Circular No: 86-2009-BC-ITD
Date: 22 – 04 – 2009

ANDHRA PRAGATHI GRAMEENA BANK
HEAD OFFICE: KADAPA

Procedure for appropriation of recoveries to NPA accounts under OTS settlement

Attention of the branches is invited to the captioned subject. Branches are advised to bring manual NPAs in to system and the procedure to implement the NPA module in the TBM system is given in the following circulars:

   Procedure to change loan accounts to NPA status automatically by the system

   Procedure to enter manual NPAs in to system.

   Classification of NPAs in TBM

Repayment received in case of normal NPAs shall be appropriated in the order of Expenses, Interest and then Principal. The voucher entry activity shall be “CR(CREDIT)” in case of Overdraft type accounts (including PKCC accounts) and “INSTLPAY (INSTALLMENT)” in case of other Loan accounts. In case of Overdraft type accounts (including PKCC), while punching credit voucher branches should enter total amount of recovery in “Amount” field and out of the total amount of recovery, the interest portion in “Un Applied Int” field. For ready reference, System will display the un-realised amount outstanding in the loan account at the right cell of “Un Applied Int” filed. In case of Loan type accounts there is no such need.

In case of repayment received for NPA accounts where OTS has been sanctioned, the repayment received shall be appropriated first towards Principal, then to Expenses and remaining to Interest. Since a portion of amount is waived under OTS the voucher entry activities shall be changed basing on the amount of waiver.

The procedure to appropriate recoveries to NPA accounts under various OTS settlement options is given in Annexure.

System itself will take care of Un-realised Interest transaction in NPA accounts operations. Branches should not punch vouchers directly to 14401 & 14901 (i.e., UNREALISED INTEREST ON NPAs) Products.

Branches are advised to go through the procedure and adopt the same without any deviation.

Clarifications required, if any, in this regard may be sought from Head Office, IT department through their respective Regional Offices.

(M.JAI PRAKASH)
CHAIRMAN

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ANNEXURE

Procedure for closing of NPA accounts under OTS settlement

The NPA account outstanding balance contains unrecovered Interest under product codes “14901/<<Loan Product>>” and “14401” (Unrealised Interest on NPAs contra) and book-balance in parent account. In case of OTS settlements the branches shall waive a portion or entire Interest amount and waive a portion of book-balance also. As and when the OTS proposal is sanctioned from the competent authority and credit is received, branches should invoke the following options to close the account.

Branches should initially verify the particulars of pending charges, if any, in the following option.

NPA → Pending NPA Charges

If any amount is found pending, branches should book the amount to the loan account through “LNPACHCR” (NPA CHARGES CREDIT) activity in Transfer batch as per Annexure III of Circular No. 33 – 2009 – BC – ITD dated 24-02-2009 and square off the pending charges amount.

I) A Part of Interest Receivable is waived:

The procedure is different in case of normal loan accounts and Overdraft/PKCC accounts.

a) For Overdraft type accounts (including PKCC):

- Branches should credit the OTS amount with “CR” activity. While entering the amounts, branches should enter total OTS amount in “Amount” field and difference between OTS amount and book-balance (which is the difference between Un-realised Interest and Interest waived) in “Un Applied Int” field. System will generate the following two credit vouchers.

i) “14901/<<Product Code>>” for difference amount between OTS amount and book-balance

ii) “<<Loan Account Number>>” for book-balance

- Branches should debit the amount of Interest portion waived under OTS settlement in “Transfer” batch to “Interest on Loans (561 – 19101)” product and credit to the loan account with “CR” activity. While crediting the amount, branches should enter amount of Interest portion waived only in both “Amount” field and in “Un Applied Int” fields. System will generate the following vouchers for the amount.

Debit: 561 – 19101 Credit: 14901/<<Product Code>>
• Branches should now close the account in “Transfer” batch with “ACTCLOSE (Acct Close)” activity. The system will debit up to date interest to loan account and credit the same to Interest on Loans (561 – 19101) account.

• Branches should debit the amount of Interest debited under account closure activity to “Interest on Loans (561 – 19101)” product and credit the same to the loan account with “CR” activity.

Debit: 561 – 19101  
Credit: <<Loan account Number>>

Branches should ensure that the outstanding balance in the loan account becomes ZERO.

b) For other Loan accounts:
Branches should close the account in “Transfer” batch with “LNCLOSE” activity. The system will debit up to date interest to loan account and credit to Interest on Loans (561 – 19101) account.

Add the Interest amount debited in account closure option to amount of Interest waived and punch the following vouchers in “Transfer” batch for the amount so arrived.

Credit: “Respective NPA Loan Account” with “INSTLPAY (INSTALLMENT)” activity.

Even though the respective loan account number is given for credit option the system itself will punch credit voucher for”14901/<<Loan Account>> (Un-realised Interest on NPAs)” i.e, the waived amount of Interest portion is reversed. The system will itself punch contra voucher for “14401 (Un-realised Interest on NPAs)” at day-end. Hence branches need not punch vouchers for “14401 (Un-realised Interest on NPAs)” product. Get authorised all the transfer vouchers of the transactions.

If the OTS amount is received in cash, credit the amount in cash batch to respective NPA account with “INSTLPAY (INSTALLMENT)” activity.

If the settlement is through transfer of funds from other account, initially debit the account from which the funds are transferred and later credit to NPA account with “INSTLPAY (INSTALLMENT)” activity.

The “INSTLPAY (INSTALLMENT)” activity will punch vouchers for”14901/<<Loan Account>> (Un-realised Interest on NPAs)” rest of the interest portion and to loan account for book-balance amount.
Get authorised the vouchers.

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II) **Total Interest Receivable is waived:**

a) **For Overdraft type accounts (including PKCC):**

- Branches should credit the amount of OTS settlement (i.e., Book-Balance) with “CR” activity. While entering the amounts, branches should enter total OTS amount in “Amount” field and keep blank the “Un Applied Int” field. The Voucher will be

  
  “<<Loan Account Number>>” for book-balance

- Branches should debit the amount of Interest in “Transfer” batch to “Interest on Loans (561 – 19101)” product and credit the same to the loan account with “CR” activity. While crediting the amount, branches should enter the amount in both “Amount” field and in “Un Applied Int” fields. System will generate the following vouchers for the amount.

  Debit: 561 – 19101  
  Credit: 14901/<<Product Code>>

- Branches should now close the account in “Transfer” batch with “ACTCLOSE (Acct Close)” activity. The system will debit up to date interest to loan account and credit to Interest on Loans (561 – 19101) account.

- Branches should debit the amount of Interest debited under account closure activity to “Interest on Loans (561 – 19101)” product and credit the same to the loan account with “CR” activity.

  Debit: 561 – 19101  
  Credit: <<Loan account Number>>

b) **For other Loan accounts:**

Branches should close the account in “Transfer” batch with “LNCLOSE” activity. The system will debit up to date interest to loan account and credit to Interest on Loans (561 – 19101) account.

Add the Interest amount debited in account closure option to existing outstanding Interest and punch the following vouchers for the amount so arrived.

Credit: “Respective NPA Loan Account” with “INSTLPAY (INSTALLMENT)” activity.

Even though the respective loan account number is given for credit option the system itself will punch credit voucher for “14901/<<Loan Account>> (Un-realised Interest on NPAs)” i.e, the Interest portion is reversed.

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Get authorised all the transfer vouchers of the transactions.

If the OTS amount is only book-balance and is received in cash, credit the amount in cash batch to respective NPA account with “INSTLPAY (INSTALLMENT)” activity.

If the settlement is through transfer of funds from other account, initially debit the account from which the funds are transferred and later credit to NPA account with “INSTLPAY (INSTALLMENT)” activity.

Get authorised the vouchers.

III) Entire Interest amount is waived and a part of book-balance is written off:

a) For Overdraft type accounts (including PKCC):
   - Branches should credit the OTS amount with “CR” activity. While entering the amounts, branches should enter total OTS amount in “Amount” field and keep blank the “Un Applied Int” field.

   - Branches should debit the amount of Interest in “Transfer” batch to “Interest on Loans (561 – 19101)” product and credit the same to the loan account with “CR” activity. While crediting the amount, branches should enter the amount in both “Amount” field in “Un Applied Int” fields. System will generate the following vouchers for the amount.

     Debit: 561 – 19101
     Credit: 14901/<<Product Code>>

   - Branches should raise DrIBA for the balance amount of book balance by debit to Branch Adjustment account and credit the amount to the loan account with “CR” activity in Transfer batch.

   - Branches should now close the account in “Transfer” batch with “ACTCLOSE (Acct Close)” activity. The system will debit up to date interest to loan account and credit to Interest on Loans (561 – 19101) account.

   - Branches should debit the amount of Interest debited under account closure activity to “Interest on Loans (561 – 19101)” product and credit the same to the loan account with “CR” activity.

     Debit: 561 – 19101
     Credit: <<Loan account Number>>

b) For other Loan accounts:
In such cases, initially, branches should credit the amount of OTS to the loan account with “LNPRINCR (Loan Principal Credit)”. The batch may be either “Cash” or “Transfer” depending on the nature of amount offered. The activity will adjust the credit to book-balance portion of the loan outstanding amount only.

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After crediting the OTS settlement amount to the loan account, branches should raise DrIBA for the balance amount of book-balance by debiting to “Branch Adjustment” and credit the amount to the NPA loan account with “LNPRINCR (Loan Principal Credit)” activity in “Transfer” batch.

Get authorised the vouchers.

After invoking the above two options, the book-balance amount in the NPA account becomes ZERO. Branches should ensure the same by viewing statement of account. Close the account in “Transfer” batch with “LNCLOSE” activity. The system will debit up to date interest to loan account and credit to Interest on Loans (561 – 19101) account. Branches should note the “total outstanding amount after Interest” displayed in loan closure option and prepare credit slip.

Credit the “total outstanding amount after Interest” displayed above to the loan account with “INSTLPAY (INSTALLMENT)” activity by debiting to “Interest on Loans (561 – 19101)” with “DR (DEBIT)” activity. The system will generate relevant vouchers to 14901/<<Loan Account>> (Un-realised Interest on NPAs)” and the loan account. At day-end the system will generate contra vouchers to 14401 (Un-realised Interest on NPAs)” and Interest on loans (561 – 19101) account.

After completion of the transactions, branches should generate the statement of account for the accounts with “F9 – 0 (ZERO)” option and ensure that the balance is recovered/adjusted in full and the outstanding amount with Interest portion (at the extreme right side of the report) has became “ZERO”.

IV) Adjustment of Part payment received for accounts settled under OTS:

a) For Overdraft type accounts (including PKCC):
Branches should credit the part payment of OTS settlement with “CR” activity to the loan account. While entering the amounts, branches should enter total OTS amount in “Amount” field and keep blank the “Un Applied Int” field till the book-balance amount becomes ZERO. After the book-balance became ZERO, subsequent repayments received if any shall be appropriated to un-realised Interest portion by entering the amount both in “Amount” and “Un Applied Int” fields.

2) For other Loan accounts:
In case of NPA accounts to which OTS has been sanctioned, the repayment received shall be appropriated first towards Book-Balance with “LNPRINCR (Loan Principal Credit)” and after book-balance becoming ZERO, the repayment received, if any, shall be appropriated to Expenses and Interest with “INSTLPAY (INSTALLMENT)” activity.

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