

## ANNEX - II

**Illustrative examples for accounting of Repo / Reverse repo transactions (Encl. to RBI Circular on guidelines for accounting for repo/reverse repo transactions)**

***While in the body of the circular, the term "repo" is used generically to include both repo and reverse repo (which is simply a mirror image of a repo transaction), in this Annex the accounting guidelines have been set out separately for repo and reverse repo for clarity.***

### **A. Repo/Reverse Repo of dated security**

#### **1. Details of Repo in a coupon bearing security:**

Security offered under repo	6.35% 2020	
Coupon payment dates	02 January and 02 July	
Market Price of security	Rs.90.9100	(1)
Date of the repo	28-Mar-2010	
Repo interest rate	5.00%	
Tenor of the repo	5 days	
Reversal date for the repo	02-Apr-2010	
Broken period interest for the first leg*	$6.35\% \times 86 / 360 \times 100 = 1.5169$	(2)
Cash consideration for the first leg	(1) + (2) = 92.4269	(3)
Repo interest**	$92.4269 \times 5/365 \times 5.00\% = 0.0633$	(4)
Cash Consideration for the second leg	(3)+(4) = 92.4269 + 0.0633 = 92.4902	

\* ***Using 30/360 day count convention***

\*\* ***Using Actual/365 day count convention***

#### **2. Accounting for Repo Seller (Borrower of Funds)**

##### First leg

	Debit	Credit
Cash	92.4269	
Repo A/c		92.4269
Securities Receivable under Repo A/c (by contra)	92.4269	
Securities Sold under Repo A/c (by contra)		92.4269

##### Second Leg

	Debit	Credit
Repo A/c	92.4269	
Repo Interest Expenditure A/c	0.0633	
Cash A/c		92.4902
Securities Sold under Repo A/c (by contra)	92.4269	
Securities Receivable under Repo A/c (by contra)		92.4269

### 3. Accounting for Repo Buyer (Lender of Funds)

#### First leg

	Debit	Credit
Reverse Repo A/c	92.4269	
Cash A/c		92.4269
Securities Purchased under Reverse Repo A/c (by contra)	92.4269	
Securities Deliverable under Reverse Repo A/c (by contra)		92.4269

#### Second Leg

	Debit	Credit
Cash A/c	92.4902	
Reverse Repo A/c		92.4269
Reverse Repo Interest Income A/c		0.0633
Securities Deliverable under Reverse Repo A/c (by contra)	92.4269	
Securities Purchased under Reverse Repo A/c (by contra)		92.4269

### 4. Ledger entries for the adjustment accounts

#### **Securities Receivable under Repo A/c**

Debit		Credit	
To Securities Sold under Repo A/c (repo 1 <sup>st</sup> leg)	92.4269	By Securities Sold under Repo A/c (repo 2 <sup>nd</sup> leg)	92.4269

#### **Securities Sold under Repo A/c**

Debit		Credit	
To Securities Receivable under Repo A/c (repo 2 <sup>nd</sup> leg)	92.4269	By Securities Receivable under Repo A/c (repo 1 <sup>st</sup> leg)	92.4269

#### **Securities Purchased under Repo A/c**

Debit		Credit	
To Securities Deliverable under Reverse Repo A/c (reverse repo 1 <sup>st</sup> leg)	92.4269	By Securities Deliverable under Reverse Repo A/c (reverse repo 2 <sup>nd</sup> leg)	92.4269

#### **Securities Deliverable under Repo A/c**

Debit		Credit	
To Securities Purchased under Reverse Repo A/c (reverse repo 2 <sup>nd</sup> leg)	92.4269	By Securities Purchased under Reverse Repo A/c (Reverse Repo 1 <sup>st</sup> leg)	92.4269

5. If the balance sheet date falls during the tenor of the repo, participants may use the transit accounts, i.e., Repo Interest Payable A/c and Reverse Repo Interest Receivable A/c

to record the accrued interest and reverse the same the following day. The balances in the repo interest receivable and payable shall be taken to the P & L Account with appropriate entries passed in the Balance sheet, as below:-

Transaction Leg	1st leg	Balance Sheet Date	2nd leg
Dates	28-Mar-10	31-Mar-10	02-Apr-10

**a) Entries in the Books of Repo Seller (borrower of funds) on 31-Mar-10**

Account Head	Debit	Credit
Repo Interest Expenditure A/c [Balances under the account to be transferred to P & L]	0.0506 ( being the repo interest for 4 days)	
Repo Interest Payable A/c		0.0506

Account Head	Debit	Credit
P & L A/c	0.0506	
Repo Interest Expenditure A/c		0.0506

**b) Reversal of entries in the Books of Repo Seller (borrower of funds) on 01-Apr-10**

Account Head	Debit	Credit
Repo Interest Payable A/c	0.0506	
Repo Interest Expenditure		0.0506

**c) Entries in books of Repo Buyer (Lender of Funds) on 31-Mar-10**

Account Head	Debit	Credit
Reverse Repo Interest Receivable A/c	0.0506	
Reverse Repo Interest Income A/c [Balances under the account to be transferred to P & L]		0.0506 (Being the repo interest for 4 days)

Account Head	Debit	Credit
Reverse Repo Interest Income A/c	0.0506	
P & L A/c		0.0506

**d) Reversal of entries in the Books of Repo Buyer (Lender of Funds) on 01-Apr-10**

Account Head	Debit	Credit
Reverse Repo Interest Income A/c	0.0506	
Reverse Repo Interest Receivable A/c		0.0506

**B. Repo/ Reverse Repo of Treasury Bill**  
**1. Details of Repo on a Treasury Bill**

Security offered under Repo	GOI 91 day Treasury Bill maturing on 07 May 2010	
Price of the security offered under Repo	Rs.99.0496	<b>(1)</b>
Date of the Repo	28-Mar-2010	
Repo interest rate	5%	
Tenor of the repo	5 days	
Total cash consideration for the first leg	99.0496	<b>(2)</b>
Repo interest *	$99.0496 \times 5\% \times 5 / 365 = 0.0678$	<b>(3)</b>
Cash consideration for the second leg	$(2)+(3) = 99.0496 + 0.0678 = 99.1174$	

\* **Using Actual/365 day count convention**

**2. Accounting for Repo Seller (Borrower of Funds)**

First leg

	Debit	Credit
Cash	99.0496	
Repo A/c		99.0496
Securities Receivable under Repo A/c (by contra)	99.0496	
Securities Sold under Repo A/c (by contra)		99.0496

Second Leg

	Debit	Credit
Repo A/c	99.0496	
Repo Interest Expenditure A/c	0.0678	
Cash A/c		99.1174
Securities Sold under Repo A/c (by contra)	99.0496	
Securities Receivable under Repo A/c (by contra)		99.0496

**3. Accounting for Repo Buyer (Lender of Funds)**

First leg

	Debit	Credit
Reverse Repo A/c	99.0496	
Cash A/c		99.0496
Securities Purchased under Reverse Repo A/c (by contra)	99.0496	
Securities Deliverable under Reverse Repo A/c (by contra)		99.0496

Second Leg

	<b>Debit</b>	<b>Credit</b>
Cash A/c	99.1174	
Reverse Repo A/c		99.0496
Reverse Repo Interest Income A/c		0.0678
Securities Deliverable under Reverse Repo A/c (by contra)	99.0496	
Securities Purchased under Reverse Repo A/c (by contra)		99.0496

**4. Ledger entries for the adjustment accounts**

***Securities Receivable under Repo A/c***

<b>Debit</b>		<b>Credit</b>	
To Securities Sold under Repo A/c (repo 1 <sup>st</sup> leg)	99.0496	By Securities Sold under Repo A/c (repo 2 <sup>nd</sup> leg)	99.0496

***Securities Sold under Repo A/c***

<b>Debit</b>		<b>Credit</b>	
To Securities Receivable under Repo A/c (repo 2 <sup>nd</sup> leg)	99.0496	By Securities Receivable under Repo A/c (repo 1 <sup>st</sup> leg)	99.0496

***Securities Purchased under Repo A/c***

<b>Debit</b>		<b>Credit</b>	
To Securities Deliverable under Reverse Repo A/c (reverse repo 1 <sup>st</sup> leg)	99.0496	By Securities Deliverable under Reverse Repo A/c (reverse repo 2 <sup>nd</sup> leg)	99.0496

***Securities Deliverable under Repo A/c***

<b>Debit</b>		<b>Credit</b>	
To Securities Purchased under Reverse Repo A/c (reverse repo 2 <sup>nd</sup> leg)	99.0496	By Securities Purchased under Reverse Repo A/c (reverse repo 1 <sup>st</sup> leg)	99.0496

5. If the balance sheet date falls during the tenor of the repo, participants may use the transit accounts, i.e. Repo Interest Payable A/c and Reverse Repo Interest Receivable A/c to record the accrued interest and reverse the same the following day. The balances in the repo interest receivable and payable shall be taken to the P & L Account with appropriate entries passed in the Balance sheet, as below:-

<b>Transaction Leg</b>	<b>1st leg</b>	<b>Balance Sheet Date</b>	<b>2nd leg</b>
<b>Dates</b>	<b>28-Mar-10</b>	<b>31-Mar-10</b>	<b>02-Apr-10</b>

**a) Entries in the Books of Repo Seller (borrower of funds) on 31-Mar-10**

Account Head	Debit	Credit
Repo Interest Expenditure A/c [Balances under the account to be transferred to P & L]	0.0543 ( being the repo interest for 4 days)	
Repo Interest payable A/c		0.0543

Account Head	Debit	Credit
P & L A/c	0.0543	
Repo Interest Expenditure A/c		0.0543

**b) Reversal of entries in the Books of Repo Seller (borrower of funds) on 01-Apr-10**

Account Head	Debit	Credit
Repo Interest Payable A/c	0.0543	
Repo Interest Expenditure		0.0543

**c) Entries in books of Repo Buyer (Lender of Funds) on 31-Mar-10**

Account Head	Debit	Credit
Reverse Repo Interest Receivable A/c	0.0543	
Reverse Repo Interest Income A/c [Balances under the account to be transferred to P & L]		0.0543 (Being the repo interest for 4 days)

Account Head	Debit	Credit
Reverse Repo Interest Income A/c	0.0543	
P & L A/c		0.0543

**d) Reversal of entries in the Books of Repo Buyer (Lender of Funds) on 01-Apr-10**

Account Head	Debit	Credit
Reverse Repo Interest Income A/c	0.0543	
Reverse Repo Interest Receivable A/c		0.0543