

संशोधित एक्सपोजर ड्राफ्ट
REVISED EXPOSURE DRAFT
संशोधित आईजीएस-3: एकाउंटिंग आफ लोन्स एंड एडवान्सेस
Modified IGAS-3: Accounting of Loans & Advances

जारी करने की तिथि 01 मई 2019

Issued on 01 May 2019

प्रतिक्रिया देय तिथि 31 मई 2019

Response Due Date 31 May 2019

टिप्पणियों हेतु जारीकर्ता

Issued for comments by

सरकारी लेखाकरण मानक सलाहकार बोर्ड (गसब)

GOVERNMENT ACCOUNTING STANDARDS ADVISORY BOARD (GASAB)

MODIFIED Exposure Draft IGAS 3: Accounting of Loans and Advances

The Indian Government Accounting Standards, (IGAS) 3- "Accounting of Loans and Advances". prescribes the principles of accounting of Loans and Advances made in the Financial Statements of Government.

The Standard, which has been set in italic type, should be read in the context of the explanatory paragraphs in this Standard, which are in plain type and in the context of the "Preface to Indian Government Accounting Standards". All the paragraphs have equal authority.

Introduction

1. The Union Government provides financial assistance to the State Governments (under Article 293, clause (2) of the Constitution of India) and Union Territories with Legislature, a substantial portion of which is in the form of loans. Loans are also provided by the Union Government to Foreign Governments, Government companies, Autonomous Bodies, Co-operative Institutions, Statutory Corporations, Non-Government institutions, Local bodies etc. The Union Government also disburses recoverable advances to Government servants.
2. The State Governments and Union Territories with Legislature similarly disburse loans to Government Companies, Corporations, Local Bodies, and other entities. The State Governments also disburse recoverable advances to Government Servants.
3. Loans and Advances are forms of monetary assistance provided by government to another entity generally under a contract which specifies, among other things, the principal amount of money lent, the interest, if any, to be charged, whether any security is obtained and date of repayment of the principal and interest. Loans and advances are for specific purposes and can be given in either entirely as a one-time amount or through a series of installments.
4. The disclosures prescribed in this Standard are expected to lead to a more informed decision making, inter alia:
 - i. by avoiding duplication of loans for the same purposes by the government;
 - ii. by providing information on the extent and type of loan given to individual entities, their utilisation and the interest charged;
 - iii. by making readily available information on arrears pertaining to different entities and information in cases where fresh loans have been given despite arrears alongwith reasons therefor;

- iv. by providing information on loanee entities availing loans in perpetuity;
- v. by disclosing information on loans given where terms and conditions are yet to be decided;
and
- vi. by providing information on quantum of subsidy given to meet the interest burden.

Objective

- 5. The objective of the Standard is to lay down the principles for recognition, measurement, derecognition and disclosure in respect of Loans and Advances made by the Union, State Governments and the Union Territories with Legislature, in their respective Financial Statements.

Scope

- 6. This Standard applies to all loans and advances given by Union Government, State Governments and Union Territories with Legislature.

Definitions

- 7. In this Standard, unless the context otherwise requires-

- 7.1. *Accounting Authority* is the authority which prepares the Financial Statements of the Governments;
- 7.2. *Accounting Period* means the period covered by the Financial Statements;
- 7.3. *Advances* are loans made to Government servants only;
- 7.4. *Book Value of a loan* means the net amount of a loan which the loanee entity owes to the government reflecting the amount of loan disbursed along with subsequent decreases due to repayments/ write-offs/conversions or increases during the year;
- 7.5. *Financial Statements* means the Annual Finance Accounts of the Union Government, the State Governments and UTs with Legislature;
- 7.6. *Loanee Entity* is an entity in whose favour a loan or an advance is sanctioned and disbursed by the Government e.g. Foreign Government, State, Union Territory with Legislature;
- 7.7. *Loanee Group* consists of a group of loanee entities of similar nature and characteristics e.g. Universities, Municipal Bodies, Housing Boards etc;
- 7.8. *Loan in perpetuity* is a monetary assistance to be serviced only by way of payment

of interest;

7.9. **Loans** are monetary assistance by the Governments to entities by providing money to the loanee entity through a contractual right to obtain repayment of equivalent moneys towards principal along with interest thereon, if any, as per relevant terms and conditions.

7.10. **Short Term loan** is a loan given for a period of less than twelve months from the date of disbursement of loan.

7.11. **Long Term Loan** is a loan other than a short term loan.

7.12. **Sector** is a grouping of specific functions or services as per the 'List of Major and Minor Heads of Account of Union and States';

7.13. **Secured loan**¹ is loan backed or secured by an asset;

7.14. **Unsecured loan** is a loan other than secured loans

7.15. **Write-off** is remission or waiver of a loan, owing to its irrecoverability or otherwise by a competent authority.

Recognition

8. A loan shall be recognized by the disbursing entity from the date the money is actually disbursed and not from the date of sanction. If a loan is disbursed in installments then each installment shall be treated as a separate tranche for the purpose of repayment of principal and payment of interest, except where the competent authority specifically allows consolidation of the installments into a single loan.

9. An advance shall be recognized by the disbursing entity from the date the money is actually disbursed and not from the date of sanction. If the advance is disbursed in installments, then each installment shall be treated as a part of the same advance allowing consolidation of the installments into a single advance at the end of the concerned financial year for the purpose of repayment of principal and payment of interest.

10. Assumption of loan arising due to invocation of guarantee given by the government shall be treated as disbursement of loan, unless otherwise so specified, on the date of payment of cash to the original creditor.

¹ Rule 255 of GFR 2017

Measurement

11. *Loans and advances shall be initially measured by Government at amount of cash disbursed for the purpose of accounting. Subsequently, the initial amount of loans and advances shall be adjusted by increase during the year/ repayments/ conversions /write-offs, if any, during the accounting period to arrive at the closing balance.*
12. *While the interest due is not recognized in the accounts, for the purpose of disclosures, as hereinafter prescribed, interest on loans and advances shall be computed from the date the interest becomes due.*
13. *Interest on loans and advances shall be calculated using declining balance method² according to which the interest is calculated at periodic intervals on the amount of the principal not yet repaid³ for the remaining term of the loan or as per extant rule of the government.*
14. *In case of assumption of loan arising due to invocation of Guarantee, the loan shall be measured at the amount paid to fulfill the guarantee obligation.*

Derecognition

15. *A loan or advance shall be derecognized when it is fully discharged by way of payment of all dues thereby leading to a reduction in the outstanding amount of loan/advance.*
16. *A loan or part thereof, waived or written off, shall be derecognised on the date of waiver or write off, by the competent authority and shall lead to a reduction in the outstanding loan amount. The loan waived or written off is transferred from the functional revenue expenditure head with commensurate reduction in the functional loan heads .*
17. *A loan converted into grant/ equity shall be derecognised on the date of effect of accounting transaction for conversion by the competent authority and shall lead to a reduction in the outstanding loan amount.*

Disclosure

18. *The Financial Statements of the Governments shall disclose a summary of loans and advances, separately for principal and interest⁴, at the beginning and end of the accounting period showing increase during the year/ repayments/ derecognition including conversions/ write-*

² Rule 251 (2) of GFR 2017

³ Rule 252(2) of GFR 2017

⁴ The amount of interest shall be obtained from the loan registers/ broadsheets

offs, if any :

- i. to a Foreign Government, State or Union Territory with Legislature as loanee entities and loanee groups in case of others. If the loan to an entity/entities in case of 'others' is 10% or more of the total loan disbursed during the year, the grantor shall disclose it entity-wise.*
- ii. to the different sectors viz., Social services, Economic Services, Government servants, etc.*

19. The Financial Statements of the Governments shall disclose a summary of loans in arrears (due but not paid) for Foreign Government, State and Union Territories with Legislatures as loanee entities and loanee groups in case of others at the end of the accounting period showing-

- a) arrears of the principal and interest separately, along with the earliest period to which it relates; and*
- b) loans disbursed during the year to the above entities along with reasons for such disbursements despite arrears.*

20. In cases of re-structuring or re-scheduling of loans, the re-structured/ rescheduled loan amount would not be considered in arrear and should be disclosed as part of disclosures under paragraph 18 above. Such loans thereafter would be governed by the revised terms and conditions. These loans would be treated in arrear if and when, there is a default⁵ of repayment of principal and/or of interest with reference to revised terms and conditions and thereafter be reflected as arrears along with the disclosures required in paragraph 19.

21. The Financial Statements of the Government shall disclose the details on Loans & Advances

- i. Major and Minor Head-wise; and*
- ii. granted by the government but the terms and conditions are yet to be decided, in case of State and Union Territory with Legislature as loanee entities and loanee groups in case of others with the number of such loans, total amount and the earliest period to which the loans relate.*

22. The following shall be disclosed by way of Notes:

- i. loans to wholly-owned Government Companies, wherever a written undertaking⁶ to the*

⁵ Rule 258 of GFR 2017

⁶ Rule 254 of GFR 2017

effect that the fixed assets of the company shall not be hypothecated without prior approval of the Government has not been obtained;

- ii. amount of unsecured loans;*
- iii. loan amounts in respect of moratorium⁷ granted, if any, along with the period;*
- iv. the amount of subsidy⁸, if any, to meet the expenditure towards interest charged (to grant loan at a concessional rate of Interest⁹); and*
- v. non-receipt of Utilisation Certificate¹⁰ for previous loans granted, if any.*

Presentation

23. The Statements specified in the Annexure shall be presented as Appendices to the financial statements of the Union Government, the State Governments and UTs with Legislature.

Effective date

24. This Modified Indian Government Accounting Standard becomes effective for the Financial Statements beginning on or after post notification of the Standard by the Government.

⁷ Rule 252(3) of GFR 2017

⁸ Rule 253(1) of GFR 2017

⁹ Rule 258 (3) (i & ii) of GFR 2017

¹⁰ Rule 256 of GFR 2017

Annexure

1. The Statement on Summary of Loans and Advances by the Government shall be as under:

Section 1: Summary on Loans and Advances Loanee Entity-wise in case of Foreign Governments, States & UTs with Legislature and Loanee Group-wise in case of Others

(In lakhs of rupees)

Loanee Entity (in case of Foreign Governments/States & UTs)/ Loanee group in case of Others	Balance on 1.4.20...		Addition during the year	Repayments during the year		Balance on 31.3.20...		Net Increase (+)/ Decrease(-)		Write off/conversion	
	Prin cipal	Intere st	Disbursement of Principal	Prin ci pal	Inte rest	Prin ci pal	Intere st	Prin cipa l	Interest	Principa l	Interest
1	2	3	4	5	6	7	8	9	10	11	12
Foreign Government Entity											
State entity											
UT with Legislature entity											
Other loanee group											

Note: The disclosures specified under paragraph 22 shall be made as notes to this section of the statement.

Section 2: Statement on Summary of Sector-wise Loans

(In lakhs of rupees)

Sector	Balance on 1.4.20...		Addition during the year	Repayments during the year		Balance on 31.3.20...		Write-off /conversion	
	Principal	Interest	Disbursement of Principal	Principal	Interest	Principal	Interest	Principal	Interest
1	2	3	4	5	6	7	8	9	10

Section 3: Statement on Summary of Loans in Arrears-Loanee Entity and Loanee Group-wise

(In lakhs of rupees)

Loanee Entity (in case of Foreign Government, States & UTs)/Loanee group in case of Others	Amount of arrears as on 31.3.20....			Earliest period to which arrears relate	Loans disbursed during the year	Reasons for disbursement during the year despite arrears
	Principal	Interest	Total			
1	2	3	4	5	6	7
Foreign Governments						
State						
Union Territory with Legislature						
Other Loanee Group						

2. The Detailed Statement of Loans and Advances by the Government shall be as under:

Section 1: Detailed Statement on Loans and Advances by the Government Major and Minor Head wise

(In lakhs of rupees)

Major Head	Minor Head	Balance on 1.4.20...		Addition during the year	Repayments during the year		Net Increase (+)/ Decrease(-)		Balance on 31.3.20...		Write-off /conversion	
		Principal	Interest	Disbursement of Principal	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
1	2	3	4	5	6	7	8	9	10	11	12	13

Section 2: Detailed Statement on Loans where terms and conditions are yet to be settled¹¹

(In lakhs of rupees)

Loanee entity	Number of loans	Total amount	Earliest period to which the loans relate	Remarks
1.	2.	3.	4.	5.
State				
Union Territory with Legislature				
Other Loanee group				

¹¹ Including Loans in Perpetuity