

# The Ajara Urban Co-Op Bank Ltd., Ajara (Multi State)

## Notes to Financial Statements for the Year Ended 31<sup>st</sup> March 2023

### I. Summary of Significant Accounting Policies:-

#### 1. Basis of preparation:-

The financial statements of the Bank have been prepared in accordance with the generally accepted accounting principles in India. The Bank has prepared these financial statements to comply in all material respect with the Accounting Standards issued by the Institute of Chartered Accountants of India ( ICAI ) to the extent applicable, applicable statutory provisions under the Banking Regulation Act,1949 & Multi State Co-operative Societies Act & Rules, 2002, Circulars and Guidelines issued by the Urban Banking Department of Reserve Bank of India ('RBI') from time to time and current practices prevalent in the Co-operative Banking Sector in India.

The financial statements have been prepared following the going concern concept on an accrual basis under the historical cost convention. The accounting policies adopted in the current year are consistent with those of the previous year.

#### 2. Use of Estimates: -

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in the future periods.

#### 3. Advances:-

a. The classification of advances into Standard, Sub-standard, Doubtful and Loss assets as well as provisioning on Standard Advances and Non-Performing Advances has been arrived at in accordance with the Income Recognition, Assets Classification and Provisioning Norms prescribed by the Reserve Bank of India from time to time.

b. The unrealized interest in respect of advances classified as Non-Performing Advances is disclosed as "Overdue Interest Reserve" as per RBI directives.

c. In addition, a general provision is made on following categories of standard assets as per RBI guidelines, as under:-

Category	Provision
Direct advances to Agricultural And SME Sectors	0.25 %
Commercial and Real Estate (CRE) sector	1.00 %
Commercial and real estate loans – residential housing sector(CRE-RH)	0.75 %
All Other loans and advances not included above	0.40 %

d. There is no restructure of loan accounts during financial year 2022-23.

#### 4. Revenue recognition (AS- 9):-

a. Income from advances – As per RBI directives, in respect of accounts classified as Standard, interest and other income is recognized on accrual basis as and when the same is earned; income from Non-Performing Assets is recognized on realization and in case of advances with the Recovery Department of the bank, generally the recoveries in the accounts are first appropriated towards charges debited then towards interest and then subsequently towards principal outstanding.

