20 True or False

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

Question 1

NPA assets are classified into standard, sub-standard, doubtful and loss categories.

TRUE

These four categories form the basis of RBI-style asset classification used in NPA case studies.

Question 2

Net NPA is calculated by subtracting provisions held from Gross NPA.

TRUE

Net NPA equals Gross NPA minus the provisions the bank has already set aside against bad loans.

Question 3

For sub-standard accounts, secured and unsecured balances are not split for calculating the base provision.

TRUE

The whole sub-standard outstanding gets one base provisioning rate regardless of security cover.

Question 4

Provision Coverage Ratio is calculated as total provisions held divided by gross NPA, expressed as a percentage.

TRUE

PCR measures how much of the bad-loan book is already cushioned by provisions already made.

Question 5

Doubtful accounts always require the secured and unsecured portions to be split for provisioning.

TRUE

Unlike sub-standard accounts, doubtful accounts never share a single blended provisioning rate across security status.

Question 6

A loss asset requires full provisioning on its entire outstanding balance.

TRUE

Loss assets are treated as effectively uncollectible, so the whole exposure must be fully provided for.

Question 7

An NPA account can be upgraded back to standard classification once the borrower clears all overdue amounts.

TRUE

Regular repayment restores an irregular account to performing status under asset classification rules.

Question 8

A term loan is generally treated as an NPA when interest or instalment stays overdue for more than 90 days.

TRUE

The 90-day overdue trigger is the standard benchmark used to classify a term loan as non-performing.

Question 9

Standard-asset provisioning rates are lower than the provisioning rates applied to NPA categories.

TRUE

Standard loans are still performing, so only a small precautionary charge is set aside compared to NPAs.

Question 10

Gross NPA percentage is calculated by dividing total NPAs by total advances and multiplying by 100.

TRUE

This ratio shows what proportion of a bank's total loan book has turned bad.

Question 11

For sub-standard accounts, secured and unsecured balances must always be split to calculate the base provision.

FALSE

The base provision on a sub-standard account applies to the whole balance; only the unsecured extra charge is split out.

Question 12

Net NPA is calculated by adding provisions held to Gross NPA.

FALSE

Net NPA is Gross NPA minus provisions held, not the sum of the two.

Question 13

A term loan becomes an NPA the moment a single day's interest payment is overdue.

FALSE

A term loan is generally classified as an NPA only once the overdue period crosses 90 days.

Question 14

Standard-asset provisioning carries a much heavier charge than provisioning on doubtful assets.

FALSE

It is the reverse: standard assets attract only a small precautionary charge while doubtful assets attract far higher rates.

Question 15

A loss asset requires only a small provisioning charge since partial recovery is always expected.

FALSE

Loss assets require full provisioning on the entire balance because recovery is treated as remote.

Question 16

A lower Provision Coverage Ratio means a bank is better cushioned against future loan losses.

FALSE

A higher, not lower, Provision Coverage Ratio indicates stronger cushioning against loan losses.

Question 17

Doubtful accounts do not need their secured and unsecured portions split for provisioning purposes.

FALSE

Doubtful accounts always require the secured and unsecured portions to be provisioned separately.

Question 18

The unsecured portion of a doubtful account attracts a lower provisioning rate than its secured portion.

FALSE

The unsecured portion of a doubtful account attracts full provisioning, which is higher than the rate on the secured portion.

Question 19

Gross NPA is calculated after deducting the provisions a bank has already made.

FALSE

Gross NPA is the total bad-loan figure before any deduction; Net NPA is the figure after deducting provisions.

Question 20

NPA provisioning norms never change and candidates need not verify figures against current official guidance.

FALSE

Regulators periodically revise provisioning norms, so candidates must always confirm current rates against official sources.