



# ಕರ್ನಾಟಕ ರಾಜ್ಯ ಹಣಕಾಸು ಸಂಸ್ಥೆ

1951ರ ರಾಜ್ಯ ಹಣಕಾಸು ಸಂಸ್ಥೆಗಳ ಕಾಯಿದೆ ಅನ್ವಯ ಸ್ಥಾಪಿತ

## KARNATAKA STATE FINANCIAL CORPORATION

Established under the State Financial Corporation Act, 1951

ಸಂಖ್ಯೆ : ಕ.ರಾ.ಹ.ಸಂ./ಪ್ರ.ಕ./

Ref. No. KSFC/HO/

MD/AGM(C)/1636/2023

ದಿನಾಂಕ : 11.09.2023

Date

CIRCULAR NO. 1032

Sub: Policy on writing back of prudentially written off accounts.

The Corporation has been prudentially writing off loans classified as Doubtful-II and Doubtful-III for claiming income tax benefits under Sec.36(1)(vii) of the Income Tax Act, 1961. Such accounts are maintained separately outside the regular loan book and all recovery measures to recover the dues are continued.

There is a possibility of some of these accounts being upgraded to standard category because of satisfactory repayment record and some of such borrowers may approach the Corporation for additional loans. If additional loan is sanctioned to any of such borrowers, the Corporation cannot keep earlier prudentially written off accounts outside the books and the new loan sanctioned in the main loan book as per the IRAC norms.

The prudential write off is only an internal matter and as far as the borrower is concerned, Corporation has to extend the benefit of upgradation of loan account and extend further loans as per norms if such borrower approaches for additional loan after the account is upgraded to standard category.

Hence, a note was placed before the Board of Directors of the Corporation in its meeting held on August 08, 2023 seeking its approval for a draft policy on writing back of prudentially written off accounts. After deliberations, the Board approved the following policy:

- The prevailing asset classification norms shall be applied for the prudentially written off accounts as well on par with the loan accounts which are in regular loan book.
- At the time of finalization of accounts in each year, the loan schedule of prudentially written off accounts shall be reviewed. If an account which is in prudentially written off schedule is upgraded to standard category during the year, the effect for such up-gradation shall be given after passing closing entries by passing reversal entries for the outstanding balances in the loan account as on 1<sup>st</sup> of April for writing back the account to regular loan book at HO level. In other words, recovery made during the financial year from such a prudentially written off account shall be considered as bad debt recovery and the balances as on 1<sup>st</sup> of April will be brought to regular loan book. Necessary instructions will be given to the concerned branches for passing of journal entries if any of the prudentially written off accounts stands upgraded to standard category at the end of a financial year.

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- c) The list of accounts which were in prudentially written off Doubtful-II category slipped further to prudentially written off Doubtful-III category during the year, if any, shall be prepared and effect shall be given for change in status code from prudentially written off Doubtful-II schedule to prudentially written off Doubtful-III schedule with effect from 31<sup>st</sup> of March of each financial year at HO level.
- d) The list of accounts upgraded from prudentially written off schedule to standard category, and the accounts downgraded from prudentially written off Doubtful-II category to prudentially written off Doubtful-III category each year shall be maintained.
- e) The additional loan requirement, if any, for any of the prudentially written off accounts upgraded to standard category, shall be considered for sanction only after ensuring that the loan account is in standard category and appearing in regular loan schedule. No additional loan shall be sanctioned to a loan account until it is in prudentially written off status.
- f) The information pertaining to writing back /withdrawal of prudentially written off accounts (such as number of accounts/units and aggregate loan outstanding) shall be disclosed under Notes to Accounts in the Annual Report every year. The details of such accounts written back shall be placed for information of the Audit Committee and Board of Directors every year.

The above policy comes into force with immediate effect. The contents of this circular shall be brought to the notice of all the concerned in your office/department.

  
MANAGING DIRECTOR

To

All the Branch Offices/ IA cells  
All the Heads of Departments at HO  
All the General Managers  
HoD (IA) & HoD(IT & MIS)