

Illustrative examples for accounting of Repo / Reverse repo transactions

[Paragraph 7 of Annex III]

While in the body of the circular, the term "repo" is used generically to include both repo and reverse repo (which is simply a mirror image of a repo transaction), in this Annex the accounting guidelines have been set out separately for repo and reverse repo for clarity.

A. Repo/Reverse Repo of dated security

1. Details of Repo in a coupon bearing security:

Security offered under repo	7.17% 2028	
Coupon payment dates	08 January and 08 July	
Market Price of security	₹96.9000	(1)
Date of the repo	26-Mar-2018	
Repo interest rate	6.00%	
Tenor of the repo Reversal date for the repo	8 days 03-Apr-2018	
Broken period interest for the first leg*	$7.17\% \times 78 / 360 \times 100 = ₹1.5535$	(2)
Cash consideration for the first leg	(1) + (2) = ₹98.4535	(3)
Repo interest**	$₹98.4535 \times 8 / 365 \times 6.00\% = ₹0.1295$	(4)
Cash Consideration for the second leg	(3)+(4) = ₹98.4535 + ₹0.1295 = ₹98.5830	

* Using 30/360 day count convention

** Using Actual/365 day count convention

2. Accounting for Repo Seller (Borrower of Funds)

First leg

	Debit	Credit
Cash	98.4535	
Repo A/c		98.4535
Securities recoverable under Repo A/c (by contra)	98.4535	
Securities sold under Repo A/c (by contra)		98.4535

Second Leg

	Debit	Credit
Repo A/c	98.4535	
Repo Interest Expenditure A/c	0.1295	
Cash A/c		98.5830
Securities sold under Repo A/c (by contra)	98.4535	
Securities Receivable under Repo A/c (by contra)		98.4535

3. Accounting for Repo Buyer (Lender of Funds)

First leg

	Debit	Credit
Reverse Repo A/c	98.4535	
Cash A/c		98.4535
Securities purchased under Reverse Repo A/c (by contra)	98.4535	
Securities Deliverable under Reverse Repo A/c (by contra)		98.4535

Second Leg

	Debit	Credit
Cash A/c	98.5830	
Reverse Repo A/c		98.4535
Reverse Repo Interest Income A/c		0.1295
Securities Deliverable under Reverse Repo A/c (by contra)	98.4535	
Securities Purchased under Reverse Repo A/c (by contra)		98.4535

4. Ledger entries for the adjustment accounts

Securities Receivable under Repo A/c

Debit		Credit	
To Securities Sold under Repo A/c (repo 1 st leg)	98.4535	By Securities Sold under Repo A/c (repo 2 nd leg)	98.4535

Securities Sold under Repo A/c

Debit		Credit	
To Securities Receivable under Repo A/c (repo 2 nd leg)	98.4535	By Securities Receivable under Repo A/c (repo 1 st leg)	98.4535

Securities Purchased under Repo A/c

Debit		Credit	
To Securities Deliverable under Reverse Repo A/c (reverse repo 2 nd leg)	98.4535	By Securities Deliverable under Reverse Repo A/c (reverse repo 2 nd leg)	98.4535

Securities Deliverable under Repo A/c

Debit		Credit	
To Securities purchased under Reverse Repo A/c (reverse repo 2 nd leg)	98.4535	By Securities Purchased under Reverse Repo A/c (reverse repo 1 st leg)	98.4535

5. If the balance sheet date falls during the tenor of the repo, participants may use the transit accounts, i.e., Repo Interest Payable A/c and Reverse Repo Interest Receivable A/c to record the accrued interest and reverse the same the following day. The balances in the repo interest receivable and payable shall be taken to the P & L Account with appropriate entries passed in the Balance sheet, as below:

Transaction Leg	1st leg	Balance Sheet Date	2nd leg
Dates	26-Mar-18	31-Mar-18	03-Apr-18

(a) Entries in the Books of Repo Seller (borrower of funds) on 31-Mar-18

Account Head	Debit	Credit
Repo Interest Expenditure A/c [Balances under the account to be transferred to P & L]	0.0971 (being the repo interest for 6 days)	
Repo Interest Payable A/c		0.0971

Account Head	Debit	Credit
P & L A/c	0.0971	
Repo Interest Expenditure A/c		0.0971

(b) Reversal of entries in the Books of the Repo Seller (borrower of funds) on 01-Apr-18

Account Head	Debit	Credit
Repo Interest Payable A/c	0.0971	
Repo Interest Expenditure A/c		0.0971

(c) Entries in books of Repo Buyer (Lender of Funds) on 31-Mar-18

Account Head	Debit	Credit
Reverse Repo Interest Receivable A/c	0.0971	
Reverse Repo Interest Income A/c [Balances under the account to be transferred to P&L]		0.0971 (being the repo interest for 6 days)

Account Head	Debit	Credit
Reverse Repo Interest Income A/c	0.0971	
P & L A/c		0.0971

(d) Reversal of entries in the Books of Repo Buyer (Lender of Funds) on 01-Apr-18

Account Head	Debit	Credit
Reverse Repo Interest Income A/c	0.0971	
Reverse Repo Interest Receivable A/c		0.0971

B. Repo/Reverse Repo of Treasury Bill

1. Details of Repo on a Treasury Bill

Security offered under Repo	GOI 91 day Treasury Bill maturing on 21 June 2018	
Price of the security offered under Repo	₹ 98.5785	(1)
Date of the Repo	26-Mar-2018	
Repo interest rate	6.00%	
Tenor of the repo	8 days	
Total cash consideration for the first leg	₹ 98.5785	(2)
Repo interest*	$\text{₹ } 98.5785 \times 6\% \times 8/365 =$ ₹ 0.1296	(3)

Cash consideration for the second leg	(2)+(3) = ₹ 98.5785 + ₹ 0.1296 = ₹ 98.7081	
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* Using actual/365 day count convention

2. Accounting for Repo Seller (Borrower of Funds)

First leg

	Debit	Credit
Cash	98.5785	
Repo A/c		98.5785
Securities Receivable under Repo A/c (by contra)	98.5785	
Securities Sold under Repo A/c (by contra)		98.5785

Second leg

	Debit	Credit
Repo A/c	98.5785	
Repo Interest Expenditure A/c	0.1296	
Cash A/c		98.7081
Securities Sold under Repo A/c (by contra)	98.5785	
Securities Receivable under Repo A/c (by contra)		98.5785

3. Accounting for Repo Buyer (Lender of Funds)

First leg

	Debit	Credit
Reverse Repo A/c	98.5785	
Cash A/c		98.5785
Securities Purchased under Reverse Repo A/c (by contra)	98.5785	
Securities Deliverable under Reverse Repo A/c (by contra)		98.5785

Second leg

	Debit	Credit
Cash A/c	98.7081	
Reverse Repo A/c		98.5785
Reverse Repo Interest Income A/c		0.1296
Securities Deliverable under Reverse Repo A/c (by contra)	98.5785	
Securities Purchased under Reverse Repo A/c (by contra)		98.5785

4. Ledger entries for the adjustment accounts

Securities Receivable under Repo A/c

Debit		Credit	
To Securities Sold under Repo A/c (repo 1 st leg)	98.5785	By Securities Sold under Repo A/c (repo 2 nd leg)	98.5785

Securities Sold under Repo A/c

Debit		Credit	
To Securities Receivable under Repo A/c (repo 2 nd leg)	98.5785	By Securities Receivable under Repo A/c (repo 1 st leg)	98.5785

Securities Purchased under Repo A/c

Debit		Credit	
To Securities Deliverable under Reverse Repo A/c (reverse repo 1 st leg)	98.5785	By Securities Deliverable under Reverse Repo A/c (reverse repo 2 nd leg)	98.5785

Securities Deliverable under Reverse Repo A/c

Debit		Credit	
To Securities Purchased under Repo A/c (reverse repo 2 nd leg)	98.5785	By Securities Purchased under Reverse Repo A/c (reverse repo 1 st leg)	98.5785

5. If the balance sheet date falls during the tenor of the repo, participants may use the transit accounts, i.e. Repo Interest Payable A/c and Reverse Repo Interest Receivable A/c to record the accrued interest and reverse the same the following day. The balances in the repo interest receivable and payable shall be taken to the P & L Account with appropriate entries passed in the Balance sheet, as below:

Transaction Leg	1 st leg	Balance Sheet Date	2 nd leg
Dates	26-Mar-18	31-Mar-18	03-Apr-18

(a) Entries in the Books of Repo Seller (borrower of funds) on 31-Mar-18

Account Head	Debit	Credit
Repo Interest Expenditure A/c [Balances under the account to be transferred to P & L]	0.09723 (being the repo interest for 6 days)	
Repo Interest Payable A/c		0.09723

Account Head	Debit	Credit
P & L A/c	0.09723	
Repo Interest Expenditure A/c		0.09723

(b) Reversal of entries in the Books of Repo Seller (borrower of funds) on 01-Apr-18

Account Head	Debit	Credit
Repo Interest Payable A/c	0.09723	
Repo Interest Expenditure		0.09723

(c) Entries in books of Repo Buyer (Lender of Funds) on 31-Mar-18

Account Head	Debit	Credit
Reverse Repo Interest Receivable A/c	0.09723	
Reverse Repo Interest Income A/c [Balances under the account to be transferred to P & L]		0.09723 (being the repo interest for 4 days)

Account Head	Debit	Credit
Reverse Repo Interest Income A/c	0.09723	
P & L A/c		0.09723

(d) Reversal of entries in the Books of Repo Buyer (Lender of Funds) on 01-Apr-18

Account Head	Debit	Credit
Reverse Repo Interest Income A/c	0.09723	
Reverse Repo Interest Receivable A/c		0.09723