

RBI/2009-10/42

DBOD.BP.BC No.22 /21.04.018/2009-10

July 1, 2009

The Chairmen/Chief Executives of  
All Commercial Banks  
(excluding RRBs)

Dear Sir,

**Master Circular - Disclosure in Financial Statements - Notes to Accounts**

Please refer to the Master Circular [DBOD.BP.BC.No.3/21.04.018/2008-09](#) dated July 1, 2008 consolidating all operative instructions issued to banks till June 30, 2008 on matters relating to disclosures in the 'Notes to Accounts' to the Financial Statements. The Master Circular has now been suitably updated by incorporating instructions issued upto June 30, 2009. The Master Circular has also been placed on the RBI web-site (<http://www.rbi.org.in>).

2. It may be noted that all relevant instructions on the above subject contained in the circulars listed in the Annex have been consolidated. In addition, disclosure requirements contained in our circular [DBOD.No.BP.BC.21/21.06.001/ 2009-10](#) dated July 1, 2009 on "Master Circular – Prudential Guidelines on Capital Adequacy and Market Discipline - Implementation of the New Capital Adequacy Framework (NCAF)" will be applicable.

Yours faithfully,

(B. Mahapatra)  
Chief General Manager

## **Purpose**

To provide a detailed guidance to banks in the matter of disclosures in the 'Notes to Accounts' to the Financial Statements.

## **Classification**

A statutory guideline issued by the Reserve Bank of India under Section 35A of the Banking Regulation Act 1949.

## **Previous Guidelines superseded**

Master Circular on 'Disclosure in Financial Statements – Notes to Accounts' issued vide [DBOD.BP.BC No.3/21.04.018/2008-09](#) dated July 1, 2008

## **Scope of application**

To all commercial banks (excluding RRBs)

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## **1. Introduction**

The users of the financial statements need information about the financial position and performance of the bank in making economic decisions. They are interested in its liquidity and solvency and the risks related to the assets and liabilities recognised on its balance sheet and to its off balance sheet items. In the interest of full and complete disclosure, some very useful information is better provided, or can only be provided, by notes to the financial statements. The use of notes and supplementary information provides the means to explain and document certain items, which are either presented in the financial statements or otherwise affect the financial position and performance of the reporting enterprise. Recently, a lot of attention has been paid to the issue of market discipline in the banking sector. Market discipline, however, works only if market participants have access to timely and reliable information, which enables them to assess banks' activities and the risks inherent in these activities. Enabling market discipline may have several benefits. Market discipline has been given due importance under Basel II by recognizing it as one of its three Pillars.

### **2.1 Presentation**

'Summary of Significant Accounting Policies' and 'Notes to Accounts' may be shown under Schedule 17 and Schedule 18 respectively, to maintain uniformity.

### **2.2 Minimum Disclosures**

At a minimum, the items listed in the circular should be disclosed in the 'Notes to Accounts'. Banks are also encouraged to make more comprehensive disclosures than the minimum required under the circular if they become significant and aid in the understanding of the financial position and performance of the bank. The disclosure listed is intended only to supplement, and not to replace, other disclosure requirements under relevant legislation or accounting and financial reporting standards. Where relevant, a bank should comply with such other disclosure requirements as applicable.

### **2.3 Summary of Significant Accounting Policies**

Banks should disclose the accounting policies regarding key areas of operations at one place (under Schedule 17) along with notes to accounts in their financial statements. A suggestive list includes - Basis of Accounting, Transactions involving foreign exchange, Investments – classification, valuation, etc, Advances and Provisions thereon, Fixed Assets

and Depreciation, Revenue Recognition, Employee Benefits, Provision for Taxation, Net Profit, etc, etc.

## 2.4 Disclosure Requirements

In order to encourage market discipline, Reserve Bank has over the years developed a set of disclosure requirements which allow the market participants to assess key pieces of information on capital adequacy, risk exposures, risk assessment processes and key business parameters which provide a consistent and understandable disclosure framework that enhances comparability. Banks are also required to comply with the Accounting Standard 1 (AS I) on Disclosure of Accounting Policies issued by the Institute of Chartered Accountants of India (ICAI). The enhanced disclosures have been achieved through revision of Balance Sheet and Profit & Loss Account of banks and enlarging the scope of disclosures to be made in “Notes to Accounts”. In addition to the 16 detailed prescribed schedules to the balance sheet, banks are required to furnish the following information in the “Notes to Accounts”:

### 3.1 Capital

<i>Particulars</i>	<i>(Rs. in crore)</i>	
	<i>Current Year</i>	<i>Previous Year</i>
i) CRAR (%)		
ii) CRAR - Tier I Capital (%)		
iii) CRAR - Tier II Capital (%)		
iv) Percentage of the shareholding of the Government of India in nationalized banks		
v) Amount raised by issue of IPDI		
vi) Amount raised by issue of Upper Tier II instruments*		

\* The total eligible amount of HO borrowings shall be disclosed in the balance sheet under the head ‘Upper Tier II capital raised in the form of Head Office borrowings in foreign currency’.

### 3.2 Investments

(Rs. in crore)

<i>Particulars</i>	<i>Current Year</i>	<i>Previous Year</i>
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India		
(b) Outside India,		
(ii) Provisions for Depreciation		
(a) In India		
(b) Outside India,		
(iii) Net Value of Investments		
(a) In India		
(b) Outside India.		
(2) Movement of provisions held towards depreciation on investments.		
(i) Opening balance		
(ii) Add: Provisions made during the year		
(iii) Less: Write-off/ write-back of excess provisions during the year		
(iv) Closing balance		

#### 3.2.1 Repo Transactions

(Rs. in crore)

	<i>Minimum outstanding during the year</i>	<i>Maximum outstanding during the year</i>	<i>Daily Average outstanding during the year</i>	<i>As on March 31</i>
Securities sold under repos				
Securities purchased under reverse repos				

### 3.2.2. Non-SLR Investment Portfolio

#### i) Issuer composition of Non SLR investments

(Rs. in crore)

No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
(i)	PSUs					
(ii)	FIs					
(iii)	Banks					
(iv)	Private Corporates					
(v)	Subsidiaries/ Joint Ventures					
(vi)	Others					
(vii)	Provision held towards depreciation		X X X	X X X	X X X	X X X
	Total *					

Note: (1) \*Total under column 3 should tally with the total of Investments included under the following categories in Schedule 8 to the balance sheet:

- a) Shares
- b) Debentures & Bonds
- c) Subsidiaries/joint ventures
- d) Others

(2) Amounts reported under columns 4, 5, 6 and 7 above may not be mutually exclusive.

#### ii) Non performing Non-SLR investments

(Rs. in crore)

Particulars	Amount
Opening balance	
Additions during the year since 1st April	
Reductions during the above period	
Closing balance	
Total provisions held	

### 3.3 Derivatives

#### 3.3.1 Forward Rate Agreement/ Interest Rate Swap

(Rs. in crore)

<i>Particulars</i>	<i>Current year</i>	<i>Previous year</i>
i) The notional principal of swap agreements		
ii) Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements		
iii) Collateral required by the bank upon entering into swaps		
iv) Concentration of credit risk arising from the swaps \$		
v) The fair value of the swap book @		

Note: Nature and terms of the swaps including information on credit and market risk and the accounting policies adopted for recording the swaps should also be disclosed.

\$ Examples of concentration could be exposures to particular industries or swaps with highly geared companies.

@ If the swaps are linked to specific assets, liabilities, or commitments, the fair value would be the estimated amount that the bank would receive or pay to terminate the swap agreements as on the balance sheet date. For a trading swap the fair value would be its mark to market value.

#### 3.3.2 Exchange Traded Interest Rate Derivatives

(Rs. in crore)

<i>S.No.</i>	<i>Particulars</i>	<i>Amount</i>
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise) a) b) c)	
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as on 31st March ..... (instrument-wise) a) b) c)	
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise) a) b) c)	
(iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise) a) b) c)	

#### 3.3.3 Disclosures on risk exposure in derivatives



Qualitative Disclosure

Banks shall discuss their risk management policies pertaining to derivatives with particular reference to the extent to which derivatives are used, the associated risks and business purposes served. The discussion shall also include:

- a) the structure and organization for management of risk in derivatives trading,
- b) the scope and nature of risk measurement, risk reporting and risk monitoring systems,
- c) policies for hedging and / or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigants, and
- d) accounting policy for recording hedge and non-hedge transactions; recognition of income, premiums and discounts; valuation of outstanding contracts; provisioning, collateral and credit risk mitigation.

Quantitative Disclosures

(Rs. in crore)

<i>Sl. No</i>	<i>Particular</i>	<i>Currency Derivatives</i>	<i>Interest rate derivatives</i>
(i)	Derivatives (Notional Principal Amount)		
	a) For hedging		
	b) For trading		
(ii)	Marked to Market Positions [1]		
	a) Asset (+)		
	b) Liability (-)		
(iii)	Credit Exposure [2]		
(iv)	Likely impact of one percentage change in interest rate (100*PV01)		
	a) on hedging derivatives		
	b) on trading derivatives		
(v)	Maximum and Minimum of 100*PV01 observed during the year		
	a) on hedging		
	b) on trading		

### 3.4 Asset Quality

#### 3.4.1 Non-Performing Assets

(Rs. in crore)

<i>Particulars</i>	<i>Current Year</i>	<i>Previous Year</i>
(i) Net NPAs to Net Advances (%)		
(ii) Movement of NPAs (Gross)		
(a) Opening balance		
(b) Additions during the year		
(c) Reductions during the year		
(d) Closing balance		
(iii) Movement of Net NPAs		
(a) Opening balance		
(b) Additions during the year		
(c) Reductions during the year		
(d) Closing balance		
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance		
(b) Provisions made during the year		
(c) Write-off/ write-back of excess provisions		
(d) Closing balance		

### 3.4.2 Particulars of Accounts Restructured

(Rs. in crore)

		CDR Mechanism	SME Debt Restructuring	Others
Standard advances restructured	No. of Borrowers			
	Amount outstanding			
	Sacrifice (diminution in the fair value)			
Sub-standard advances restructured	No. of Borrowers			
	Amount outstanding			
	Sacrifice (diminution in the fair value)			
Doubtful advances restructured	No. of Borrowers			
	Amount outstanding			
	Sacrifice (diminution in the fair value)			
<b>TOTAL</b>	No. of Borrowers			
	Amount outstanding			
	Sacrifice (diminution in the fair value)			

### 3.4.3 Details of financial assets sold to Securitisation/Reconstruction Company for Asset Reconstruction

(Rs. in crore)

<i>Particulars</i>	<i>Current year</i>	<i>Previous Year</i>
(i) No. of accounts		
(ii) Aggregate value (net of provisions) of accounts sold to SC/RC		
(iii) Aggregate consideration		
(iv) Additional consideration realized in respect of accounts transferred in earlier years		
(v) Aggregate gain/loss over net book value		

### 3.4.4 Details of non-performing financial assets purchased/sold

Banks which purchase non-performing financial assets from other banks shall be required to make the following disclosures in the Notes on Accounts to their Balance sheets:

#### A. Details of non-performing financial assets purchased:

(Rs. in crore)

<i>Particulars</i>	<i>Current year</i>	<i>Previous Year</i>
1. (a) No. of accounts purchased during the year		
(b) Aggregate outstanding		
2. (a) Of these, number of accounts restructured during the year		
(b) Aggregate outstanding		

#### B. Details of non-performing financial assets sold:

(Rs. in crore)

<i>Particulars</i>	<i>Current year</i>	<i>Previous Year</i>
1. No. of accounts sold		
2. Aggregate outstanding		
3. Aggregate consideration received		

### 3.4.4 Provisions on Standard Assets

(Rs. in crore)

<i>Particulars</i>	<i>Current year</i>	<i>Previous Year</i>
Provisions towards Standard Assets		

Note: Provisions towards Standard Assets need not be netted from gross advances but shown separately as 'Provisions against Standard Assets', under 'Other Liabilities and Provisions - Others' in Schedule No. 5 of the balance sheet.

### 3.5. Business Ratios

<i>Particulars</i>	<i>Current year</i>	<i>Previous Year</i>
(i) Interest Income as a percentage to Working Funds \$		
(ii) Non-interest income as a percentage to Working Funds		
(iii) Operating Profit as a percentage to Working Funds \$		
(iv) Return on Assets@		
(v) Business (Deposits plus advances) per employee # (Rs.in crore)		
(vi) Profit per employee (Rs. in crore)		

\$ Working funds to be reckoned as average of total assets (excluding accumulated losses, if any) as reported to Reserve Bank of India in Form X under Section 27 of the Banking Regulation Act, 1949, during the 12 months of the financial year.

@ 'Return on Assets would be with reference to average working funds (i.e. total of assets excluding accumulated losses, if any).

# For the purpose of computation of business per employee (deposits plus advances) inter bank deposits may be excluded.

### 3.6 Asset Liability Management

#### Maturity pattern of certain items of assets and liabilities

(Rs. in crore)

	<i>Day 1</i>	<i>2 to 7 days</i>	<i>8 to 14 days</i>	<i>15 to 28 days</i>	<i>29 days to 3 Month</i>	<i>Over 3 month &amp; up to 6 month</i>	<i>Over 6 Month &amp; up to 1 year</i>	<i>Over 1 year &amp; up to 3 years</i>	<i>Over 3 years &amp; up to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
Deposits											
Advances											
Investments											
Borrowings											
Foreign Currency assets											
Foreign Currency liabilities											

### 3.7 Exposures

#### 3.7.1 Exposure to Real Estate Sector

(Rs. in crore)		
<i>Category</i>	<i>Current year</i>	<i>Previous Year</i>
<p><i>a) Direct exposure</i></p> <p>(i) Residential Mortgages – Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Individual housing loans eligible for inclusion in priority sector advances may be shown separately)</p> <p>(ii) Commercial Real Estate – Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;</p> <p>(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –</p> <p style="padding-left: 40px;">a. Residential,</p> <p style="padding-left: 40px;">b. Commercial Real Estate.</p> <p><i>b) Indirect Exposure</i></p> <p>Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).</p>		
Total Exposure to Real Estate Sector		

### 3.7.2 Exposure to Capital Market

(Rs. in crore)

<i>Particulars</i>	<i>Current year</i>	<i>Previous Year</i>
(i) direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;		
(ii) advances against shares/bonds/ debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;		
(iii) advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;		
(iv) advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances;		
(v) secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;		
(vi) loans sanctioned to corporates against the security of shares / bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;		
(vii) bridge loans to companies against expected equity flows/issues;		
(viii) underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;		
(ix) financing to stockbrokers for margin trading;		
(x) all exposures to Venture Capital Funds (both registered and unregistered)		
<b>Total Exposure to Capital Market</b>		

### 3.7.3 Risk Category wise Country Exposure

(Rs. in crore)

<i>Risk Category*</i>	<i>Exposure (net) as at March... (Current Year)</i>	<i>Provision held as at March... (Current Year)</i>	<i>Exposure (net) as at March... (Previous Year)</i>	<i>Provision held as at March... (Previous Year)</i>
Insignificant				
Low				
Moderate				
High				
Very High				
Restricted				
Off-credit				
Total				

\*Till such time, as banks move over to internal rating systems, banks may use the seven category classification followed by Export Credit Guarantee Corporation of India Ltd. (ECGC) for the purpose of classification and making provisions for country risk exposures. ECGC shall provide to banks, on request, quarterly updates of their country classifications and shall also inform all banks in case of any sudden major changes in country classification in the interim period.

### 3.7.4 Details of Single Borrower Limit (SGL)/ Group Borrower Limit (GBL) exceeded by the bank.

The bank should make appropriate disclosure in the 'Notes to Account' to the annual financial statements in respect of the exposures where the bank had exceeded the prudential exposure limits during the year. The sanctioned limit or entire outstanding, whichever is high, shall be reckoned for arriving at exposure limit and for disclosure purpose.

### 3.7.5 Unsecured Advances

In order to enhance transparency and ensure correct reflection of the unsecured advances in Schedule 9 of the banks' balance sheet, it is advised as under:

- a) For determining the amount of unsecured advances for reflecting in Schedule 9 of the published balance sheet, the rights, licenses, authorisations, etc., charged to the banks as collateral in respect of projects (including infrastructure projects) financed by them, should not be reckoned as tangible security. Hence such advances shall be reckoned as unsecured.
- b) Banks should also disclose the total amount of advances for which intangible securities such as charge over the rights, licenses, authority, etc. has been taken as also the estimated value of such intangible collateral. The disclosure may be made under a separate



head in "Notes to Accounts". This would differentiate such loans from other entirely unsecured loans.

### 3.8 Miscellaneous

#### 3.8.1 Amount of Provisions made for Income-tax during the year:

(Rs. in crore)

<i>Particulars</i>	<i>Current year</i>	<i>Previous year</i>
Provision for Income Tax		

#### 3.8.2 Disclosure of Penalties imposed by RBI

At present, Reserve Bank is empowered to impose penalties on a commercial bank under the provision of Section 46 (4) of the Banking Regulation Act, 1949, for contraventions of any of the provisions of the Act or non-compliance with any other requirements of the Banking Regulation Act, 1949; order, rule or condition specified by Reserve Bank under the Act. Consistent with the international best practices in disclosure of penalties imposed by the regulator, it has been decided that the details of the levy of penalty on a bank in public domain will be in the interests of the investors and depositors. It has also been decided that strictures or directions on the basis of inspection reports or other adverse findings should be placed in the public domain. The penalty should also be disclosed in the "Notes on Accounts" to the Balance Sheet.

### 4. Disclosure Requirements as per Accounting Standards where RBI has issued guidelines in respect of disclosure items for 'Notes to Accounts':

#### 4.1 Accounting Standard 5 – Net Profit or Loss for the period, prior period items and changes in accounting policies.

Since the format of the profit and loss account of banks prescribed in Form B under Third Schedule to the Banking Regulation Act 1949 does not specifically provide for disclosure of the impact of prior period items on the current year's profit and loss, such disclosures, wherever warranted, may be made in the 'Notes to Accounts' to the balance sheet of banks.

#### 4.2 Accounting Standard 9 – Revenue Recognition

This Standard requires that in addition to the disclosures required by Accounting Standard 1 on 'Disclosure of Accounting Policies' (AS 1), an enterprise should also disclose the

circumstances in which revenue recognition has been postponed pending the resolution of significant uncertainties.

#### **4.3 Accounting Standard 15 – Employee Benefits**

Banks may follow the disclosure requirements prescribed under AS 15 (revised), 'Employees Benefit' issued by ICAI.

#### **4.4 Accounting Standard 17 – Segment Reporting**

While complying with the above Accounting Standard, banks are required to adopt the following:

- a) The business segment should ordinarily be considered as the primary reporting format and geographical segment would be the secondary reporting format.
- b) The business segments will be 'Treasury', 'Corporate/Wholesale Banking', 'Retail Banking' and 'Other banking operations'.
- c) 'Domestic' and 'International' segments will be the geographic segments for disclosure.
- d) Banks may adopt their own methods, on a reasonable and consistent basis, for allocation of expenditure among the segments.

Accounting Standard 17 - Format for disclosure under segment reporting

Part A: Business segments

(Rs. in crore)

<i>Business Segments</i> →	<i>Treasury</i>		<i>Corporate/ Wholesale Banking</i>		<i>Retail Banking</i>		<i>Other Banking Operations</i>		<i>Total</i>	
	<i>Current Year</i>	<i>Previous Year</i>	<i>Current Year</i>	<i>Previous Year</i>	<i>Current Year</i>	<i>Previous Year</i>	<i>Current Year</i>	<i>Previous year</i>	<i>Current Year</i>	<i>Previous Year</i>
<i>Particulars</i> ↓										
Revenue										
Result										
Unallocated expenses										
Operating profit										
Income taxes										
Extraordinary profit/ loss										
Net profit										
Other Information:										
Segment assets										
Unallocated assets										
Total assets										
Segment liabilities										
Unallocated liabilities										
Total liabilities										

**Note:** No disclosure need be made in the shaded portion

Part B: Geographic segments

(Rs. in crore)

	<i>Domestic</i>		<i>International</i>		<i>Total</i>	
	<i>Current Year</i>	<i>Previous Year</i>	<i>Current Year</i>	<i>Previous Year</i>	<i>Current Year</i>	<i>Previous Year</i>
Revenue						
Assets						

**4.5 Accounting Standard 18 – Related Party Disclosures**

This Standard is applied in reporting related party relationships and transactions between a reporting enterprise and its related parties. The illustrative disclosure format recommended by the ICAI as a part of General Clarification (GC) 2/2002 has been suitably modified to suit banks. The illustrative format of disclosure by banks for the AS 18 is furnished below:

Accounting Standard 18 - Format for Related Party Disclosures

The manner of disclosures required by paragraphs 23 and 26 of AS 18 is illustrated below. It may be noted that the format is merely illustrative and is not exhaustive.

(Rs. in crore)

<i>Items/Related Party</i>	<i>Parent (as per ownership or control)</i>	<i>Subsidiaries</i>	<i>Associates/ Joint ventures</i>	<i>Key Management Personnel @</i>	<i>Relatives of Key Management Personnel</i>	<i>Total</i>
Borrowings #						
Deposit#						
Placement of deposits #						
Advances #						
Investments#						
Non-funded commitments#						
Leasing/HP arrangements availed #						
Leasing/HP arrangements provided #						
Purchase of fixed assets						
Sale of fixed assets						
Interest paid						
Interest received						
Rendering of services *						
Receiving of services *						
Management contracts*						

**Note:** Where there is only one entity in any category of related party, banks need not disclose any details pertaining to that related party other than the relationship with that related party [c.f. Para 8.3.1 of the Guidelines]

\* Contract services etc. and not services like remittance facilities, locker facilities etc.

@ Whole time directors of the Board and CEOs of the branches of foreign banks in India.

# The outstanding at the year-end and the maximum during the year are to be disclosed.

Illustrative disclosure of names of the related parties and their relationship with the bank

- |                 |                 |
|-----------------|-----------------|
| 1. Parent       | A Ltd           |
| 2. Subsidiaries | B Ltd and C Ltd |

4. Associates	P Ltd, Q Ltd and R Ltd
5. Jointly controlled entity	L Ltd
6. Key Management Personnel	Mr.M and Mr.N
7. Relatives of Key Management Personnel	Mr.D and Mr.E

#### **4.6 Accounting Standard 21 – Consolidated Financial Statements (CFS)**

As regards disclosures in the 'Notes to Accounts' to the Consolidated Financial Statements, banks may be guided by general clarifications issued by Institute of Chartered Accountants of India from time to time.

A parent company, presenting the CFS, should consolidate the financial statements of all subsidiaries - domestic as well as foreign, except those specifically permitted to be excluded under the AS-21. The reasons for not consolidating a subsidiary should be disclosed in the CFS. The responsibility of determining whether a particular entity should be included or not for consolidation would be that of the Management of the parent entity. In case, its Statutory Auditors are of the opinion that an entity, which ought to have been consolidated, has been omitted, they should incorporate their comments in this regard in the "Auditors Report".

#### **4.7 Accounting Standard 22 – Accounting for Taxes on Income**

This Standard is applied in accounting for taxes on income. This includes the determination of the amount of the expense or saving related to taxes on income in respect of an accounting period and the disclosure of such an amount in the financial statements. Adoption of AS 22 may give rise to creation of either a deferred tax asset (DTA) or a deferred tax liability (DTL) in the books of accounts of banks and creation of DTA or DTL would give rise to certain issues which have a bearing on the computation of capital adequacy ratio and banks' ability to declare dividends. In this regard it is clarified as under:

- DTL created by debit to opening balance of Revenue Reserves on the first day of application of the Accounting Standards 22 or to Profit and Loss account for the current year should be included under item (vi) 'others (including provisions)' of Schedule 5 - 'Other Liabilities and Provisions' in the balance sheet. The balance in DTL account will not be eligible for inclusion in Tier I or Tier II capital for capital adequacy purpose as it is not an eligible item of capital.
- DTA created by credit to opening balance of Revenue Reserves on the first day of application of Accounting Standards 22 or to Profit and Loss account for the current year should be included under item (vi) 'others' of Schedule 11 'Other Assets' in the balance sheet.

- Creation of DTA results in an increase in Tier I capital of a bank without any tangible asset being added to the banks' balance sheet. Therefore, in terms of the extant instructions on capital adequacy, DTA, which is an intangible asset, should be deducted from Tier I Capital.

#### **4.8 Accounting Standard 23 – Accounting for Investments in Associates in Consolidated Financial Statements**

This Accounting Standard sets out principles and procedures for recognising, in the consolidated financial statements, the effects of the investments in associates on the financial position and operating results of a group. A bank may acquire more than 20% of voting power in the borrower entity in satisfaction of its advances and it may be able to demonstrate that it does not have the power to exercise significant influence since the rights exercised by it are protective in nature and not participative. In such a circumstance, such investment may not be treated as investment in associate under this Accounting Standard. Hence the test should not be merely the proportion of investment but the intention to acquire the power to exercise significant influence.

#### **4.9 Accounting Standard 24 – Discontinuing Operations**

Merger/ closure of branches of banks by transferring the assets/ liabilities to the other branches of the same bank may not be deemed as a discontinuing operation and hence this Accounting Standard will not be applicable to merger / closure of branches of banks by transferring the assets/ liabilities to the other branches of the same bank.

Disclosures would be required under the Standard only when:

- a) discontinuing of the operation has resulted in shedding of liability and realisation of the assets by the bank or  
decision to discontinue an operation which will have the above effect has been finalised by the bank and
- b) the discontinued operation is substantial in its entirety.

#### **4.10 Accounting Standard 25 – Interim Financial Reporting**

The half yearly review prescribed by RBI for public sector banks, in consultation with SEBI, vide circular DBS. ARS. No. BC 13/ 08.91.001/ 2000-01 dated 17<sup>th</sup> May 2001 is extended to all banks (both listed and unlisted) with a view to ensure uniformity in disclosures. Banks may adopt the format prescribed by the RBI for the purpose.

#### 4.11 Other Accounting Standards

Banks are required to comply with the disclosure norms stipulated under the various Accounting Standards issued by the Institute of Chartered Accountants of India.

#### 4.12 Additional Disclosures

##### 4.12.1 Provisions and Contingencies

To facilitate easy reading of the financial statements and to make the information on all Provisions and Contingencies available at one place, banks are required to disclose in the 'Notes to Accounts' the following information:

(Rs. in crore)

<i>Break up of 'Provisions and Contingencies' shown under the head Expenditure in Profit and Loss Account</i>	<i>Current Year</i>	<i>Previous Year</i>
Provisions for depreciation on Investment		
Provision towards NPA		
Provision towards Standard Asset		
Provision made towards Income tax		
Other Provision and Contingencies (with details)		

##### 4.12.2 Floating Provisions

Banks should make comprehensive disclosures on floating provisions in the "notes to accounts" to the balance sheet as follows:

(Rs. in crore)

<i>Particulars</i>	<i>Current year</i>	<i>Previous year</i>
(a) Opening balance in the floating provisions account		
(b) The quantum of floating provisions made in the accounting year		
(c) Amount of draw down made during the accounting year		
(d) Closing balance in the floating provisions account		

Note: The purpose of draw down made during the accounting year may be mentioned

##### 4.12.3 Draw Down from Reserves

Suitable disclosures are to be made regarding any draw down of reserves in the 'Notes to Accounts' to the Balance Sheet.

#### 4.12.4 Disclosure of complaints

Banks are also advised to disclose the following brief details along with their financial results:

##### A. Customer Complaints

(a)	No. of complaints pending at the beginning of the year	
(b)	No. of complaints received during the year	
(c)	No. of complaints redressed during the year	
(d)	No. of complaints pending at the end of the year	

##### B. Awards passed by the Banking Ombudsman

(a)	No. of unimplemented Awards at the beginning of the year	
(b)	No. of Awards passed by the Banking Ombudsmen during the year	
(c)	No. of Awards implemented during the year	
(d)	No. of unimplemented Awards at the end of the year	

#### 4.12.5 Disclosure of Letters of Comfort (LoCs) issued by banks

Banks should disclose full particulars of all the Letters of Comfort (LoCs) issued by them during the year, including their assessed financial impact, as also their assessed cumulative financial obligations under the LoCs issued by them in the past and outstanding, in its published financial statements, as part of the 'Notes to Accounts'.

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## List of Circulars consolidated by the Master Circular

No	Circular No.	Date	Relevant Para No of the circular	Subject	Para No of the Master Circular
1	DBOD.No.BP.BC.91/C.686-91	Feb 28, 1991	All	Accounting Policies - Need for Disclosure in the Financial Statements of Banks	2
2	DBOD.No.BP.BC.78/C.686-91	Feb 06, 1991	3,4	Revised Format of the Balance Sheet and Profit & Loss Account	2
3	DBOD.No.BP.BC.59/21.04.048/97	May 21, 1997	1,2,3	Balance Sheets of Banks – Disclosures	3.1(i)(iv)(v);3.2.(1):3.4.1(i)3.8.1
4	DBOD.No.BP.BC.9/21.04.018/98	Jan 27, 1998	2	Balance Sheet of Banks – Disclosures	3.1(ii)(iii)3.5(i) to (vi)
5	DBOD.No.BP.BC.32/21.04.018/98	Apr 29, 1998	(ii)(a)(b)	Capital Adequacy-Disclosures in Balance Sheets	3.5(i) to (vi)
6	DBOD.No.BP.BC.9/21.04.018/99	Feb 10, 1999	3,4	Balance Sheet of Banks - Disclosure of Information	3.4.1(ii)(iii);3.6
7	MPD.BC.187 /07.01.279 /1999-2000	July 7, 1999	1,Annex 3 (v)	Forward Rate Agreements / Interest Rate Swaps	3.3.1
8	DBOD.No.BP.BC.164/21.04.048/ 2000	Apr 24, 2000	3	Prudential Norms on Capital Adequacy, Income Recognition, Asset Classification and Provisioning etc.	3.4.5
9	DBOD.No.BP.BC.73/21.04.018/ 2000-01	Jan 30, 2001	2.6	Voluntary Retirement Scheme (VRS) Expenditure - Accounting and Prudential Regulatory Treatment	4.3
10	DBOD.No.BP.BC.No.37 /21.04.132/2008-09	Aug 27, 2008	Annex 3	Prudential Guidelines on Restructuring of Advances by Banks	3.4.2
	DBOD. No. BP.BC.No. 124 / 21.04.132/ 2008-09	Apr 17, 2009	Annex	Prudential guidelines on restructuring of advances	3.4.2
11	DBOD.No.Dir.BC.47/13.07.05/2006-2007	Dec 15, 2006	2.1	Banks' exposure to Capital Markets – Rationalization of Norms	3.7.2
12	DBOD.BP.BC.27/21.04.137/2001	Sep 22, 2001	6	Bank Financing for Margin Trading	3.7.2 (vi)
13	DBOD.BP.BC.38/21.04.018/2001-2002	Oct 27, 2001	2(i)(ii)	Monetary and Credit Policy Measures - Mid-Term Review for the year 2001-2002 - Balance Sheet Disclosures	3.2(2);3.4.1(iv)
14	DBOD.No.IBS.BC.65/23.10.015/ 2001-02	Feb 14, 2002	1,10	Subordinated Debt for Inclusion in Tier II Capital - Head Office Borrowings in Foreign Currency by Foreign Banks Operating in India	3.1 explanation
15	DBOD.No.BP.BC.84/21.04.018/ 2001-02	Mar 27, 2002	2	Balance Sheet of Banks – Disclosure of Information	3.2(2)
16	DBOD.No.BP.BC.68/21.04.132/ 2002-03	Feb 05, 2003	1, Annex 6	Corporate Debt Restructuring (CDR)	3.4.2
17	DBOD.BP.BC.71/21.04.103/	Feb 19, 2003	Annex 24 (a) (b)	Guidelines on Country Risk Management by banks in India	3.7.3

	2002-03				
18	<a href="#">DBOD.No.BP.BC.72/21.04.018/ 2001-02</a>	Feb 25, 2003	16	Guidelines for Consolidated Accounting and Other Quantitative Methods to Facilitate Consolidated Supervision	4.6
19	<a href="#">IDMC.3810/11.08.10/2002-03</a>	Mar 24, 2003	1,5(v)	Guidelines for Uniform Accounting for Repo/ Reverse Repo Transactions	3.2.1
20	<a href="#">DBOD.No.BP.BC.89/21.04.018/ 2002-03</a>	Mar 29, 2003	4.3.2, 5.1, 6.3.1, 7.3.2, 8.3.1	Guidelines on Compliance with Accounting Standards (AS) by Banks	4.1 to 4.5
21	<a href="#">DBOD.No.BP.BC.96/21.04.048/ 2002-03</a>	Apr 23, 2003	1, Annex 6	Guidelines on Sale of Financial Assets to SC/RC (Created under the SARFAESI Act, 2002) and Related Issues	3.4.3
22	<a href="#">IDMC.MSRD.4801/06.01.03/ 2002-03</a>	Jun 3, 2003	4(x)	Guidelines on Exchange Traded Interest Rate Derivatives	3.3.2
23	<a href="#">DBOD.BP.BC.44/21.04.141/ 2003-04</a>	Nov 12, 2003	Appendix 11 (4)	Prudential Guidelines on Banks' Investment in Non-SLR Securities	3.2.2
24	<a href="#">DBOD.No.BP.BC.82/21.04.018/ 2003-04</a>	Apr 30, 2004	4.3.2	Guidelines on compliance with Accounting Standards (AS) by banks	4.9
25	<a href="#">DBOD.No.BP.BC.100/21.03.054/2003-04</a>	Jun 21, 2004	2(v)	Annual Policy Statement for the year 2004-05 - Prudential Credit Exposure Limits by Banks	3.7.4
26	<a href="#">DBOD.BP.BC.49/21.04.018/ 2004 - 2005</a>	Oct 19, 2004	5	Enhancement of Transparency on Bank's Affairs through Disclosure	3.8.2
27	<a href="#">DBOD.No.BP.BC.72/21.04.018/ 2004-05</a>	Mar 3, 2005	Annex	Disclosures on risk exposure in derivatives	3.3.3
28	<a href="#">DBS.CO.PP.BC.21/11.01.005/ 2004-05</a>	Jun 29, 2005	2. (a) (b)	Exposure to Real Estate Sector	3.7.1
29	<a href="#">DBOD.NO.BP.BC.16/21.04.048/ 2005-06</a>	Jul 13 2005	7	Guidelines on purchase/sale of Non Performing Assets	3.4.4
30	<a href="#">DBOD.BP.BC.No.86/21.04.018/ 2005-06</a>	May 29, 2006	3	Disclosure in Balance Sheets – Provisions and Contingencies	4.12.1
31	<a href="#">DBOD.NO.BP.BC.89/21.04.048/ 2005-06</a>	Jun 22, 2006	2.(iv)	Prudential norms on creation and utilisation of floating provisions	4.12.2
32	<a href="#">DBOD.BP.BC No.31/21.04.018/ 2006-07</a>	Sep 20, 2006	3.(iii)	Section 17 (2) of Banking Regulation Act, 1949 – Appropriation from Reserve Fund	4.12.3
33	<a href="#">DBOD.No.Leg BC.60/09.07.005/ 2006-07</a>	Feb 22, 2007	3.	Analysis and Disclosure of complaints - Disclosure of complaints / unimplemented awards of Banking Ombudsmen along with Financial Results	4.12.4
34	<a href="#">DBOD.No. BP.BC.</a>	Apr18,	4	Guidelines - Accounting Standard	4.4

	<a href="#">81 / 21.04.018/ 2006-07</a>	2007		17(Segment Reporting) – Enhancement of disclosures	
35	<a href="#">DBOD No. BP. BC.65 / 21.04.009/ 2007-08</a>	Mar 4, 2008	2.(iv)	Prudential Norms for Issuance of Letters of Comfort by Banks regarding their Subsidiaries	4.12.5
36	<a href="#">DBOD.No.BP.BC.90/20.06.001/ 2006-07</a>	Apr 27, 2007	10	"Implementation of the New Capital Adequacy Framework"	
37	<a href="#">DBOD.No.BP.BC.125 /21.04.048/ 2008-09</a>	Apr 17, 2009	2	Prudential Norms on Unsecured Advances	3.7.5