20 True or False

Decide, then check the answer and reason below each statement.

Question 1

A term loan becomes an NPA when interest or principal remains overdue for more than 90 days.

TRUE

The 90-day overdue rule is the core trigger for NPA classification under RBI's IRAC norms.

Question 2

A term loan is classified as NPA only after it stays overdue for more than 180 days.

FALSE

The overdue threshold for term loans under IRAC norms is more than 90 days, not 180 days.

Question 3

Under IRAC norms, asset classification is done borrower-wise rather than facility-wise.

TRUE

If any one facility of a borrower turns NPA, all facilities of that borrower are classified as NPA.

Question 4

IRAC norms classify each facility of a borrower independently, ignoring the status of the borrower's other accounts.

FALSE

Classification is borrower-wise, so one NPA facility causes all of that borrower's facilities to be treated as NPA.

Question 5

Standard assets generally attract a provision of about 0.40% of the outstanding balance.

TRUE

RBI prescribes a small standing general provision on performing standard advances.

Question 6

Banks may continue to book interest income on an NPA account as long as it is likely to be recovered eventually.

FALSE

Once an account is NPA, interest cannot be recognised as income unless it is actually realised in cash.

Question 7

A sub-standard asset that stays non-performing beyond 12 months is reclassified as doubtful.

TRUE

Sub-standard status applies only up to 12 months in NPA, after which the asset moves to the doubtful category.

Question 8

The unsecured portion of a doubtful asset requires no provisioning since it has already been written down.

FALSE

RBI requires 100% provisioning on the unsecured portion of a doubtful asset, not zero.

Question 9

A loss asset must be provided for at 100% or written off entirely.

TRUE

Loss assets are those identified as uncollectible, so full provisioning or write-off is required.

Question 10

A cash credit or overdraft account can never be classified as an NPA regardless of how long it remains out of order.

FALSE

A CC or OD account is treated as NPA once it stays continuously out of order for 90 days.

Question 11

Under Ind AS 109, Stage 1 assets require only a 12-month expected credit loss provision.

TRUE

Stage 1 covers performing assets where just the next twelve months of expected losses are provided for.

Question 12

Under Ind AS 109, Stage 3 credit-impaired assets require only a 12-month expected credit loss, same as Stage 1.

FALSE

Stage 3 assets, being credit-impaired, require lifetime ECL provisioning, not a 12-month ECL.

Question 13

Expected Credit Loss under Ind AS 109 is built from Probability of Default, Loss Given Default and Exposure at Default.

TRUE

These three parameters are multiplied and discounted to present value to compute the ECL provision.

Question 14

A partial payment of overdue interest is sufficient to upgrade an NPA account back to standard.

FALSE

An NPA can be upgraded to standard only after the entire arrears of interest and principal are paid.

Question 15

The Long Form Audit Report is more granular and operational than the main statutory audit report.

TRUE

LFAR is a detailed questionnaire on advances, classification, documentation and controls feeding the main audit opinion.

Question 16

The Long Form Audit Report and the main statutory audit report cover exactly the same scope in identical detail.

FALSE

The LFAR is a separate, more detailed operational questionnaire, distinct in scope from the main audit report.

Question 17

A restructured standard account is generally downgraded to sub-standard on restructuring, attracting higher provisioning.

TRUE

Restructuring is treated as a stress signal, so the account is downgraded and provisioned more heavily.

Question 18

Divergence disclosure norms require banks to report when RBI's assessed NPAs exceed the bank's own figures beyond specified thresholds.

TRUE

This rule flags material gaps between a bank's self-reported NPAs and RBI's supervisory assessment.

Question 19

The SARFAESI Act, 2002 gives banks a route to enforce security interest on defaulted loans without going through court.

TRUE

SARFAESI allows secured creditors to enforce security interest through prescribed procedures without court intervention.

Question 20

Provisioning Coverage Ratio measures a bank's net profit as a percentage of its total advances.

FALSE

PCR is the ratio of total provisions held to gross non-performing assets, not a profit measure.