

**THE BHANDARA URBAN CO-OPERATIVE BANK LTD; BHANDARA**  
**H.O.: GANDHI CHOWK, NEAR POLICE STATION, BHANDARA – 441 904**

**Notes forming part of the Balance Sheet as at March 31, 2023 and Profit and Loss Account for  
the year ended March 31, 2023**

**A) ADVANCES**

➤ **Provisioning for Advances and Overdue Interest Reserve:**

- The classification of advances into Standard, Sub-standard, Doubtful and Loss assets as well as provision on nonperforming advances has been arrived at in accordance with the guidelines issued by the RBI from time to time. In addition to this, a general provision on standard assets has been made @ 0.40% of the outstanding amount on a portfolio basis except in the case of direct advances to Agricultural and SME sector @ 0.25%, advances to Commercial Real Estate @ 1% and Commercial Real Estate- Residential House Sector @ 0.75%.
- The overdue interest in respect of non-performing advances is provided separately under “Overdue Interest Reserve” as per the directives issued by RBI.
- Prudential Floating Provision o.f Rs.146.46 lacs is held as at 31.03.2023 in respect of Gross Non-Performing & Standard Advances over and above the minimum prescribed by RBI with a view to strengthen the financial stability of the Bank, as per RBI guidelines.
- The Bank has not exceeded the prudential exposure limit in respect of individual / Group Account.

➤ **Additional disclosure of information as per the guidelines of Reserve bank of India:**

Sr. No .	Particulars	31.03.2023	31.03.2022 As per last audit report.
1.	Capital to Risk Assets Ratio	19.29	16.31%
2.	Investment in Central/State Govt. & Other approved securities.		
	i. Book Value	20311.88	20146.82
	ii. Face Value	20200.00	21000.00
3.	Advances Against		
	i. Real Estate	107.98	159.57
	ii. Construction Business	82.03	175.76
	iii. Housing	4850.46	4558.45
4.	Advances against Share & Debentures	--	

Sr. No.	Particulars	31.03.2023	31.03.2022 As per last audit report.
5.	Advances to director, their relatives, companies / firms in which they are interested		
	i. Fund Based	--	--
	ii. Non-funded Based	--	--
6.	Average cost of deposit	4.33	4.69
7.	NPA's		
	i. Gross NPA	3384.21	4763.18
	ii. Net NPAs	1165.47	544.44
8.	Movement in NPA's		
	i. % age of Gross NPA's to Total Advances	12.54%	17.03%
	ii. % age of Net NPAs to Net Advances	4.71%	9.88%
9.	Profitability		
	a. Interest income as a percentage of working funds.	7.76%	7.86%
	b. Non-interest income as percentage of working funds	0.68%	0.55%
	c. Operating/Gross profit as a percentage of working funds.	1.04%	0.30%
	d. Return on Assets	0.90%	0.05%
	e. Business (Deposits + Advances) per employee	319.48	315.92
	f. Operating/Gross profit per employee	2.59	0.71
10.	Provision made towards NPA's during the year	--	--
11.	Provision as on		
	a. Towards NPAs	2218.74	2218.74
	b. Towards depreciation on investments	56.13	50.63
	c. Towards standard assets	129.36	128.47
12.	a. Foreign Currency assets	--	--
	b. Foreign currency liabilities	--	--
13.	DICGS premium paid as required on	17.05.2022	29.05.2021
		23.11.2022	25.11.2021

Disclosure as per prudential Norms on Management of the Non SLR Investment portfolio by urban Co-operative banks as on 31.03.2022 (As per RBI Circular No.BPD. PCB. CIR.45 / 16.20.00 / 2003-2004 dated 15th April 2004)

➤ Issuer Composition of Non SLR Investments

(Amount in Lacs)

Sr.No.	Issuer	Amount	Extent of below investment grade securities	Extent of unrated securities	Extent of unlisted securities
1	P.S.U.s	-	-	-	-
2	FIs	-	-	-	-
3	Nationalized Banks	-	-	-	-
4	Others	41.82	-	-	-
5	Provision held towards(depreciation )	-	-	-	-
	<b>Total</b>	<b>41.82</b>			

➤ Non Performing Non SLR Investments

Particular	Amount (In Lacs)
Opening Balance	0.73
Addition during the Year	0.00
Reductions during the Year	0.00
Closing Balance	0.73
Total Provisions Held	0.73

➤ Disclosure with respect to 'The Depositor Education and Awareness Fund Scheme, 2014' (DEAF) as per RBI Circular dated 27.05.2014

Particulars	Amount (In Lacs)	
	31.03.2023	31.03.2022
Opening balance of amounts transferred to DEAF	200.21	153.41
Add: Amounts transferred to DEAF during the period	85.03	46.80
Less: Amount reimbursed by DEAF towards claims	0.00	0.00
Closing balance of amounts transferred to DEAF	285.24	200.21

Previous year's figures are regrouped or rearranged, wherever necessary, to conform to the layout of the accounts of the current year.

**B) REVALUATION RESERVE**

- The Land and Premises of the bank have been revalued. As explained bank revenue its Properties in every three years but as per RBI circular RBI/2006-2007/230/UBD/PCB CIRN026/15.05.000/06-07 the frequency of revaluation should be determined based on the observed volatility in the prices of the assets in the past. The bank should adhere to the principle meticulously while changing the frequency of revaluation for particular class of assets and should make proper disclosure in this regards.

### **C) BASIS OF PREPARATION**

- The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting, unless otherwise stated and comply with generally accepted accounting principles, statutory requirements prescribed under the Banking Regulation Act, 1949 and The Maharashtra Co-operative Societies Act, 1960 and Rules 1961, circulars and guidelines issued by the Reserve Bank of India (RBI) from time to time, the Accounting Standards (AS) issued by the Institute of Chartered Accountants of India (ICAI) as applicable and current practices prevailing within the banking industry in India.

### **D) USE OF ESTIMATES**

- The preparation of the financial statements, in conformity with generally accepted accounting principles, requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from those estimates. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Any revision to the accounting estimates are recognized prospectively.

### **E) SIGNIFICANT ACCOUNTING POLICIES**

#### ➤ **Accounting Convention AS 1:**

- The financial statements are drawn up in accordance with the historical cost convention (as modified by revaluation of premises) and ongoing concern basis.
- The financial statements also conform to the RBI guidelines issued from time to time on Income Recognition, Asset Classification, Provisions and other related matters and Accounting Standards (AS) applicable to UCB.

#### ➤ **Valuation of Stock of Printing & Stationery AS 2:**

Stocks of Printing & Stationery, Consumables are stated at cost.

#### ➤ **Cash Flow Statement AS 3:**

Bank has prepared Cash Flow Statement as per AS 3.

#### ➤ **Contingencies & Event Occurring After Balance Sheet Date AS 4:**

- There is no contingency and event occurring after the Balance date, which affects the condition existing at the balance date.

#### ➤ **Prior Period Items AS 5:**

- There is no practice of disclosing prior period items separately in Profit and Loss Account as required by the Accounting Standard AS-5 on Net Profit or Loss for the period, Prior Period Items and Changes in Accounting Policies issued by the Institute of Chartered Accountants of India. Such amounts have been included in their natural heads of account and not separately disclosed in a manner that their impact on the profit for the year can be perceived. Provision has been made by the Bank of Rs.498.46 lacs for Gratuity Premium related to the earlier year which is Prior period Item as per AS-5 but the same has not been classified as such by the Bank.

➤ **Revenue Recognition (AS 9) :**

- Items of income and expenditure are accounted for on accrual basis
- Income from non-performing assets is recognised to the extent realised, as per the directives issued by RBI.
- Interest on Government Securities and other fixed income securities is recognised on accrual basis.
- Loan Processing Fees, Commission on issuance of Bank Guarantees, Dividend on Shares, Insurance Claims and Locker Rent are recognized on cash basis.
- Commission on issuance of Bank Guarantees and Locker Rent are recognized on cash basis.
- Commission exchange and brokerage are recognized on realization.
- Income & Expenditure subject to Goods & Service Tax are accounted Net of Tax.

➤ **Fixed Assets AS 10 and Depreciation:**

- Premises (including Freehold Land): These are stated at the revalued amounts less depreciation.
- Depreciation on revalued portion of Premises is adjusted against Revaluation Reserve.
- Computers are depreciated @33.33% as per the guidelines of the Reserve Bank of India from this year.
- Other fixed assets viz.
  1. Building & Furniture and Fixtures are depreciated @ 10% on written down value method
  2. Electric Equipment & Vehicle are depreciated @ 15% on written down value method
  3. Cost includes incidental expenses incurred on acquisition of assets
- Capital Expenditure is depreciated @ 25% on written down value
- Depreciation on fixed assets purchased during the year is charged for the entire year if the asset is purchased for 180 days or more; otherwise it is charged at 50% of the normal rate. No depreciation is charged on fixed assets sold during the year.

➤ **Investments AS 13:**

**1. Categorization of investment :**

In accordance with guidelines issued by RBI, the Bank classifies its investment portfolio into the following three categories:

2. **'Held to Maturity'** - Securities acquired by the Bank with the intention to hold till maturity.
3. **'Held for Trading'** - Securities acquired by the Bank with the intention to trade.
4. **'Available for Sale'** - Securities which do not fall within the above two categories are classified as 'Available for Sale'.

**5. Classification of Investments :**

For the purpose of disclosure in the Balance Sheet, investments are classified as required under Banking Regulation Act, 1949 and RBI guidelines as follows:- Government Securities, Shares in co-operative institutions, PSU Bonds and other Investments.

**6. Valuation of Investments :**

- i. **'Held to Maturity'** – These investments are carried at their acquisition cost. Any premium on acquisition is amortised over the balance period to maturity, with a debit to Profit & Loss Account. The book value of security is reduced to the extent of amount amortised during the relevant accounting period.

- ii. **'Held for Trading'** – The individual scrip in the HFT category is marked to market at the year end. The net resultant depreciation in each classification is recognized in the Profit and Loss Account. Net appreciation, if any, is ignored.
  - iii. **'Available for Sale'** – The individual scrip in the AFS category is marked to market at the year end. The net resultant depreciation in each classification is recognized in the Profit and Loss Account. Net appreciation, if any, is ignored.
7. Market value of Government Securities (excluding Treasury Bills) is determined on the basis of the price list published by RBI or the prices periodically declared by PDAI jointly with FIMMDA for valuation at year-end. Equity shares are valued at cost.

➤ **Employee Benefits AS 15: Gratuity:**

- Payment under Group Gratuity (Cash accumulation) Policy is made with Life Insurance Corp. of India as per contribution for the year as determined by the corporation.
- The Bank provides for gratuity to all the employees. The benefit vests upon completion of five years of services and is in the form of lump sum payment to employees on resignation, retirement, death while in employment or on termination of employment, an amount equivalent to 15 days' salary plus eligible allowances payable for each completed year of service, as per the Payment of Gratuity Act, 1972. The Bank makes contribution to funds administered by trustees and managed by LIC of India.
- The defined gratuity benefit plans are valued by an LIC as at the Balance sheet date, using the projected unit credit method as per the requirements of AS-15 "Employee Benefits", to determine the present value of the defined benefit obligation and the related service cost. Under this method, the determination is based on actuarial calculation, which include assumptions about demographics, early retirement, salary increase and interest rates. Actuarial gain or loss is recognised in the Statement of Profit and Loss.
- There has been no default reported by the employees in respect of Receipt of Gratuity from the Life Insurance Corporation of India
- Value of fund as per LIC balance statement was Rs.1066.16 lacs.
- Gratuity Fund and Gratuity Investment maintained with LIC will be recognised and classified in the balance sheet by the bank in the next financial year.

**Provident Fund:**

- The Employer's Contributions in respect of Provident Fund is charged against revenue every year.

**Leave Encashment:**

- The liability of leave encashment is provided on the basis of Actuarial valuation as at the Balance sheet date and considered as defined benefit scheme. The actuarial valuation carried out as per projected unit credit method. Report for actuarial valuation has not been provided till the date of audit.
- The fund value of Leave Encashment with LIC is Rs.562.70 Lakhs.

- Table showing discounting rate and salary escalation rate:-

Sr. No.	Particulars	Gratuity	Leave Encashment
1	Discount Rate	7.00%	7.00%
2	Salary Escalation Rate	5.00%	5.00%

➤ **Segment Reporting AS 17**

- The entire operation of the bank is one composite banking business, not liable to different risk and rewards. Consequently in the opinion of the bank "Segment Reporting AS 17" issued by the Institute of Chartered Accountants of India, is applicable to the Bank and bank will make the compliance of the above accounting standard in the coming future years.

➤ **Operating Leases AS 19**

- Lease rental obligations in respect of assets taken on operating lease are charged to Profit and Loss Account on straight line basis over the lease term.

➤ **Accounting of Taxes for Income AS 22**

- The Bank has not provided for the Deferred Tax Asset/ Liability in compliances to the Accounting Standard AS- 22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India. The amount is not ascertainable.

➤ **Impairment of Assets AS 28**

- Since the Bank has ascertained that there is no material impairment of any of its assets, no provision on account of impairment of assets is required to be made.

➤ **Provisions, Contingent Liabilities and Contingent Assets AS 29**

- Quantification of various provisions is being done in accordance with the accounting standards.
- Contingent Liability:- Guarantee Issued: Rs.2.50 Lacs
- During the financial year bank had not recognized contingent assets.

**For Jaju Soni & Associates**

**Chartered Accountants**

**FRN: 139298W**

**Chetan Jaju**

**Partner**

**MRN: 158737**

**UDIN: 23158737BGXVBZ9309**

**Place: - Nagpur**

**Date: - 29/06/2023**