

# The Andhra Pradesh State Cooperative Bank Limited.

---

## **SCHEDULE - 18**

### **ACCOUNTING POLICIES:**

#### **1. Basis of preparation**

The accompanying financial statements have been prepared under the historical cost convention. They conform to Generally Accepted Accounting Principles (GAAP) in India, which comprise the statutory provisions, guidelines of regulatory authorities, Reserve Bank of India (RBI) / NABARD, (herein after referred to as Regulatory Authority) and the practice prevalent in the banking industry in India. The Accounting policies are consistently applied except for the changes disclosed if any, in this financial statements.

#### **2. Use of Estimates**

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates. Any revision to the accounting estimates is recognized prospectively in the current and future periods.

#### **3. Accounting Standard 9 -Revenue recognition:**

- a. Income and expenditure are accounted on accrual basis except to the extent stated hereunder as per the prudential norms prescribed by the Regulatory Authority (RBI/NABARD).
- b. Interest Income from Non-Performing Investments (NPIs)/Advances (NPA) is recognized upon realization.
- c. Unrealized interest on Non-Performing Advances which was recognized earlier has been reversed.
- d. Profit on sale of investments in permanent category is first credited to "Profit & Loss Account" and thereafter appropriated to Investment Fluctuation Reserve. Loss if any, is debited to P& L account.
- e. Commission, and fee income are recognized on realization.
- f. Income (other than interest) on investments in "Permanent" category acquired at a discount to the face value, is recognized as follows :
  - I. On interest bearing securities, it is recognized only at the time of sale/redemption.
  - II. On zero-coupon securities, it is accounted for over the balance tenor of the security.
- g. Dividend is accounted as and when it is received.

# The Andhra Pradesh State Cooperative Bank Limited.

---

## **4. Fixed Assets & Depreciation:**

- a. Fixed assets are shown at Original cost less depreciation to date
- b. Cost includes cost of purchase and all expenditure such as site preparation, installation costs and professional fees incurred on the asset before it is put to use. Subsequent expenditure incurred on assets put to use is capitalized only when it increases the future benefits from such assets or their functioning capability.
- c. Depreciation is provided on the written down value method at the rates prescribed under the Income Tax Rules 1962 except on computers and software which is at the rate of 33.33% under straight line method (SLM) as per the extent guidelines issued by RBI.
- d. In respect of the assets purchased during the year depreciation is charged based on the number of days from the date of put to use.

## **5.Accounting Standard 13 - Investments:**

- a. Investments are accounted for in accordance with the extant regulatory guidelines. The Bank follows trade date method for accounting of its investments.
- b. Investments are classified into the following:
  - i. Govt. Securities.
  - ii. Other Approved Securities.
  - iii. Shares.
  - iv. Debentures and Bonds.
  - v. Others.

### **5.1 Valuation**

- i. The Bank has categorized the securities into permanent and current categories as per the NABARD guidelines.
- ii. Permanent category: Each scrip under Permanent category is valued at its acquisition cost or at amortized cost, if acquired at a premium over the face value. Any premium on acquisition is amortized over the remaining maturity period of the security.
- iii. Treasury Bills are valued at carrying cost.
- iv. Current category: Each scrip in this category is valued in accordance with NABARD/ RBI guidelines by marking to the market rates at FBIL suggested rates, and Net depreciation under each category is provided for and net appreciation, if any is ignored. On provision for depreciation, the book value of the individual securities remains unchanged after marking to market.

# The Andhra Pradesh State Cooperative Bank Limited.

---

- v. Broken period interest paid/received on debt instruments is treated as net interest expense/income and is excluded from cost/sale consideration

5.2. Investments are classified as performing and non-performing, based on the guidelines issued by the Reserve Bank of India.

## **6. Accounting Standard 15 - Employee Benefits:**

### **6.1 Defined *Contribution Plan: (Provident Fund)***

- a) The Bank contributes to Provident Fund which is administered by a duly constituted and approved independent Trust.
- b) Retirement benefits in the form of Provident Fund and Superannuation Fund are defined contribution plans and are charged to the profit and loss account for the year when the contributions to the respective funds are due.

### **6.2 Defined Benefit Plans: (*Gratuity, Earned Leave Encashment & Sick Leave Benefit*)**

- a) Gratuity, Earned Leave encashment & Sick Leave Benefit Accrued liability are non-contributory defined benefit obligations and are provided for on the basis of an actuarial valuation report on basis of projected unit credit (PUC) method made at the end of each financial year.
- b) The Bank subscribes to LIC under the Group Gratuity and Leave Encashment Schemes.

## **7. Loans / Advances and Provisions thereon**

- a. Loans and Advances are classified as performing and non-performing based on the guidelines issued by the Reserve Bank of India / NABARD.
- b. In addition to the specific provision on NPAs, general provisions are also made for standard assets as per the extant guidelines prescribed by the Reserve Bank of India/NABARD.

## **8. Accounting Standard – 17 "Segment Reporting"**

### **1. Segment Identification**

#### **I. Primary (Business Segment)**

The following are the segments of the Bank:

- 1. Treasury
- 2. Retail Banking
- 3. Institutions

# The Andhra Pradesh State Cooperative Bank Limited.

---

## 4. District Cooperative Central Banks

## 5. Other Banking

The present accounting and information system of the bank does not support capturing and extraction of the data in respect of the above segments separately. However, based on the Segregated Products at GL Level and the nature of risks and returns, the data on the segments have been computed as under:

- i. Treasury:
  - a. The Treasury includes entire Investment portfolio including Call Money and ST Deposits with other Banks. The revenue of the treasury segment primarily consists of the fees and gain or loss from sale or purchase of govt. securities and interest income on the investment portfolio.
- ii. Retail Banking:
  - a. The Retail Banking Segment comprises of retail branches which primarily includes personal banking activities including deposits maintained by DCCBs with these Branches under common Deposit Products, activities including Mobile banking, RTGS/NEFT, UPI.
- iii. Institutions:
  - a. The Institutions segment comprise of participation in Consortium lending, lending to Institutions including Govt. receivables and payables, Cooperative Sugar Factories, Employee CCS, Refinance from NABARD for the purpose of lending to institutions.
- iv. District Cooperative Central Banks:
  - a. This segment consist of Borrowings mainly from NABARD and other agencies for refinance to DCCBs and onward lending to PACS and PACS to farmers mainly for agriculture and allied activities.
- v. Other Banking Business:

Segments not classified under i to iv.

## **II. Secondary (Geographical Segment)**

Branches operating at different Geographical locations (districts) namely:  
Krishna District – Head-office and 10 branches (Governorpet, Gannavaram, K.R.Market, Ramavarappadu, Gollapudi, Kanuru, Currency Nagar, Moghalrajpuram, Hanuman Junction and Challapalli) working in this area.  
Guntur District – 6 Branches (Brundavan Gardens, Venugopal Nagar, Rayapudi, Mangalagiri, Chenchupeta, AT AGraharam) working in this area.  
Chittor District – 1 branch (Tirupati) working in this area.  
Hyderabad District (Telangana) – 1 Branch (Barkatpura) and CTI working in this area.

## **III. Allocation of Assets and Liabilities**

The segregation of Assets and liabilities into different primary segments is based on General Ledger products.

The bank has certain common assets and liabilities which cannot be attributed to any segment and the same are treated as unallocated.

## The Andhra Pradesh State Cooperative Bank Limited.

### **9.Accounting Standard – 18 “Related Party Disclosures”:**

The following are the Related Parties to the Bank.

<b>S.No.</b>	<b>Name of the Party</b>	<b>Relation</b>
1.	Mallela Jhansi Rani	Person-In-Charge, APCOB
2.	Dr. R. Shreenath Reddy	Managing Director
3.	District Cooperative Central Bank Ltd, Srikakulam	Share Holder
4.	District Cooperative Central Bank Ltd, Vizianagaram	Share Holder
5.	District Cooperative Central Bank Ltd, Visakhapatnam	Share Holder
6.	District Cooperative Central Bank Ltd, Kakinada	Share Holder
7.	District Cooperative Central Bank Ltd, Eluru	Share Holder
8.	District Cooperative Central Bank Ltd, Krishna	Share Holder
9.	District Cooperative Central Bank Ltd, Guntur	Share Holder
10.	District Cooperative Central Bank Ltd, Prakasam	Share Holder
11.	District Cooperative Central Bank Ltd, Nellore	Share Holder
12.	District Cooperative Central Bank Ltd, Chittoor	Share Holder
13.	District Cooperative Central Bank Ltd, Anantapur	Share Holder
14.	District Cooperative Central Bank Ltd, Kadapa	Share Holder
15.	District Cooperative Central Bank Ltd, Kurnool	Share Holder

There are No Material Significant Related Party transactions during the year.

### **10.Accounting Standard – 20 “Earnings per Share”:**

The Bank reports basic and diluted earnings per equity share in accordance with Accounting Standard – 20 “Earnings per Share”. “Basic earnings” per share is computed by dividing net profit after tax by the weighted average number of equity shares outstanding during the year.

## The Andhra Pradesh State Cooperative Bank Limited.

Particulars	2021-22	2020-21
Basic and diluted		
Number of Equity Shares outstanding at the beginning of the year	5503904	4036404
Number of Equity Shares issued during the year	3372700	1467500
Number of Equity Shares outstanding at the end of the year	8876604	5503904
Weighted average number of equity shares used in computing basic earnings per share	5903949	4171785
Weighted average number of equity shares used in computing diluted earnings per share	5903949	4171785
Net profit/(loss) (Rs. In crore)	181.45	144.90
Basic earnings per share (Rs.)	307.34	347.34
*Diluted earnings per share (Rs.)	307.34	347.34
Nominal value per share (Rs.)	1000	1000

\*No preference shares/Convertible debentures issued till balance sheet date.

### **11. Accounting Standard 22 – “Accounting for Taxes on Income” :**

Provision for tax is made for both current and deferred Taxes.

#### **Current Income Tax:**

Current Income Tax is determined on the profits for the year in accordance with the provisions of income Tax Act, 1961, rules framed thereunder and on the basis of expert opinion. From A.Y 2021-22 Bank has availed special rate of tax U/s.115BAD @25.168% vide GOI notification dated 01.10.2020.

#### **Deferred Tax:**

- a. Deferred tax asset and liability arising on account of timing differences and which are capable of reversal in subsequent periods are recognized using the tax rates and laws that have been enacted or substantively enacted as of balance sheet date.
- b. Deferred tax asset is recognized where there is virtual certainty that sufficient future taxable income will be available against which such deferred tax asset will be realized.

**12. Accounting Standard 29 – “Provisions, Contingent Assets & Contingent Liabilities”:**

A provision is recognized when bank has a present obligation as a result of past event where it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

A disclosure of contingent liability is made when there is:

**12.1** A possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events within the control of the Bank.,

(or)

**12.2** present obligation arising from a past event which is not recognized, as it is not probable that an outflow of resources will be provided to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

When there is a possible or present obligation in respect of which the likelihood of outflow of resources is remote, neither provision nor disclosure is made.