



**Annex I: Reconciliation Statement**

(Refer Paragraph 94(3))

**Statement of the Reconciliation of Bank's Investments**

Proforma Statement showing the position of Reconciliation of Investment Account as at 31<sup>st</sup> March.

Name of the bank:

Face value (₹ in crore)

Particulars of securities	General Ledger Balance	SGL Balance	
		As per PDO Books	As per bank's / institution's books
1	2	3	4
Central Govt			
State Govt			
Other approved securities			
Public Sector Bonds			
Units of Mutual Funds			
Others (Shares & Debenture etc.)			
<b>TOTAL</b>			

Signature of the Authorised  
Official with the Name and  
Designation

**Note:**

- Where client / constituent accounts are permitted, a bank shall furnish similar statements shall be furnished in respect of PMS client's Accounts and other constituents' Accounts (including Brokers). In the case of PMS / other constituents' accounts, the face value and book value of securities appearing in the relevant registers of the bank shall be mentioned under Column 2.



2. Details of securities held on physical form (SGL Forms, scrips, letter of allotment, subscription receipt, etc.), if any, may be provided in the footnote.

### **General instructions for compiling reconciliation statement**

#### **a) Column - 2 (GL balances)**

It is not necessary to give complete details of securities in the format. Only aggregate amount of face value against each category may be mentioned. The corresponding book value of securities may be indicated in bracket under the amount of face value of securities under each category.

#### **b) Column - 3 and 4 (SGL balances)**

In the normal course balances indicated against columns three and four shall agree with each other. In case of any difference on account of any transaction not being recorded either in PDO or in the books of the bank this shall be explained giving full details of each transaction.





## Annex II: Guidance on Journal Entries

### Guidance on journal entries

**Note:** The guidance on journal entries is prepared for illustrative purposes only to aid a bank in its understanding of the Directions. A bank may modify them suitably for its accounting systems while ensuring compliance with the Directions. For simplicity, while preparing illustrations, straight line amortisation of discount has been assumed and the effect of taxation or standard asset provisioning has been ignored.

### Day 1 Loss in HTM and amortisation of discount

**Q.No.1: A bank has acquired a debt security with the objective to hold till maturity (HTM). The security meets the SPPI criteria with following particulars:**

- Face Value: ₹100, coupon: 5%, Residual tenor: 5 years
- Acquisition cost: ₹95, Fair Value at time of acquisition: ₹75

**How is the discount on a debt security determined? How will the discount be amortised over the remaining tenor?**

*(Refer Paragraphs 45 and 49 of Directions)*

**Ans:** At initial recognition, there is a Day 1 loss of ₹20 which needs to be recognised immediately. Consequently, the value at which the security is recognised is ₹75. The accounting entries on the date of acquisition would be as under:

	Particulars	Debit (₹)	Credit (₹)



	Particulars	Debit (₹)	Credit (₹)
At initial recognition	Investment Dr.	75	
	Day 1 Loss (P&L) Dr.	20	
	To Cash/ Bank		95
	(Being acquisition of security of face value ₹100 and fair value ₹75 for ₹95.)		

The discount (i.e., difference between Face Value and amount initially recognised in the books) is ₹25. This can be amortised over the remaining maturity on a straight line or constant yield method depending upon the systems and policy of the bank. Assuming the bank has been following a straight-line method, the annual accrual works out to ₹5 (i.e., ₹25 ÷ 5 years) per year.

The accounting entries would be as under:

	Particulars	Debit (₹)	Credit (₹)
Subsequently every year <sup>1</sup> till maturity	Investment Dr.	5	
	Cash/ Bank Dr.	5	
	To Interest earned (P&L)		10
	(Being receipt of coupon and accrual of discount)		

<sup>1</sup> A bank can also pass entries for accrued interest (i.e., accrued coupon and discount) on reporting date.





## Carrying value and amortisation of discount under AFS

**Q.No.2: A bank has acquired a debt security on 1-April-X1 having following particulars and meeting SPPI criterion.**

- Face Value: ₹100, coupon: 5%, Residual tenor: 5 years
- Acquisition cost: ₹90, Fair Value at time of acquisition: ₹90
- Fair value as at 31-Mar-X2 = ₹88
- Fair value as at 31-Mar-X3 = ₹96
- Fair value as at 31-Mar-X4 = ₹98 and security is sold on 31-Mar-X4 at fair value of ₹98.

**The security is held under AFS.**

*(Refer Paragraph 50 and 51 of Directions)*

Ans:

The accounting entries on the date of acquisition would be as under:

	Particulars	Debit (₹)	Credit (₹)
1-April-X1	Investment Dr. To Cash/ Bank (Being acquisition of security of face value ₹100 and fair value for ₹90)	90	90



At each reporting date, assuming straight line amortisation, movement of carrying value of the debt security would be as under:

Reporting Date	Opening Carrying value of investment	Interest income (Coupon + Amortisation of discount)	Cash inflow (Coupon Receipt)	Carrying value of investment	Fair value of investment at reporting date	Gain/loss recognised in AFS-Reserve	Closing Carrying value of investment	Accumulated gain/loss in AFS-Reserve
(a)	(b)	(c)	(d)	(e) = (b)+(c)-(d)	(f)	(h) = (f) - (e)	(i) = (e) + (h)	(j)
31-Mar-X2	90	7 <sup>2</sup>	5 <sup>3</sup>	92	88	-4	88	-4
31-Mar-X3	88	7	5	90	96	6	96	2 <sup>4</sup>
31-Mar-X4	96	7	103 <sup>5</sup>	-	-	-	-	- <sup>6</sup>

The accounting entries would be as under:

	Particulars		Debit (₹)	Credit (₹)
31-Mar-X2	Cash/ Bank Dr. Investment Dr. To Interest earned (P&L) (Being receipt of coupon and accrual of discount on the investment)		5 2	7
	AFS-Reserve Dr To Investment (Being fair value loss on investment) recognised in AFS-Reserve		4	4

<sup>2</sup> Includes ₹2 amortisation of discount and ₹5 coupon

<sup>3</sup> Receipt of coupon on debt security i.e., 5% of ₹100 = ₹5

<sup>4</sup> Accumulated gain / loss in AFS-Reserve = Accumulated gain/loss in AFS-Reserve in previous year + Gain/loss recognised in AFS-Reserve in current year

<sup>5</sup> Includes cash inflow on sale of investment of ₹98 and coupon of ₹5

<sup>6</sup> Accumulated gain / loss in AFS-Reserve is recycled to Profit and Loss Account on sale of debt security



	Particulars	Debit (₹)	Credit (₹)
31-Mar-X3	Cash/ Bank Dr. Investment Dr. To Interest earned (P&L) (Being receipt of coupon and accrual of discount on the investment)	5 2 7	
	Investment Dr To AFS-Reserve (Being fair value gain on investment) recognised in AFS-Reserve	6 6	
31-Mar-X4	Investment Dr. Interest accrued Dr. To Interest earned (P&L) (Being accrual of coupon and discount on the investment)	2 5 7	
	Cash/ Bank Dr. AFS-Reserve Dr. To Investment To Interest accrued To Profit on sale of investment (P&L) (Being receipt of coupon and sale proceeds, accrual of discount and recycling of gains accumulated in AFS-Reserve to P&L A/C)	103 2 98 5 2	



### Carrying value under FVTPL

**Q.No.3: A bank has acquired a debt security on 1-April-X1 having following particulars for trading.**

- Face Value: ₹100, coupon: 5%, Residual tenor: 5 years
- Acquisition cost: ₹90, Fair Value at time of acquisition: ₹90
- Fair value as at 31-Mar-X2 = ₹95
- Fair value as at 31-Mar-X3 = ₹92

*(Refer Paragraph 56 to 58 of Directions)*

**Ans:**

The accounting entries on the date of acquisition would be as under:

	Particulars		Debit (₹)	Credit (₹)
1-April-X1	Investment Dr. To Cash/ Bank (Being acquisition of security of face value ₹100 and fair value for ₹90)		90	90



As the debt security is acquired for trading, it shall be classified under HFT. The movement in carrying value of security would be as under:

Reporting Date	Opening Carrying value of investment	Interest income (Coupon + Amortisation of discount)	Cash inflow (Coupon Receipt)	Carrying value of investment	Fair value of investment at reporting date	Fair value gain/loss recognised in P&L A/C	Closing Carrying value of investment
(a)	(b)	(c)	(d)	(e) = (b)+(c)-(d)	(f)	(h) = (f) - (e)	(i) = (e)+(h)
31-Mar-X2	90	7	5	92	95	3	95
31-Mar-X3	95	7	5	97	92	-5	92

The accounting entries would be as under:

	Particulars	Debit (₹)	Credit (₹)
31-Mar-X2	Investment Dr. Cash/ Bank Dr. To Interest earned (P&L) (Being receipt of coupon and accrual of discount on the investment)	2 5	7
	Investment Dr To Profit on revaluation of investments (P&L) (Being fair valuation on security)	3	3
30-Sep-X1	Investment Dr. Cash/ Bank Dr. To Interest earned (P&L) (Being receipt of coupon and accrual of discount on the investment)	2 5	7



	Particulars	Debit (₹)	Credit (₹)
	Loss on revaluation of investment (P&L) Dr. To Investment (Being fair valuation of Security)	5	5



### Non-Performing Investment (NPI) under HTM

**Q.No.4: A bank has acquired a debt security on April 1, 20X1 having following particulars.**

- Face Value: ₹100, coupon: 5%, Residual tenor: 5 years
- Acquisition cost: ₹90, Fair Value at time of acquisition: ₹90
- Fair value as at 31-Mar-X2 = ₹94
- Fair value as at 31-Mar-X3 = ₹75 and debt security is classified as substandard asset requiring provision of 15 per cent as per IRACP norms.
- Fair value as at 31-Mar-X4 = ₹72 and debt security is classified as doubtful asset requiring provision of 25 per cent as per IRACP norms.

**The security is held under HTM.**

*(Refer Paragraph 49, 101 and 102 of Directions)*

Ans: The accounting entries on the date of acquisition would be as under:

	Particulars	Debit (₹)	Credit (₹)
1-April-X1	Investment Dr. To Cash/ Bank (Being acquisition of security of face value ₹100 and fair value for ₹90)	90	90



At each reporting date, assuming straight line amortisation, movement of carrying value of the debt security would be as under:

Reporting Date	Opening Carrying value of investment	Interest income	Cash inflow	Carrying value of investment	Fair value of investment at reporting date	Provision as per IRACP norms	Provision for depreciation in value of Investment	Provisions to be made	Provision held already	Provisions to be charged to P&L A/C	Closing Carrying value of investment
(a)	(b)	(c)	(d)	(e) = (b)+(c)-(d)	(f)	(g) = Carrying value on default * (Provision as per IRACP norms) %	(h) = Carrying value on default – Fair value on reporting date	(i) = MAX (g, h)	(j)	(k) = (i) – (j)	(l) = (e)-(i)
31-Mar-X2	90	7	5	92	94 <sup>7</sup>	-	-	-	-		92 <sup>8</sup>
31-Mar-X3	92	-	-	92	75	14 <sup>9</sup>	17 <sup>10</sup>	17	-	17	75
31-Mar-X4	75	-	-	75	72	23 <sup>11</sup>	20 <sup>12</sup>	23	17	6	69

The accounting entries would be as under:

	Particulars	Debit (₹)	Credit (₹)
31-Mar-X2	Cash/ Bank Dr. Investment Dr. To Interest earned (P&L) (Being receipt of coupon and accrual discount)	5 2	7

<sup>7</sup> This fair value is not relevant for provisioning since the investment is held under HTM and has not been classified as NPI.

<sup>8</sup> The closing value in this case is the cost adjusted for amortisation of discount as the security has not been classified as an NPI. Therefore, "(l)=(e) – (i)" given in the column header is not relevant here.

<sup>9</sup> IRACP norms would require a provision of 15% of ₹92 i.e., ₹14.

<sup>10</sup> Provision for depreciation of investment = Carrying value of investment on default i.e., ₹92 – Fair value on reporting date i.e., ₹75 = ₹17

<sup>11</sup> IRACP norms would require a provision of 25% of ₹92 i.e., ₹23.

<sup>12</sup> Provision for depreciation of investment = Carrying value of investment on default i.e., ₹92 – Fair value on reporting date i.e., ₹72 = ₹20



On investment becoming NPI:

	Particulars	Debit (₹)	Credit (₹)
31-Mar-X3	Provisions for NPI (P&L) Dr. To Provision held <sup>13</sup> on NPI (Being provision for NPI)	17	17
31-Mar-X4	Provisions for NPI (P&L) Dr. To Provision held on NPI (Being provision for NPI)	6	6

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<sup>13</sup> The provision held on NPI shall be reduced from investments while presenting on the Balance Sheet.



## Non-Performing Investment (NPI) under AFS

**Q.No.5: A bank has acquired a debt security on 1-April-X1 having following particulars.**

- Face Value: ₹100, coupon: 5%, Residual tenor: 5 years
- Acquisition cost: ₹90, Fair Value at time of acquisition: ₹90
- Fair value as at 31-Mar-X2 = ₹94
- Fair value as at 31-Mar-X3 = ₹75 and debt security is classified as substandard asset requiring provision of 15 per cent as per IRACP norms.
- Fair value as at 31-Mar-X4 = ₹85 and debt security is classified as doubtful asset requiring provision of 25 per cent as per IRACP norms.

**The security is held under AFS.**

*(Refer Paragraph 51, 101 and 102 of Directions)*

**Ans:**

The accounting entries on the date of acquisition would be as under:

	Particulars	Debit (₹)	Credit (₹)
1-April-X1	Investment Dr. To Cash/ Bank (Being acquisition of security of face value ₹100 and fair value for ₹ 90)	90	90



At each reporting date, assuming straight line amortisation, movement of carrying value of the debt security would be as under:

Reporting Date	Opening Carrying value of investment	Interest income	Cash inflow	Carrying value including discount accrued and cash inflows	Fair value of investment at reporting date	Amount recognised in AFS - Reserve during the year	Provision required as per IRACP norms	Provision for depreciation required vis-à-vis NPI date	Provisions to be made	Provision already held	Provision to be made in current year	Provisions to be charged against accumulated gains available in AFS-Reserve	Provisions to be charged to P&L A/C	Accumulated gains/loss in AFS Reserve	Closing Carrying value of investment
(a)	(b)	(c)	(d)	(e)= (b)+(c)-(d)	(f)	(g)	(h) = Carrying value on default * (Provision as per IRACP norms) %	(i) = Carrying value on default – Fair value on reporting date	(j) = MAX (h, i)	(k)	(l) = (j)-(k)	(m)	(n) = (l)-(m)	(o)	(p) = (e)+(g)-(m)-(n)
31-Mar-X2	90	7	5	92	94	2	-	-	-	-	-	-	-	2	94
31-Mar-X3	94	-	-	94	75	-	14	19	19	-	19	2 <sup>14</sup>	17	-	75
31-Mar-X4	75	-	-	75	85	-	24	9	24	19	5	-	5	-	70

The accounting entries would be as under:

	Particulars	Debit (₹)	Credit (₹)
31-Mar-X2	Cash/ Bank Dr. Investment Dr. To Interest earned (P&L) (Being receipt of coupon and accrual of discount on investment)	5 2	7

<sup>14</sup>The provision required may be created by charging the same to AFS-Reserve to the extent of such available gains. In this case as accumulated gains in AFS-Reserve at close of previous year was ₹ 2. Therefore, provision to the extent of ₹ 2 can be charged to AFS-Reserve.



	Investment Dr To AFS-Reserve (Being fair value gain on investment)	2	2
31-Mar-X3	Provisions (P&L) Dr. AFS-Reserve Dr. To Provision held on NPLs (Being provisions for NPLs)	17 2	19
31-Mar-X4	Provisions (P&L) Dr. To Provision held on NPLs (Being provisions for NPLs)	5	5



**Q No. 6: A bank has acquired a debt security on 1-April-X1 having following particulars.**

- Face Value: ₹100, coupon: 5%, Residual tenor: 5 years
- Acquisition cost: ₹90, Fair Value at time of acquisition: ₹90
- Fair value as at 31-Mar-X2 = ₹85
- Fair value as at 31-Mar-X3 = ₹80 and debt security is classified as substandard asset requiring provision of 15 per cent as per IRACP norms.
- Fair value as at 31-Mar-X4 = ₹60 and debt security is classified as doubtful asset requiring provision of 25 per cent as per IRACP norms.

**The security is held under AFS.**

*(Refer Paragraph 51, 101 and 102 of Directions)*

**Ans:**

The accounting entries on the date of acquisition would be as under:

	Particulars	Debit (₹)	Credit (₹)
1-April-X1	Investment Dr. To Cash/ Bank (Being acquisition of security of face value ₹100 and fair value for ₹ 90)	90	90



At each reporting date, assuming straight line amortisation, movement of carrying value of the debt security would be as under:

Reporting Date	Opening Carrying value of investment	Interest income	Cash inflow	Carrying value including discount accrued and cash inflows	Fair value of investment at reporting date	Amount recognised in AFS - Reserve during the year	Provision required as per IRACP norms	Provision for depreciation required vis-à-vis NPI date	Provisions to be made	Provision already held	Provision to be made in current year	Provisions for accumulated losses in AFS-Reserve	Provisions to be charged to P&L A/C	Accumulated gains/loss in AFS Reserve	Closing Carrying value of investment
(a)	(b)	(c)	(d)	(e)= (b)+(c)-(d)	(f)	(g)	(h) = Carrying value on default * (Provision as per IRACP norms) %	(i) = Carrying value on default – Fair value on reporting date	(j) = MAX (h, i)	(k)	(l) = (j)-(k)	(m)	(n) = (l)-(m)	(o)	(p) = (e)+(g)-(m)-(n)
31-Mar-X2	90	7	5	92	85	-7	-	-	-	-	-	-	-	-7	85
31-Mar-X3	85	-	-	85	80	-	13	5	13	-	13	-7 <sup>15</sup>	20	-	72
31-Mar-X4	72	-	-	72	60	-	21	25	25	13	12	-	12	-	60

The accounting entries would be as under:

	Particulars	Debit (₹)	Credit (₹)
31-Mar-X2	Cash/ Bank Dr. Investment Dr. To Interest earned (P&L) (Being receipt of coupon and accrual of discount on investment)	5 2	7

<sup>15</sup>In the case of an investment categorised under AFS against which there are cumulative losses in AFS-Reserve, the cumulative losses shall be transferred from AFS-Reserve to the Profit and Loss Account. In this case as accumulated loss in AFS-Reserve at close of previous year was ₹7. Therefore, ₹7 should be charged to P&L Account on debt security becoming NPI.



	AFS-Reserve Dr. To Investment (Being fair value loss on investment recognised in AFS-Reserve)	7	7
31-Mar-X3	Provisions (P&L) Dr. To AFS-Reserve To Provision held on NPIs (Being reversal of cumulative losses in AFS-Reserve and provisions for NPIs)	20	7 13
31-Mar-X4	Provisions (P&L) Dr. To Provision held on NPIs (Being provisions for NPIs)	12	12



### Non-Performing Investment (NPI) under AFS subsequently upgraded

**Q.No.7: A bank has acquired a debt security on 1-April-X1 having following particulars.**

- Face Value: ₹100, coupon: 5%, Residual tenor: 5 years
- Acquisition cost: ₹85, Fair Value at time of acquisition: ₹85
- Fair value as at 31-Mar-20X2 = ₹90
- Fair value as at 31-Mar-20X3 = ₹80 and debt security is classified as substandard asset requiring provisions of 15 per cent as per IRACP norms.
- Fair value as at 31-Mar-20X4 = ₹97 and upgraded to standard asset.
- Fair value as at 31-Mar-20X5 = ₹97

**The security is held under AFS.**

*(Refer Paragraph 51, 101, 102 and 103 of Directions)*

**Ans:**

The accounting entries at the acquisition date of securities would be as under:

	Particulars	Debit (₹)	Credit (₹)
1-April-X1	Investment Dr. To Cash/ Bank (Being acquisition of security of face value ₹100 and fair value for ₹85)	85	85



At each reporting date, assuming straight line amortisation, movement of carrying value of the debt security would be as under:

Reporting Date	Opening Carrying value of investment	Interest income	Cash inflow	Carrying value including discount accrued and cash inflows	Fair value of investment at reporting date	Amount recognised in AFS - Reserve during the year	Provision required as per IRACP norms	Provision for depreciation required vis-à-vis NPI date	Provisions to be made	Provision already held	Provision to be made in current year	Provisions to be charged against accumulated gains available in AFS-Reserve	Provisions to be charged to P&L A/C	Accumulated gains/loss in AFS Reserve	Closing Carrying value of investment
(a)	(b)	(c)	(d)	(e)= (b)+(c)-(d)	(f)	(g)	(h) = Carrying value on default * (Provision as per IRACP norms) %	(i) = Carrying value on default – Fair value on reporting date	(j) = MAX (h, i)	(k)	(l) = (j)-(k)	(m)	(n) = (l)-(m)	(o)	(p) = (e)+(g)-(m)-(n)
31-Mar-X2	85	8	5	88	90	2	-	-	-	-	-	-	-	2	90
31-Mar-X3	90	-	-	90	80	-	14	10	14	-	14	2	12	-	76
31-Mar-X4	76	16	10	82	97	3 <sup>16</sup>	-	-	-	14	-14	-	-12 <sup>17</sup>	3	97
31-Mar-X5	97	8	5	100	97	-3	-	-	-	-	-	-	-	-	97
31-Mar-X6	97	8	105	-	-	-	-	-	-	-	-	-	-	-	-

The accounting entries would be as under:

	Particulars	Debit (₹)	Credit (₹)

<sup>16</sup> When debt security is upgraded and previously charged provision to P&L account is reversed, the carrying value of security becomes ₹94. However, fair value of the security on reporting date is ₹97. Therefore, gain of ₹3 would be recognised in AFS-Reserve.

<sup>17</sup> The amount represents the reversal of provisioning previously charged to the Profit & Loss Account. Therefore, the column header of '(n)=(l)-(m)' is not applicable.



	Particulars	Debit (₹)	Credit (₹)
<b>31-Mar-X2</b>	Cash/ Bank Dr. Investment Dr. To Interest earned (P&L) (Being receipt of coupon and accrual of discount on investment)  Investment Dr. To AFS-Reserve (Being fair value gain on investment recognised in AFS-Reserve)	5 3  2	8  2
<b>31-Mar-X3</b>	Provisions (P&L) Dr. AFS-Reserve Dr. To Provision held on NPIs (Being provision for NPI charge to P&L and previously recognised gains in AFS-Reserves)	12 2	14
<b>31-Mar-X4</b>	Provision held on NPIs Dr. To Provisions (P&L) (Being reversal of previously recognised provisions for NPIs)  Cash/ Bank Dr. Investment Dr. To Interest earned (P&L) (Being receipt of coupon and accrual of discount on investment on upgrade (including for the period that the investment was an NPI))  Investment Dr. Provision held for NPI Dr. To AFS-Reserve (Being fair value gain on investment recognised in AFS Reserve)	12  10 6	12  16  3
<b>31-Mar-X5</b>	Cash/ Bank Dr. Investment Dr. To Interest earned (P&L) (Being accrual of coupon and discount on investment)	5 3	8



Particulars		Debit (₹)	Credit (₹)
	AFS-Reserve      Dr To Investment (Being fair value loss on investment recognised in AFS-Reserve)	3	3
31-Mar-X6	Cash/ Bank      Dr. To Interest earned (P&L) To Investment (Being receipt of maturity proceeds with final coupon and accrual of discount on investment)	105	8 97