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B.V. 25-02-2016 5/4/16
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DIRECTORATE OF COOPERATIVE AUDIT, ODISHA, BHUBANESWAR

Letter No. 2592 / VI(4) 23/2015, A-2

Date: 4/4/16

To

The Secretaries/Chief Executive Officers of
Central Cooperative Banks.

Sub: Accounting of interest subvention from Govt. in books of accounts.

Sir,

It has come to the notice of undersigned in course of scrutiny of statutory audit reports of Banks that, the Banks are in regular practice in recognizing unrealised interest subventions as income of the Bank through passing entries in their books of accounts crediting ^{to} profit and loss account and debiting interest subvention receivable from Govt. without making matching provision through their profit and loss A/c. By indulging such irregular practice of accounting, the Banks are overstating profit as a result of which the profit and loss account are not exhibiting true and correct financial position of the Bank.

The prudential norms of income recognition as prescribed by RBI clearly states that, income recognition is based on record of recovery/realisation and unrealised income is not to be credited to profit and loss account. However, the above norms permits the Banks to recognise unrealised income in profit and loss account on accrual basis provided matching provision is fully made for the said amount by charging to P/L account.

Under this backdrop, the Chief Executive of CCBs are advised to recognise the interest subvention on cash basis but not on accrual basis. If a Bank wishes to credit this into Profit/Loss A/c by debiting interest subvention receivable from Govt., it may do so by providing fully to the extent of the amount of unrealised interest subvention through charging to P/L account.

It is expected that, the chief executive of Banks should follow above advise, scrupulously for current and ensuring year of audit of Co-operative Banks.

Yours faithfully,

[Signature]
4.4.16
Auditor General of

Cooperative Societies, Odisha

Memo No. 2593 / Date: 4/4/16

Copy to A.A.G.C.S. of all circles for information and necessary action.

[Signature]
4.4.16
Auditor General of

Cooperative Societies, Odisha.

P.T.O.

MEMO NO.

Copy to A.A.G.C.S. of circles for information and necessary action.

Auditor General of

Cooperative Societies, Odisha.

Memo No 2594 Dt 4/4/16
Copy forwarded to Managing Director, OSCB Ltd, BBSR
for information and necessary action.

AG, OSCB, 4.4.16

Memo No 2595 Dt 4/4/16
Copy forwarded to CGM, NABARD (RO), BBSR
for information and necessary action.

AG, NABARD, 4.4.16

Memo No 2596 Dt 4/4/16
Copy forwarded to RCS (C), BBSR.
for information and necessary action.

AG, RCS, 4.4.16

Memo No 2597 Dt 4/4/16
Copy forwarded to Managing Director, BBSR
for information and necessary action.

AG, BBSR, 4.4.16