Namaste

In Chapter 6 we would discuss the Particulars of Form 3CD – Part B – Clause No. 13 related to Income Computation and Disclosure Standards (ICDS)

**PART B**

**Clause 13**

13(a) - Method of accounting employed in the previous year

- Information is to be given about the method of accounting followed by the assessee during the previous year.
- The same can be either cash method or mercantile method.
- Companies are mandatorily required to follow mercantile basis of accounting.
- In case of other assesses like LLP, Sole Proprietorship, Partnership, Societies, Trust, HUF, etc. have an option to follow either cash or mercantile basis of accounting unless the statute governing the enterprise requires a particular method of accounting.

13(b) - Whether there had been any change in the method of accounting employed vis-a-vis the method employed in the immediately preceding previous year

- Compare the method of accounting employed in previous year with preceding previous year, to know if there is any deviation in the same. (in case of company method of accounting can’t differ in any year)
- In case of any change furnish the details of such change choosing yes or no.

13(c) - If answer to (b) above is in the affirmative, give details of such change, and the effect thereof on the profit or loss

- In case of any change furnish the details of such change and its effect on profit or loss.
- In case such change is not quantifiable then appropriate facts need to be disclosed.

13(d) (ICDS) - Whether any adjustment is required to be made to the profits or loss for complying with the ICDS notified u/s 145(2)

- Report whether any adjustment is required on profit/loss as per the ICDS notified u/s 145(2). Income Computation and Disclosure Standards (ICDS) have been notified u/s 145(2) of the Income Tax Act, 1961 vide Notification No. S.O. 3079 (E) dated 29th September 2016.
- Certain sections of the Income-tax Act, 1961 has been amended / inserted with retrospective effect from AY 2017-18 to nullify the Delhi High Court decision in this matter.
ICDS is not applicable to person following cash system of accounting. If assessee is following cash system of accounting, then clauses 13(d), (e) and (f) would not be applicable to it.

13(e) - Is, yes, give details

- Clause 13(e) requires ICDS-wise reporting of the adjustments made in profit or loss for ICDS compliance, showing clearly increase/decrease in profits as well as the overall net effect of such adjustments.
- If assessee is following cash system of accounting, then this clause would not be applicable to it.

13(f) - Disclosure as per ICDS

- Clause 13(f) requires reporting of the ICDS-wise disclosures. The disclosures are required in 8 out of 10 Standards. Disclosures are to be given as required by the specific standard.
- If assessee is following cash system of accounting, then this clause would not be applicable to it.
- Disclosures generally would not be similar for all persons and would vary from person to person. Contained hereafter are certain draft disclosures, which may be chosen and amended by the assessee as per the requirement of the person under tax audit.

<table>
<thead>
<tr>
<th>ICDS No.</th>
<th>ICDS Name</th>
<th>Disclosure Requirement as per ICDS</th>
<th>Draft Disclosures for Clause 13(f) in Form 3CD</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>Accounting Policies</td>
<td>• All Significant Accounting Policies adopted by a person shall be disclosed.</td>
<td>• Refer Significant Accounting Policies mentioned at Note No. _ to Financial Statements</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• If fundamental accounting assumptions of going concern, consistency and accrual not followed, specific disclosure is required.</td>
<td>• Marked to Market Loss / Expected Loss is to be disallowed u/s 40A, hence not adjusted in ICDS</td>
</tr>
<tr>
<td>II</td>
<td>Valuation of Inventories</td>
<td>• Accounting Policies adopted in measuring inventories including the cost formulae used. Where Standard Costing has been used as a measurement of cost, details of such inventories and a confirmation of the fact that</td>
<td>• Refer to Note No. _ to Financial Statements (Significant Accounting Policy for Inventories)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Assessee is following Standard Costing as a measurement of cost, and</td>
</tr>
<tr>
<td>III</td>
<td>Constructio n Contracts</td>
<td>The amount of contract revenue recognised as revenue in the period; and The methods used to determine the stage of completion of contracts in progress. For contracts in progress at the reporting date, namely:— o Amount of costs incurred and recognised profits (less recognised losses) up to the reporting date; o Amount of advances received; and o Amount of retentions.</td>
<td>Refer to Note No. __ to the Financial Statements (Significant Accounting Policy for Revenue Recognition) For amount of contract revenue recognised as revenue in the period refer Note No. __ of Statement of Profit &amp; Loss (Construction Revenue) For contracts in progress at year end refer Note No. __ to Financial Statements (Note for contracts in progress at year end)</td>
</tr>
<tr>
<td>IV</td>
<td>Revenue Recognition</td>
<td>In a transaction involving sale of good, total amount not recognised as revenue during PY due to lack of reasonably certainty of its ultimate collection along with nature of uncertainty; Amount of revenue from service transaction recognised as revenue during the PY; Method used to determine the stage of completion of service</td>
<td>Refer Note No. __ to the Financial Statements (Significant Accounting Policy for Revenue Recognition) For amount of revenue from service transactions recognised as revenue during the PY refer Note No. __ of Statement of Profit &amp; Loss (Revenue from services) For service transactions in progress at year end refer Note No. __ to Financial</td>
</tr>
</tbody>
</table>

standard cost approximates the actual cost; and
- Total carrying amount of inventories and its classification appropriate to a person.

that approximates the actual cost (If Standard Costing is being followed as measurement of cost)
- Inventories are not inclusive of duties and taxes, yet there is no effect on profits u/s 145A, refer to Cl. 14(b) of Form 3CD
- Difference over cost to NRV in case of dissolution of firm is to be disclosed u/s 145A, hence not disclosed in ICDS
- For carrying amount & Classification refer Note No. __ to Balance Sheet (Inventories)
transactions in progress; and
- For service transactions in progress at end of PY:
  o Amount of costs incurred and recognised profits (less recognised losses) upto end of PY;
  o Amount of advances received; and
  o Amount of retentions.

<table>
<thead>
<tr>
<th>V</th>
<th>Tangible Fixed Assets</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Description of asset or block of assets;</td>
</tr>
<tr>
<td></td>
<td>Rate of depreciation;</td>
</tr>
<tr>
<td></td>
<td>Actual cost or WDV, as the case may be;</td>
</tr>
<tr>
<td></td>
<td>Additions or deductions during the year with dates; in the case of any addition of an asset, date put to use; including adjustments on account of—</td>
</tr>
<tr>
<td></td>
<td>CENVAT credit claimed and allowed under CENVAT Credit Rules, 2004;</td>
</tr>
<tr>
<td></td>
<td>Change in rate of exchange of currency;</td>
</tr>
<tr>
<td></td>
<td>Subsidy or grant or reimbursement, by whatever name called;</td>
</tr>
<tr>
<td></td>
<td>Depreciation Allowable; and</td>
</tr>
<tr>
<td></td>
<td>Written down value at the end of year.</td>
</tr>
</tbody>
</table>

- Refer to the Cl. 18 of Form 3CD
- Depreciation effect due to change in rates as per books and IT Act is to be taken as per S. 32 in computation of income hence not disclosed in ICDS (In case of companies only)

<table>
<thead>
<tr>
<th>VII</th>
<th>Government Grants</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nature and extent of Government grants recognised during the previous year by way of deduction from the actual cost of the asset or assets or from the written down value of block of assets during the previous year;</td>
</tr>
<tr>
<td></td>
<td>Nature and extent of Government grants recognised during the previous year as income;</td>
</tr>
</tbody>
</table>

Nature and extent of Government grants recognised during PY:
- By way of deduction from actual cost of the asset or assets or from the WDV of block of assets during the PY;
- As income;
- By way of deduction from actual cost of asset(s) or from WDV of block of assets and reasons thereof;
### IX. Borrowing Costs

- Nature and extent of Government grants not recognised during the previous year by way of deduction from the actual cost of the asset or assets or from the written down value of block of assets and reasons thereof;
- Nature and extent of Government grants not recognised during the previous year as income and reasons thereof.

- Not recognised during the PY as income and reasons thereof.

- Accounting policy adopted for borrowing costs
- Amount of borrowing costs capitalised during the previous year.

- Refer to the Significant Accounting Policies mentioned at Note No. _ to the Financial Statements (Significant Accounting Policy for Borrowing Costs)
- For borrowing costs capitalised during the previous year refer Note No. _ to Financial Statements (Note for borrowing costs capitalised during the previous year at year end)

### X. Provisions, Contingent Liabilities & Contingent Assets

- In respect of each class of provisions:
  - Brief description of the nature of the obligation;
  - Carrying amount at the beginning and end of the PY;
  - Additional provisions made during the PY, including increases to existing provisions;
  - Amounts used, that is incurred and charged against the provision, during the PY;
  - Unused amounts reversed during the PY; and
  - Amt. of any expected reimbursement, stating amt

- In respect of each class of provisions:
  - Brief description of the nature of the obligation;
  - Carrying amount at the beginning and end of the PY;
  - Additional provisions made during the PY, including increases to existing provisions;
  - Amounts used, that is incurred and charged against the provision, during the PY;
  - Unused amounts reversed during the PY; and
  - Amt. of any expected reimbursement, stating amt.
of asset that is recognised for that expected reimb.

- In respect of Contingent Assets:
  - Brief description of the nature of the asset and related income;
  - Carrying amount of asset at the beginning and end of the PY;
  - Additional amount of asset and related income recognised during the year, including increases to assets and related income already recognised; and
  - Amount of asset and related income reversed during the PY.

In respect of Contingent Assets:

- Brief description of the nature of the asset and related income;
- Carrying amount of asset at the beginning and end of the PY;
- Additional amount of asset and related income recognised during the year, including increases to assets and related income already recognised; and
- Amount of asset and related income reversed during the PY.

I hope this document is of use to you. I thank CA. Shreya Jain in assisting me to compile this part of the series. Your suggestions and comments would be highly appreciated.

Best Regards

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(Disclaimer: Though full efforts have been made to state the interpretations correctly, yet the author is not responsible / liable for any loss or damage caused to anyone due to any mistake / error / omissions)

**EARLIER CHAPTERS**

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</tbody>
</table>
ABOUT CA. PRAMOD JAIN

He is a commerce graduate [B. Com (H)] from Shri Ram College of Commerce (SRCC). He is a fellow member of the Institute of Chartered Accountants of India (FCA). He is a fellow member of the Institute of Companies Secretaries of India (FCS). He is a fellow member of the Institute of Cost Accountants of India (FCMA). He is a Bachelor of Law (LL.B). He has qualified Information System Auditor [DISA (ICAI)]. He is also a member of All India Management Association (MIMA). He is also an Insolvency Professional (IP). He has also passed the Proficiency Self-Assessment Test for Independent Director’s Databank. He has passed certification course NCFM of National Stock Exchange of India (NSE). He has also done certification course CAAT of ICAI. He has also done post qualification certificate course on Valuation of ICAI.

He has been elected as Central Council Member of ICAI for the period 2019 – 2022. Apart from being member in more than 25 committees / groups / directorates of ICAI, he is / was:

- Chairman of Committee on International Taxation (CITAX) for Year 2021-22
- Chairman of Taxation Audit Quality Review Board (TAQRB) for the year 2021-22.
- Chairman of Valuation Standards Board (VSB) for the year 2020-21.
- Chairman of CSR Committee of ICAI for year 2020-21.
- Vice-Chairman of Committee on MSME & Start-up for the year 2021-22.
- Vice-Chairman of Women Members Empowerment Committee (WMEC) - 2021-22.
- Vice-Chairman of Direct Tax Committee (DTC) for year 2019-20 and 2020-21.
- Vice-Chairman of Committee on International Taxation (CITAX) for Year 2019-20.
- Member of ICAI Disciplinary Committee Bench 1 for year 2020-21.
- Nominated as Member of Quality Review Board (QRB) for 3 years from 2020 to 2022.

He is the conceptualizer of the portal www.expertspanel.in which is a one stop solution for all professional queries which has given more than 31000 answers since its launch in mid of year 2018.

He is delivered more than 1400 lectures and articles on various topics of Income Tax, Corporate Laws, LLP, Audits, Peer Review, Quality Review, etc. at more than 200 forums throughout the country. Most of his presentations and articles since 2013 are available for free download from www.lunawat.com and from 2018 at www.expertspanel.in also.

He is president, founder convener and member of various Boards, Directorate, Committees, Study Circles, etc. of ICAI, ICSI and other prestigious bodies and associations. He has been a Technical Reviewer with FFRB and Quality Review Board and Peer Reviewer with Peer Review Board. He has authored books 13 books including “Chartered Accountant’s Documentation and Compliance for Audits and Reviews”, Limited liability Partnership – A Complete Resource Book”, and “Accounting Standards and CARO”.

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