

(308)

RAJASTHAN FINANCIAL CORPORATION
(Accounts Section)

Udyog Bhawan,
Tilak Marg,
JAIPUR-302 005

Ref.No.RFC/F.11(65)/602

Dated:- 27.11.2007
01.12.2007

C I R C U L A R

Sub:- Accounting Policies for sale matter of Jointly Financed Units

The Corporation has financed a number of units jointly either with RIICO or with other financial institutions such as Banks, IFCI etc. In case of default, assets of the units are taken over either by RIICO or by the Corporation. Subsequently, after completing the legal formalities, assets of such units are sold by the organization who had taken over the possession. The organization which has sold the assets becomes the lead institute of the consortium and recovery from the purchaser is to be effected by that organization.

Though detailed guidelines for accounting of jointly financed units have already been laid down vide O&M circular No. RFC/F.11(65)/318 Dated 10.03.1993 but we have come across a number of cases where these guidelines were not being followed properly and have resulted into complications in maintenance of accounts of such units.

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In order to remove the anomalies and to ensure that accounts are maintained properly, the following guidelines are reiterated:-

1. In case the Possession is taken over by the Corporation and subsequently sold by it

- i) As soon as the assets of the units are taken over by the Corporation, the rate of interest in the account(s) should be made zero. The dues position from other participating institutions should be enquired into and the matter may be referred to ARRC Section at Head Office so that steps for sale of the assets and appropriation of the sale amount can be initiated by them.
- ii) As soon as the sale is finalized and apportionment ratio is decided, the account of the new purchaser would be opened in the books of accounts of the Corporation. Till decision on the ratio is taken, amount received from the purchaser, would be credited to Sundry Deposit Account. We have to open more than one account. First account should be opened with the proportionate share of the Corporation under GL Code 0501. The second account of the purchaser should be opened with suffix as "Name of the institution" under GL Code 1912 or 1913. If the assets of the original unit were financed by more than two organisations, separate account for each organization needs to be opened. Each account would be opened with the share in the purchase prize. The repayment schedule should also be drawn in the same ratio in

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386

which the accounts are opened. The account with the Corporation share would be opened by crediting the respective amount to the seller account. For other institutions, the amount would be credited to GL Code 3436 and 3437 in case of RIICO and other financial institutions respectively. The accounts of other financial institutions should be opened by debit to GL Code 1912 and 1913.

- iii) In case any recovery is affected from the purchaser, the same may be appropriated in the ratio of the apportionment and credited separately to all these accounts. Care must be taken to recover the amount of other money, if any, debited in the account of the purchaser.

We have developed the software in such a way that the amount of interest recovery in these cases would automatically be credited to the GL Code 3436 and 3437 whereas the interest realized on the share of the Corporation would be credited to the interest income of the Corporation.

2. In case the Possession is taken over by RIICO and other FIs and subsequently sold by any one of them

In case where the assets of jointly financed units are taken over either by RIICO or by other Financial Institutions and the same is sold by them then the accounting would need to be carried out in a different way. In such cases, the account of the purchaser would need to be opened in the books of account of the Corporation with suffix "Name of the Institution" who has sold the assets. The account would be opened with the

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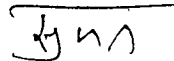
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share of the Corporation agreed upon by it in the Apportionment Committee meeting. The credit would be given to the account of the unit whose assets have been sold. The Corporation would receive the amount from that participating institution along with interest realized by that institution, therefore, it is of paramount importance that the rate of interest is not fed in these accounts and no repayment schedule is drawn.

All Branch Managers are advised to get these accounts checked and rectify, wherever required, in cases which have been jointly financed and subsequently sold either by the Corporation or by any other participating institutions such as RIICO, IFICI and Commercial Banks. In future also, these guidelines should be implemented for dealing/ opening of such type of accounts.

Action taken report, in this regard, should reach HO latest by 15th of December, 2007.

Draft of accounting entries to be passed is enclosed herewith and marked as Annexure "A".



General Manager(D)

Encl: As above

Copy to:-

- All Branch Offices
- Zones of A&I
- Standard circulation at HO

76

384

DRAFT OF ACCOUNTING ENTRIES TO BE PASSED IN CASE OF SALE OF JOINTLY FINANCED UNITS

ASSETS SOLD BY RFC:

- 1. For Receipt of bid/initial deposit Amount(Credit Voucher-Gen)

Cash/Bank Account DR
 To EM/Initial Deposit A/c

- 2. Opening of Accounts of Purchaser

- a) For Corporation's share (Rectification Voucher Loanee) with GL Code" 0501 & Tr. Code 09

Purchaser Account DR
 To seller Account

- b) For RIICO's share

Purchaser Account Dr.
 (with GL Code 1912 for RIICO)
 To Liab. to RIICO for Jointly financed units Sold
 With GL Code 3436

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383

c) For other financial institutions

Purchaser Account Dr.
With GL Code 1913

To Liab. to Other Fin.Inst.
With GL Code 3437

3. Transfer of amount from SD Account
And subsequent recovery from the
Purchaser

Sundry Deposit Account/ Dr.
Cash/Bank

To Purchaser Account GL Code 0501
To Purchaser Account GL Code 1912
To Purchaser Account GL Code 1913

The entry will be passed with proportionate share of each participating institution as per the ratio determined in the meeting.

4. Debit of Other Money

Purchaser Account Dr. CL Code 0501
To Cash/Bank

Assets Sold by other institution:

Purchaser Account Dr
(with name of institution)
To Seller Account

with amount of other money & share of the sale price.

52

78