

NOTES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2020 AND PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

13. A. SIGNIFICANT ACCOUNTING POLICIES:

1) OVERVIEW

The Punjab & Maharashtra Co-op Bank Ltd. a Multi State Schedule Cooperative Bank ,was incorporated in 1984 and has completed its 36 years of providing wide range of Banking and Financial Services including Commercial Banking & Treasury Operations.

2) 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 Multi-State Co-operative Societies Act, 2002, 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') and current practices prevailing within the banking industry of India.

3) 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 in 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 revisions to the accounting estimates are recognized prospectively.

4) ACCOUNTING CONVENTION

Except otherwise stated, the financial statements are drawn up keeping in mind the historical cost and going concern concept and in accordance with generally accepted accounting principles and practices prevailing in the Multi State Co-operative Banks in India.

5) REVENUE RECOGNITION (AS-9)

Income and expenditure are accounted for on accrual basis except as stated below:

- i) Income from non-performing assets is recognized to the extent realised, as per the directives issued by Reserve Bank of India.
- ii) Dividend received from shares of co-operative institutions is accounted on receipt basis.



iii) As per the guidelines issued by Reserve Bank of India, interest on Securities, which is due and not received for a period of more than 90 days is recognized on realisation basis.

iv) As per Bank Policy in case of standard and sub-standard assets credit received are first appropriated towards interest and thereafter towards principal. In case of doubtful and loss accounts, it is the policy of the Bank to appropriate credit towards the principal first and thereafter, towards interest.

v) The commission on Letter of Credit / Bank Guarantees, dividends received and income received from Investment in mutual funds and other service charges levied by bank are accounted on receipt basis.

vi) Locker Rent received are treated as Advance and accounted as income at quarterly rest.

6) LOANS AND ADVANCES

The classification of advances into Standard, Sub-standard, Doubtful & Loss assets as well as provision on non-performing advances have been arrived at in accordance with the guideline issued by the Reserve Bank of India from time to time.

The unrealised interest till date in respect of advances classified as Non-Performing Assets (NPA) is provided separately under "Overdue Interest Reserve" as per the directives issued by the RBI.

7) INVESTMENTS

i) The Bank has categorized the investments in accordance with the RBI guidelines applicable to Urban Co-operative Banks. Accordingly, classification of investments for the purpose of valuation is done under the following categories:

- a) Held to Maturity
- b) Available for Sale
- c) Held for Trading

ii) Investments have been classified for the purpose of disclosure in the Balance Sheet under five groups as required under RBI guidelines –

- a) Government securities,
- b) Other approved Securities,
- c) Shares in co-op. Institutions,
- d) PSU Bonds & Bonds of All India Financial Institutions
- e) Others

iii) Investments under "Held to Maturity" category have been valued at acquisition cost. Premium, if any, on such investments is amortized over the residual life of the particular investment.

