

THE DISTRICT COOPERATIVE CENTRAL BANK LTD., VISAKHAPATNAM

YEAR 2022 - 2023

NOTES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH' 2023 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH' 2023

1. SIGNIFICANT ACCOUNTING POLICIES:

a) BASIS OF ACCOUNTING:

The Financial Statements are prepared and presented under the historical cost convention on going concern basis by following the accrual concept of accounting unless otherwise stated, as have been followed generally in the cooperative sector banking.

The Financial Statements comply with generally accepted accounting principles, and current practices prevailing in the Banking industry in Co-operative Sector, and as per the guidelines issued by NABARD.

b) 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 as 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.

c) REVENUE RECOGNITION:

Income and expenditure are accounted on accrual basis, except the following;

- Interest on non performing assets is recognized as per the norms issued by Reserve Bank of India/NABARD.
- Other items of income and expenditure are recognized on accrual basis except rent on lockers which is recognized on realization.

d) INVESTMENTS:

a. Classification:

The Investment portfolio of the Bank is classified, in accordance with the Reserve Bank of India Guidelines into:



“Held to Maturity” (HTM) comprising investments acquired with the intention to hold them till maturity.

Most of the investments fall under held to maturity category and these are classified under four groups as required under RBI guidelines – Government Securities, Other Approved Securities, Shares with Co-Operative institutions and Other Investments.

b) Valuation:

- Investments are carried at their acquisition cost subject to amortization where required.
- Investments made during the current year under SLR and Non-SLR Investments are also valued at cost price.
- Non performing Investments are fully provided as per extant guidelines.

e) ADVANCES:

- a) Advances are classified into Standard, Sub-Standard, Doubtful and Loss Assets and provisions are made in accordance with the prudential norms prescribed by RBI/NABARD.

f) FIXED ASSETS:

- a) Fixed assets are carried at historical cost net of accumulated Depreciation. Except in the case building property for the financial year 2021-22. Subsequent expenditure incurred on assets put to use is capitalized only when it increases the future benefits from such assets or their functional capabilities.

b) Depreciation is calculated on at following rates:

1. Buildings	10%	(W.D.V Method)
2. Furniture	10%	(W.D.V Method)
3. Machinery	10%	(W.D.V. Method)
4. Computers	33.33%	(Straight Line Method)

- c) Land and buildings, if revalued are stated at revalued amount. The appreciation on revaluation is credited to Revaluation Reserve and the depreciation provided thereon is deducted there from.

g) EMPLOYEE BENEFITS:

- a) The Bank contributes to Provident Fund which is administered by a duly constituted and approved independent trust. Contribution to Provident Fund is accounted on accrual basis with corresponding contribution to recognized fund.



- b) Contributions to Pension Fund are accounted for on the basis of contribution to the Fund.
- c) The Bank contributes to Approved Gratuity Scheme administered by independent trustees and the bank's contribution to the scheme as well as the amount of Gratuity paid to employees. This amount is paid to LIC of India on a yearly basis to take care of employee payments.
- d) Leave encashment at time of retirement/resignation paid to employees is administered by bank on payment basis.

h) PROVISION FOR TAXATION:

Provision for Income-Tax is made on the basis of estimated tax liability.

i) PROVISIONS:

A provision is recognized when the 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 the 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.

All the necessary provisions have been made for expenditure incurred during the year.

Insurance relating to future accounting periods is not accounted for as pre-paid Insurance. Insurance is charged off to P&L on payment basis.

j) CONTINGENT LIABILITIES AND PROVISIONS:

Past events leading to possible or present obligation is treated as contingent liabilities. Provision is recognized in the case of present obligation where the reliable estimate can be made and where there are probable out flow of resources embodying forgoing of economic/financial benefits to settle the obligation.

All the statutory reserves and provisions have been made, as per the bye-laws of the Society.

2. NOTES ON ACCOUNTS:

- 1) Borrowings from other sources represent the borrowing made from APCOB, NCDC, Deposits/SOD with Commercial Banks.
- 2) Provision for Non-Performing Assets of Rs.22.14 Cores under loans and advances only.



- 3) Earmarked Investments towards Leave Encashment and Gratuity are not there for the Bank and payments are directly made to LIC through provision available in the Balance sheet during the year.
- 4) Out of total Advances of Rs.1090.27 Crores, Total NPA is Rs.43.29 Crore.
- 5) Gross NPA of the Bank is decreased from 4.26% to 3.97% due to loans recovered in Loans and Advances. However, Net NPA also decreased from 2.31% to 2.19% of Total advances.
- 6) The Bank has made the provisions on the NPAs as per the guidelines of the RBI i.e., on Standard assets as 0.25% for Agriculture and SME advances and on other standard assets as 0.40% on substandard assets a provision of 10% has been made , and on Doubtful assets as follows : overdue and remain in doubtful up to 1 year 20%, overdue and remain in doubtful for more than 1 year and up to 3 years provision of 30% and overdue and remain in doubtful for more than 3 years 100% provision has been made on secured portion of advance and the unsecured portion of the advance & for the loss assets 100% provision has been made.

i. Asset Classification:

(Rs.in lakhs)

Sl. No.	Classifications	Rs. Lacs as on 31.03.2023	% as on 31.03.2023	Rs. Lacs as on 31.03.2022	% as on 31.03.2022
1.	Standard	1,04,697.52	96.03	86,121.47	95.74
2.	Sub-Standard	2,781.02	2.55	2,292.87	2.55
3.	Doubtful	317.34	0.29	408.91	0.45
4.	Loss Assets	1,231.20	1.13	1,129.53	1.26
Total :		1,09,027.28	100.00	89,952.78	100.00

ii. Provision on NPA:

(Rs.in lakhs)

Sl. No.	Classification	Rs. Lacs as on 31.03.2023	% as on 31.03.2023	Rs. Lacs as on 31.03.2022	% as on 31.03.2022
1.	Standard	359.25	18.45	287.52	16.42
2.	Sub-Standard	278.10	14.28	229.29	13.09
3.	Doubtful	78.35	4.03	104.75	5.98
4.	Loss Assets	1,231.20	63.24	1,129.53	64.50
Total :		1,946.90	100.00	1,751.09	100.00

- 7) Gratuity expenditure includes Rs.50.00 Lakh paid to LIC of India (Fund Administered through the Co-Operative Central Bank Employees Group Gratuity Trust).



- 8) Insurance expenditure includes Deposit Insurance Premium of Rs.108.68 lakhs paid to Deposit Insurance and Credit Guarantee Corporation.
- 9) During the year RBI has not imposed any penalty/fine on the Bank.
- 10) The bank is a Co-Operative Society, registered under the Co-Operative Society Act, 1964 and there are no related parties requiring a disclosure under Accounting Standard – 18 issued by the Institute of Chartered Accountants of India, other than one Key Managerial Personnel the Chief Executive Officer of the Bank. However, in terms of RBI circular dated 29.3.2013, he being single party coming under the category, no further details need to be disclosed.
- 11) There is an amount of Rs.128.41 lakhs in other Assets of the Bank being the difference of amount arrived by the Bank at the time of bifurcation of DCCB VZM and Visakhapatnam. As per the confirmation letter dated: 22.06.2016 of the CEO DCCB VZM an amount of Rs.9.10 lakhs is in the other Liabilities under bifurcation account of our Bank in the Balance sheet of DCCB VZM. Since, the amount is pending for more than 2 decades and there is no scope for recovery as per the letter of the CEO DCCB VZM. As such the bank created reserve for an amount of Rs.128.41 Lakhs.
- 12) Dispute with regard to Investment (Fixed Deposit) with Sikkim Bank, Hyderabad now Union Bank of India, the Lower Court decided in favor of the Bank and the same being disputed by the other party at Hon'ble High Court of Andhra Pradesh. Under the direction of the Hon'ble Supreme Court of India, the Respondent Bank deposited 50% on accrued Balance with High court of AP in the name of the Bank. However, full provision of Rs.100.00 Lakhs has been made.
- 14) Though CBS has been introduced in the bank, it needs to be updated so as to generate all the required additional information. Hence, financial statements have been consolidated separately, based on the information generated from the CBS system.
- 15) Year end cash and bank balances of all the branches have been adopted as have been certified by the respective Branch heads.
- 16) SLR : Requirement under SLR is met by the Bank.
- 17) CRR : Cash Reserve Ratio is maintained by the bank.
- 18) Capital to Risk Weighted Assets Ratio (CRAR) :



Sl. No.	Particulars	% as on 31.03.2023	% as on 31.03.2022
1.	CRAR	11.18	11.87

19) Compliance of Accounting Standards (AS) issued by the Institute of Chartered Accountants of India:

- a) There is no Practice of disclosing prior period items separately in the Profit and Loss Account as required by AS-5 issued by The Institute of Chartered Accountants of India. Such Amounts, if any, have been included in their natural heads of account. So this figures cannot be qualified by us. All provisions need to be made on Mercantile basis.
- b) The Bank's Operations are solely in the Banking Sector Industry. As such, separate segment reporting as per AS-17 is neither considered nor necessary.

20) Contingent Liability:

DEAF:

As per the RBI its letter No.DBOD.No.DEAF cell.BC.101/30.01.002/2013-14 Dated:21.03.2014 an amount of Rs.6,11,95,191.83 in respect of around 12112 accounts as on 31st March 2023 vide prescribed Form-I duly certified by the concurrent auditors has been transferred to RBI DEAF account. Huge amount transferred during the current financial year.

(Rs.in Crores)

Sl. No.	Particular	Current Year 31.03.2023	Previous Year 31.03.2022
1.	Opening balance of DEA Fund as on 01.04.2022/01.04.2021	1.81	1.32
2.	Add: Amounts transferred to DEA Fund during the year 2022-23/2021-22	4.32	0.50
3.	Less: Amounts reimbursed by DEA Fund towards claims during the year 2022-23/2021-22	0.01	0.01
4.	Closing balance of DEA Fund as on 31.03.2023 (1+2-3)/31.03.2022	6.12	1.81



21) Revaluation of Buildings:

DISCLOSURE ON REVALUATION OF BUILDING PROPERTIES:

As per the directions issued by the controlling authorities of the Bank, the Board has passed a resolution for revaluation of Fixed Assets in the meeting held on 27.03.2023 and General Body meeting held on 28.03.2023 for carrying out revaluation of land and buildings of the Bank.

Accordingly revaluation of the properties in case of land and buildings is done at Central Office, Chodvaram, Madugula, Kotauratla, Paderu and Yellamanchili.

As per the valuation report dated 14.03.2023, issued by the Authorized panel engineer Sri B.V.V Prasad (M/s Sri Sai Consultancy), the above Buildings and land, were re-valued at Rs.33,77,66,774/- (Distress Value).

Accordingly, the book value of the building properties were enhanced by Rs.28,59,02,707/- in the books of account and necessary Revaluation Reserve was also created as on date of the Balance Sheet.

Depreciation on enhanced value of the building property on account of revaluation made during the year was provided and depreciation was charged off to Revaluation Reserve.

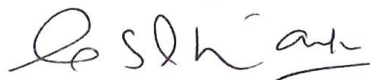
22) Income Tax:

An Income-tax demand of Rs.91,20,013/- for the assessment year 2006-2007 by Asst. commissioner of Income-tax, Circle-4 (1), Visakhapatnam vide Assessment Order dt.31.12.2009 by disputing deduction claim u/s 80P (4) of the income-tax Act, 1961. Bank has preferred an appeal before, the Commissioner of Income-tax (Appeals), Visakhapatnam by disagreeing the grounds of assessment accordingly and paid the same under protest. However, the bank made provision to that extent.

M/s. G. Sitaramareo & Co.,
Chartered Accountants
ICAI Regn.No: 003876S

Place: Visakhapatnam
Date: 21.04.2023

UDIN: 23206177BGVFRE7307



(CA. G. Srikanth)
Partner
Membership No. 206177

For The Dist. Coop. Central Bank Ltd
Visakhapatnam


Chief Executive Officer