Learning Sessions

20 True / False | NPA Provisioning & Asset Classification: The Complete 2026 IRAC Guide

20 True or False

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

Question 1

An NPA is a loan on which interest or principal remains overdue for more than 90 days.

TRUE

The 90-day overdue rule is RBI's standard trigger for classifying most loan types as non-performing.

Question 2

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

TRUE

This is the standard IRAC trigger applied to term loans under RBI's asset classification norms.

Question 3

A Sub-Standard asset is an NPA that has remained in that state for 12 months or less.

TRUE

Sub-standard is the first classification stage an account enters once it crosses the 90-day NPA threshold.

Question 4

A Doubtful asset is one that has remained sub-standard for more than 12 months.

TRUE

Doubtful status follows sub-standard once the account has stayed non-performing beyond a year.

Question 5

The unsecured portion of a doubtful asset generally requires 100% provisioning.

TRUE

Unsecured exposure in a doubtful account is treated as fully at risk regardless of how long it has aged.

Question 6

The SARFAESI Act, 2002 allows secured creditors to seize and sell a defaulting borrower's pledged assets without court intervention.

TRUE

SARFAESI gives secured lenders a faster, non-judicial route to enforce security and recover dues.

Question 7

Agricultural loan classification follows the crop season cycle rather than a fixed 90-day rule.

TRUE

Because farm income is seasonal, RBI ties agricultural NPA classification to short or long crop seasons instead of calendar days.

Question 8

A restructured account can be upgraded back to standard only after satisfactory performance over a specified period, generally at least one year.

TRUE

RBI requires a proven track record of regular payments before restoring a restructured account to standard status.

Question 9

The Insolvency and Bankruptcy Code resolves corporate borrower defaults through a time-bound NCLT process.

TRUE

The IBC provides a structured, time-bound insolvency resolution route for corporate defaulters via the National Company Law Tribunal.

Question 10

A Loss asset is one identified as uncollectible by auditors or RBI inspectors but not yet written off from the books.

TRUE

Loss assets remain on the books until formally written off, even though recovery is considered virtually impossible.

Question 11

The 90-day NPA clock starts from the date the loan was disbursed, not from the payment due date.

FALSE

The overdue count actually starts from the due date on which payment was missed, not the disbursement date.

Question 12

Standard assets require heavier provisioning than doubtful or loss assets.

FALSE

It is the opposite: provisioning rises sharply as an asset worsens, so standard assets carry the lightest provisioning.

Question 13

Agricultural loans always follow the same fixed 90-day overdue rule as ordinary term loans.

FALSE

Agricultural advances are classified using the crop season cycle, not the standard 90-day rule.

Question 14

Restructuring a loan instantly upgrades it back to a standard asset the moment new terms are signed.

FALSE

Upgradation only follows a satisfactory repayment track record over a prescribed period, not the act of restructuring itself.

Question 15

A doubtful asset overdue for less than one year generally requires 100% provisioning on its secured portion.

FALSE

The secured portion in the first year of doubtful status generally attracts around 25% provisioning, not 100%.

Question 16

A CC or OD account can only be treated as out of order if its balance exceeds the sanctioned limit, never for any other reason.

FALSE

An account can also be out of order if no credits are received for 90 days or credits fail to cover the interest debited.

Question 17

Short-duration crop loans and long-duration crop loans both become NPAs after exactly one overdue crop season.

FALSE

Short-duration crop loans need two overdue crop seasons, while long-duration crop loans need only one.

Question 18

Lok Adalats are the designated forum for recovering large corporate NPA dues above a high threshold amount.

FALSE

Lok Adalats handle smaller loans through conciliation, while the Debt Recovery Tribunal handles larger dues.

Question 19

The 90-day overdue count restarts from zero after every partial payment, so missed instalments never accumulate toward NPA status.

FALSE

The overdue period runs continuously against the unpaid dues and does not reset merely because a partial payment was made.

Question 20

Once an account is tagged a Loss asset, banks need not make any further provisioning since write-off happens automatically.

FALSE

Loss assets generally require full provisioning of around 100 percent, and write-off must be undertaken deliberately, not automatically.