Annexure – I

SCHEDULE – 17: SIGNIFICANT ACCOUNTING POLICIES

SIGNIFICANT ACCOUNTING POLICIES ON THE STANDALONE FINANCIALSTATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2022

[1] (a) Basis of Preparation:

The financial statements have been prepared under the historical cost convention, on the accrual basis of accounting on going concern basis, unlessotherwise stated. They conform to Generally Accepted Accounting Principles (GAAP) in India, which comprises statutory provisions, regulatory norms / guidelines prescribed by Reserve Bank of India (RBI),Banking Regulation Act – 1949, Accounting Standards/ guidance notes issued by the Institute of Chartered Accountants of India (ICAI) and the practices prevalent in thebanking industry in India.

(b) Use of Estimates:

The preparation of financial statements requires the management to make estimates and assumptions that affect the reported amount of assets, liabilities, expenses, income and disclosure of contingent liabilities as at the date of the financial statements. Management believes that these estimates and assumptions are reasonable and prudent. However, actual results could differ from estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods unless otherwise stated.

[2] Investments

3.1. *Classification of investments is made as per the guidelines of the RBI. The entire investment portfolio of the bank is classified under three categories viz. 'Held to Maturity' (HTM), 'Available for Sale' (AFS) and 'Held for Trading' (HFT). Such classification is decided at the time of acquisition of securities.*

Investments are disclosed in the Balance Sheet under six classifications viz:
(a) Government securities (b) Other approved securities (c) Shares (d) Debentures & Bonds (e) Subsidiaries and Joint Ventures & Associates and (f) Others.

3.2. *In determining the acquisition cost of investment:-*

(a) Cost such as brokerage, commission etc., relating to securities at thetime of purchase are charged to Profit & Loss Account.

(b) Broken period interest on debt instruments up to the date ofacquisition / disposal is treated as revenue.

3.3 *The valuation of Investments is done in accordance with the guidelines issuedby the RBI as under:*

a) HELD TO MATURITY

Investments under Held to Maturity category are carried at acquisition cost, net of amortisation, if any. The excess of acquisition cost, if any, over the face value is

KARNATAKA VIKAS GRAMEENA BANK H.O. DHARWAD ACCOUNTS

ABARNA & ANANTHAN FRN No 000003S BANGALORE *amortized over the remaining period of maturity.*

b) AVAILABLE FOR SALE

Investments classified under this category are mark to market on quarterly basis and valued as per Reserve Bank of India guidelines at the market rates available on the last day of each quarter (Balance Sheet date) from trades/quotes on the stock exchanges, prices/yields declared by the Fixed Income Money Market and Derivatives Association of India (FIMMDA). Unquoted securities are also valued as per the Reserve Bank of India guidelines.

The net depreciation under each category/classification is fully provided for whereas the net appreciation, if any, is ignored. The book value of the individual securities does not undergo any change after these are valued at mark to market basis.

c) HELD FOR TRADING

Investments classified under this category are valued at rates based on market quotations, price/yields declared by FIMMDA on a weekly basis.

The net depreciation under each security held is fully provided for whereas the net appreciation, if any, is ignored. The book value of the individual securities does not undergo any change after marked to market.

3.4. Transfer of scrips from one category to another is carried on the following basis:

(a) HTM to AFS/HFT category at acquisition price/book value. In case the investments under HTM category, originally placed at premium than the transfer is made at amortised cost and security shall be immediately revalued consequent to the transfer and resultant depreciation; if any, shall be provided.

(b) AFS/HFT to HTM category at lower of the book value or market value.

(c) AFS to HFT category or vice versa, at the carrying value. The accumulated depreciation, if any, to be transferred to the provision for depreciation against HFT securities and vice versa.

3.5. Non performing Investments Security Receipts issued by Securitisation / Reconstruction Company (SC/RC) in respect of financial assets sold by the

KARNATAKA VIKAS GRAMEENA BANK H.O. DHARWAD ACCOUNTS

ABARNA & ANANTHAN CHARTERED ACCOUNTANTS FRN No 000003S BANGALORE

Bank to the SC/RC are valued at the lower of the redemption value of the Security Receipt and the Net Book Value of the financial asset. The Investment is carried in the books at the price determined as above until its sale or realisation and on such sale or realisation, loss or gain is dealt with asbelow:

(a) *If sale is at a price below Net Book Value (NBV), the shortfall is recognised asper Reserve Bank of India guidelines.*

(b) *If the sale is for a value higher than NBV, the excess provision is not reversedbut utilized to meet shortfall/loss on account of sale of other financial assetsto SC/RC.*

3.6. *Securities included in any of three categories where interest/principal is in arrears for a specified period, are classified as Non performing Investment. Interest Income on such securities is not reckoned and appropriatedepreciation/provision in value of Investments is made. Deprecation in respect of such Non Performing Investments is not set off againstappreciation in other performing securities.*

3.7. *Profit on sale of Investments*

Profit on sale of Investments in respect of "Available for Sale" and "Held for Trading" categories is recognized in Profit & Loss Account.

Profit on sale of Investments in respect of "Held to Maturity" category is first taken to the Profit & Loss Account and an equivalent amount of Profit is appropriated to the Capital Reserve (net of taxes and amount required to be transferred to Statutory Reserve).

Loss on sale of Investments in all the three categories is recognized in Profit & Loss Account.

3.8. *Accounting for Repo/Reverse Repo and Liquidity Adjustment Facility (LAF)*

Securities sold/purchased with an agreement to repurchase/resale on the agreed terms under Repo/Reverse Repo including LAF with RBI are recognized as Borrowing/Lending.

Securities sold under Repo are continued to be shown under investments andSecurities purchased under Reverse Repo are not included in investments. Costs and revenues are accounted for as interest expenditure / income, as thecase may be.

[3] *ADVANCES*

5.1 *Advances are classified as performing and non-performing assets in accordance with the prudential norms issued by RBI.*

5.2 *Advances are classified into Standard, Sub Standard, Doubtful and Loss assetsborrower wise.*

5.3 *Provisions for domestic advances are made for performing/non -performing advances in accordance with the RBI Guidelines.*

5.4 *Advances stated in the Balance Sheet are net of provisions made for Non Performing Assets, claims received from Credit Guarantee Institutions and rediscount.*

KARNATAKA VIKAS GRAMEENA BANK H.O. DHARWAD ACCOUNTS

ABARNA & ANANTHAN CHARTERED ACCOUNTANTS FRN No 000003S BANGALORE

Recoveries in Non Performing Advances are apportioned first towards charges and Principal thereafter towards Interest. Recovery in NPA accounts which are settled under OTS, and which are Prudentially / Technically Written off including Accounts covered by Government Guarantees / Subsidy where the recoveries are adjusted as per the terms of the respective settlement.

5.5 *In addition to the specific provision on NPAs, general provisions are also made for standard assets as per extant RBI Guidelines.*

[4] Fixed Assets

6.1. *The premises of the Bank include freehold properties. All the Fixed Assets are capitalized based on the date of put to use.*

6.2. *Land and Premises are stated at revalued cost and other fixed assets are stated at historical cost.*

Depreciation policy for Revalued assets:

a) *The appreciation on revaluation shall be credited to Revaluation Reserve.*
b) *Depreciation on the revaluation reserve as well as on the original cost of the asset shall be on Straight Line Method (SLA).*
c) *The deprecation on the original cost of the asset shall be debited to Profit and Loss Account and on the re-valued portion shall be debited to Revaluation Reserve.*
d) *The entire amount under Revaluation Reserve shall be adjusted towards deprecation over the economic useful life of the assets.*

[5] Depreciation

7.1 *Depreciation method is on Straight Line Method, for all Assets based on life span of the assets.*

7.2 *The life span of the assets is defined as per Part C Schedule II of the Companies Act, 2013* other than Software/ Intangibles, Servers, Electrical Equipments and Motor Vehicles.

7.3 *Estimated life span of the assets adopted by the bank for different class of assets is as under:*

Sl No	Type of asset	Estimated life span
i	Free hold Buildings	60 Years
ii	A) Lease hold Land	NIL
	B) Lease hold Building	NIL.
ii	Furniture & Fixtures	10 Years
iii	A) Electronic Equipment: Televisions, Projectors, CD, Security Gadgets like CCTV Access Control System, Fire Alarm System, Time locks etc.,	5 Years
	B) Electrical Fittings: Fans, Air ventilators, Tube light fittings, Glow/Neon sign boards, etc.	10 Years
	C) Other Equipment: Note counting machines, Jewel weighing machines, UV Lamps, Water purifiers, Inverters, Photo copier, Air conditioners, Gererators, Inverters, etc	7 Years
iv	Computers and Servers	3 Years
v	Motor Vehicles	5 years

The change in rates (based on life span) of depreciation is applied effectivefrom 01-04-2017.

7.4 *Software/Intangible Assets are amortized over 3 years.*

7.5 *Depreciation on any additions during the year to fixed assets is provided on a pro rata basis from the date of such addition/ acquisition.*

7.6 *5% of the Original cost price will be residual value in case of the assets having useful life of more than 5 years. No residual value reckoned for asset having a useful life of 5 years or below.*

[6] *Impairment of Assets*

An assessment is made at each balance sheet date whether there is any indication that an asset is impaired. If any such indication exists, an estimate of the recoverable amount is made and impairment loss, if any, is provided forand charged off to Profit and Loss Account.

[7] *Revenue Recognition*

9.1. *Income and expenditure are generally accounted on accrual basis, except the following:*

a) *Interest on Non-Performing advances and non performing investments is recognized on receipt basis as per norms laid down by Reserve Bank of India.*

Interest on Overdue Bills, Commission, Exchange, Brokerage, Government business, dividend is accounted on realization. Income from Commission for BG and rent on lockers is recognized on pro-rata basis.

b) *In case of suit filed accounts, related legal and other expenses incurred are charged to Profit & Loss Account and on recovery the same are accounted as Income.*

[8] *Employee Benefits*

10.1 *Defined Contribution Plans*

Defined Contribution to Plans such as Provident / Pension fund are recognized as an expense and charged to Profit & Loss account.

The employees joined the Bank on or after 01-04-2010 are covered under New Pension Scheme (NPS) , which is a defined contribution Pension Scheme. Under NPS, the covered employees contribute 10% of their basic pay plus dearness allowance to the NPS scheme together with a contribution from the Bank equivalent to 10% of the basic pay plus dearness allowance. The Bank recognizes such annual contributions as an expense in the year to which they relate.

10.2 *Defined Benefit Plans*

a. *Gratuity: The employee Gratuity Fund Scheme is funded by the Bank and managed by Life Insurance Corporation of India.*

b. *Pension: The employee Pension Fund Scheme is funded by the Bank and managed by a separate trust. The present value of the Banks obligations under*

KARNATAKA VIKAS GRAMEENA BANK H.O. DHARWAD ACCOUNTS

ABARNA & ANANTHAN FRN No 000003S BANGALORE

Pension is recognized on the basis of actuary's report as at the yearend and the fair value of the Plan assets is reduced from the gross obligation to recognize the obligation on a net basis.

c. *The privilege leave is considered as a long term benefit. It is funded by the Bank and managed by Life Insurance Corporation of India.*

10.3 The cost of providing long term benefits under defined benefit Plans is determined using the projected unit credit method with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains/ losses are immediately recognized in the Profit and Loss Account and are not deferred.

[9] Provision for Taxation

a) *Income tax expense is the aggregate amount of current tax and deferred tax expense incurred by the Bank. The current tax expense and deferred tax expense are determined in accordance with the provisions of theIncome Tax Act, 1961 and as per Accounting Standard 22 – "Accounting for Taxes on Income" respectively.*
b) *Deferred Tax adjustments comprises of changes in the deferred tax assets or liabilities during the year. Deferred Tax assets and liabilities arising on account of timing differences and which are capable of reversalin subsequent periods are recognized using the tax rates and laws that have been enacted or substantively enacted as of the balance sheet date.The impact of changes in deferred tax assets and liabilities is recognised in the profit and loss account.*
c) *Deferred tax assets are recognised and re-assessed at each reporting date, based upon management's judgment as to whether their realisation is considered as reasonably certain or Virtual certain as the case may be.*
d) *Deferred Tax Assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised againstfuture profits. Deferred tax assets on the items other than above are recognized on the basis of reasonable certainty.*

[10] Net Profit

The Net Profit in the Profit & Loss Account is after:
(a) Provision for depreciation on Investments
(b) Provision for Taxation
(c) Provision on Non Performing Advances
(d) Provision on Standard Assets
(e) Provision for Non-Performing Investments.
(f) Provision for other usual & necessary Items

12.1 Provisions, Contingent Liabilities and Contingent Assets

I. *In conformity with AS 29, "Provisions, Contingent Liabilities & Contingent Assets" issued by the Institute of Chartered Accountants Of India, the bank recognizes provision only when :*

a. *It has a present obligation as a result of past event.*

b. *it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and*

c. *A reliable estimate of the amount of the obligation can be made.*

KARNATAKA VIKAS GRAMEENA BANK H.O. DHARWAD ACCOUNTS

ABARNA & ANANTHAN CHARTERED ACCOUNTANTS FRN No 000003S BANGALORE

No provision is recognized:

a. *For any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the bank.*

b. *Where it is not probable that an outflow of resources embodying economicbenefits will be required to settle the obligation or*

c. *When a reliable estimate of the amount of obligation cannot be made.*

Such obligations are recorded as Contingent Liabilities. These are assessed at regular intervals and only that part of the obligation for which the outflow of resources embodying economic benefits is probable, is provided for, except in the extremely rare circumstances where no reliable estimate can be made.

II. *Contingent Assets are not recognized in the financial Statements.*

[11] Earning Per Share

The Bank reports basic and diluted Earnings Per Share in accordance with AS - 20 "Earnings Per Share", issued by ICAI. Basic Earnings Per Share is computed by dividing the net profit after tax attributable to equity shareholders by the weighted average number of equity shares outstanding for the Year.

[12] Cash Flow Statement

Cash flow Statement is reported by using indirect method.

[13] Segment Reporting

The Bank recognizes the business segment as the primary reporting segment and geographical segment as the secondary reporting segment in accordance with the RBI guidelines & in compliance with AS-17 issued by ICAI.

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