account</b>	<b>63.15</b>	<b>63.15</b>	
<b>VI. Provision for Outstanding Expenses</b>	<b>1,153.86</b>	<b>1,239.12</b>	
<b>VII. Miscellaneous</b>	<b>4,426.09</b>	<b>4,369.94</b>	
<b>Total (I to VII)</b>	<b>1,29,929.49</b>	<b>1,18,356.01</b>	

### 5. RBI GENERAL ACCOUNT

Miscellaneous under "Other Liabilities" includes Rs.517.39 crore in respect of inter-office transactions and balances under reconciliation. Reconciliation of entries is in progress and necessary adjustments are being effected as and when ascertained.

### 6. RUPEE INVESTMENTS

Securities sold under LAF repos have been reduced from 'Investments'. Accordingly, the Reserve Bank has absorbed the liquidity in the market to the tune of Rs.61,885.00 crore as on June 30, 2004 for which securities amounting to Rs.64,979.25 crore were provided as collateral. These securities were repurchased in July 2004. Depreciation on these securities is parked in a separate account called Depreciation Adjustment Account and reversed in the month of July at the time of repurchase.

## 7. FOREIGN CURRENCY ASSETS

(Rupees crore)

Particulars	As at June 30	
	2004	2003
1	2	3
I. Held in Issue Department	3,13,709.35	2,55,000.00
II. Held in Banking Department -		
a) Included in Investments	16,482.48	169.72
b) Balances Held Abroad	1,94,673.18	1,09,831.26
<b>Total</b>	<b>5,24,865.01</b>	<b>3,65,000.98</b>

Note: (i) As on June 30, 2004, there were outstanding US\$/Rupee forward exchange purchase contracts to the tune of Rs. 524.66 crore as against Rs. 18,634.03 crore outstanding as at June 30, 2003. There were no outstanding forward sale contracts as at June 30, 2004.

(ii) Uncalled amount on partly paid shares of the Bank for International Settlement as at June 30, 2004 was Rs 75.80 crore.

## 8. OTHER ASSETS

(Rupees crore)

Particulars	As at June 30	
	2004	2003
1	2	3
I. Fixed Assets (net of accumulated depreciation)	520.17	550.74
II. Gold	3,415.09	3,145.63
III. Income accrued but not received	6,339.20	6,621.92
IV. Miscellaneous	4,185.31	2,106.27
<b>Total</b>	<b>14,459.77</b>	<b>12,424.56</b>

## 9. INTEREST, DISCOUNT, EXCHANGE, COMMISSION, ETC.

Interest, Discount, Exchange, Commission, *etc.* include the following items.

(Rupees crore)

Particulars	Year ended	
	June 30, 2004	June 30, 2003
1	2	3
i. Profit on sale of Foreign and Rupee Securities	3,022.85	6,127.32
ii. Rent realised	9.17	11.98
iii. Net profit on sale of Bank's property	0.73	2.65

## 10. RETIREMENT BENEFITS

The Bank has made a provision of Rs. 1,010.00 crore (including additional provision on account of Optional Early Retirement Scheme) towards Gratuity and Superannuation Fund during the year based on actuarial valuation.

## 11. ESTABLISHMENT EXPENDITURE

Establishment expenditure includes payment of Ex-gratia of Rs. 408.00 crore to staff who opted for Optional Early Retirement Scheme.