



(Cr) Overdue Interest Reserve Account      Rs.20,000.00

(ii) Subsequently, if interest is actually realised, the following accounting entries may be passed:

(Dr) Cash/Bank Account      Rs.20,000.00

(Cr) Interest account      Rs.20,000.00

(Dr) Overdue Interest Reserve Account      Rs.20,000.00

(Cr) Interest Receivable Account      Rs.20,000.00

### **III. Accounting of Overdue Interest in Loan Ledgers & Balance Sheet**

(i) With a view to facilitating the banks to work out the amount of interest receivable in respect of each non-performing borrowal account, banks can consider opening a separate column in the individual ledger accounts of such borrowers and interest receivable shown therein. This would enable the banks to determine at a particular point of time, the amount of interest actually to be recovered from the borrowers. Total of the amounts shown under the separate columns in the loan ledgers would be interest receivable in respect of non-performing advances and it would get reflected as such on the 'assets' side of balance sheet with a corresponding item on the liabilities side of the balance sheet as 'Overdue Interest Reserve'.

(ii) Similarly, a separate column should be provided in the loan ledger in respect of performing advances for showing accrued interest taken to income account on 31 March every year so that a watch can be kept on them. If the accrued interest is not realised and the account becomes NPA in the subsequent year, the amount has to be reversed or provided for