



2017

Draft Disclosures of ICDS in Clause 13(f) of Form 3CD



ICDS

Income Computation and
Disclosure Standards

CA. Pramod Jain

B. Com (H), FCA, FCS, FCMA, LL.B,
MIMA, DISA

9th October 2017



CA. PRAMOD JAIN
B. COM (H), FCA, FCS, FCMA, LL.B, DISA, MIMA

CONTENTS

S. No	Content	Page No(s)
1	Statutory Summary	3
2	To Whom is ICDS applicable?	3
3	Where are the Disclosures to be made?	4
4	Draft Disclosures in Tax Audit Report	4-8



CA. PRAMOD JAIN
B. COM (H), FCA, FCS, FCMA, LL.B, DISA, MIMA

DRAFT DISCLOSURE OF ICDS in CLAUSE 13(f) of FORM 3CD

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. This document contains draft of the disclosures that are to be made in Tax Audit Report i.e. Form 3CD.

STATUTORY SUMMARY

S. No.	Provisions	Particulars
1	Section 145(2) of Income Tax Act, 1961	Income Computation and Disclosure Standards (ICDS) notified under section 145(2) vide Notification No. S.O. 3079 (E) dated 29 th September 2016
2	Income Computation and Disclosure Standards (ICDS)	Notified 10 ICDS to be applicable w.e.f. AY 2017-18. These are: I. Accounting Policies II. Valuation of Inventories III. Construction Contracts IV. Revenue Recognition V. Tangible Fixed Assets VI. Effect of Changes in Foreign Exchange Rates VII. Government Grants VIII. Securities IX. Borrowing Costs X. Provisions, Contingent Liabilities & Contingent Assets
3	FAQs	25 FAQs dated 25 th March 2017

TO WHOM IS ICDS APPLICABLE?

ICDS is applicable to all assesses having 'Income under the head Business or Profession' or 'Income under the head Other Sources' and following mercantile / accrual system of accounting. However, ICDS is not applicable to any of the following persons:

- Person not having 'Income under the head Business or Profession' or 'Income under the head Other Sources'
- Person following cash system of accounting
- Individual who is not required to get his accounts audited u/s 44AB
- HUF who is not required to get his accounts audited u/s 44AB



WHERE ARE THE DISCLOSURES TO BE MADE?

Disclosure for ICDS is to be made of two items:

1. Amount effect (in Rs.) of ICDS; and
2. Disclosures required by ICDS

Disclosures for ICDS are to be made at following places:

- For Amount effect (in Rs.) of ICDS:
 - In Form 3CD:
 - At Clause 13(e)
 - In Income Tax Return (ITR):
 - At Part A – OI (Other Information) – Point No. 3 – Total Amount effect
 - At Schedule ICDS – ICDS-wise
- For Disclosures:
 - In Form 3CD:
 - Clause 13(f) – for 8 ICDS (2 not required as per ICDS)

DRAFT DISCLOSURES IN TAX AUDIT REPORT

As discussed above disclosures are to be made in Clause 13(f) of Tax Audit report u/s 44AB in Form 3CD. Disclosures are required for 8 ICDS as, for rest of the two ICDS no disclosure requirements are provided in the ICDS itself.

Disclosures generally would not be similar for all persons and would vary from person to person. Contained hereafter are certain draft disclosures, which should be chosen and amended as per the requirement of person under tax audit. It is pertinent to note that in case there is no tax audit, there is no requirement of disclosures.

ICDS No.	ICDS Name	Disclosure Requirement as per ICDS	Draft Disclosures for Clause 13(f) in Form 3CD
I	Accounting Policies	<ul style="list-style-type: none"> • All Significant Accounting Policies adopted by a person shall be disclosed. • If fundamental accounting assumptions of going concern, consistency and accrual not followed, specific disclosure is required. 	<ul style="list-style-type: none"> • Refer Significant Accounting Policies mentioned at Note No. _ to Financial Statements
II	Valuation of Inventories	<ul style="list-style-type: none"> • Accounting Policies adopted in measuring inventories including the cost formulae used. Where Standard 	<ul style="list-style-type: none"> • Refer to Note No. _ to Financial Statements (Significant Accounting Policy for Inventories)



CA. PRAMOD JAIN

B. COM (H), FCA, FCS, FCMA, LL.B, DISA, MIMA

		<p>Costing has been used as a measurement of cost, details of such inventories and a confirmation of the fact that standard cost approximates the actual cost; and</p> <ul style="list-style-type: none"> • Total carrying amount of inventories and its classification appropriate to a person. 	<ul style="list-style-type: none"> • Assessee is following Standard Costing as a measurement of cost, and 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, refer to clause 14(b) of Form 3CD • For Carrying Amount & Classification refer Note No. _ to Balance Sheet (Inventories)
III	Construction Contracts	<ul style="list-style-type: none"> • 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:— <ul style="list-style-type: none"> ○ Amount of costs incurred and recognised profits (less recognised losses) upto the reporting date; ○ Amount of advances received; and ○ Amount of retentions. 	<ul style="list-style-type: none"> • 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 & Loss (Construction Revenue) • For contracts in progress at year end refer Note No. _ to Financial Statements (Note for contracts in progress at year end)
IV	Revenue Recognition	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 & Loss (Revenue from services) • For service transactions in progress at year end refer



		<p>the stage of completion of service transactions in progress; and</p> <ul style="list-style-type: none"> • For service transactions in progress at end of PY: <ul style="list-style-type: none"> ○ Amount of costs incurred and recognised profits (less recognised losses) upto end of PY; ○ Amount of advances received; and ○ Amount of retentions. 	<p>Note No. __ to Financial Statements (Note for services in progress at year end)</p>
V	Tangible Fixed Assets	<ul style="list-style-type: none"> • Description of asset or block of assets; • Rate of depreciation; • Actual cost or WDV, as the case may be; • Additions or deductions during the yr with dates; in the case of any addition of an asset, date put to use; including adjustments on account of— <ul style="list-style-type: none"> ○ CENVAT credit claimed and allowed under CENVAT Credit Rules, 2004; ○ Change in rate of exchange of currency; ○ Subsidy or grant or reimbursement, by whatever name called; • Depreciation Allowable; and • Written down value at the end of year. 	<ul style="list-style-type: none"> • Refer to the Clause 18 of Form 3CD
VII	Government Grants	<ul style="list-style-type: none"> • 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; 	<p>Nature and extent of Government grants recognised during PY:</p> <ul style="list-style-type: none"> • 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;



		<ul style="list-style-type: none"> • Nature and extent of Government grants recognised during the previous year as income; • 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; and • Nature and extent of Government grants not recognised during the previous year as income and reasons thereof. 	<ul style="list-style-type: none"> • By way of deduction from actual cost of asset(s) or from WDV of block of assets and reasons thereof; • Not recognised during the PY as income and reasons thereof.
IX	Borrowing Costs	<ul style="list-style-type: none"> • Accounting policy adopted for borrowing costs • Amount of borrowing costs capitalised during the previous year. 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • In respect of each class of provisions: <ul style="list-style-type: none"> ○ 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 	<p>In respect of each class of provisions:</p> <ul style="list-style-type: none"> • 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



CA. PRAMOD JAIN
B. COM (H), FCA, FCS, FCMA, LL.B, DISA, MIMA

		<p>against the provision, during the PY;</p> <ul style="list-style-type: none">○ Unused amounts reversed during the PY; and○ Amt. of any expected reimbursement, stating amt of asset that is recognised for that expected reimb. <ul style="list-style-type: none">• In respect of Contingent Assets:<ul style="list-style-type: none">○ 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.	<p>against the provision, during the PY;</p> <ul style="list-style-type: none">• Unused amounts reversed during the PY; and• Amt. of any expected reimbursement, stating amt. of asset that is recognised for that expected reimbursements <p>In respect of Contingent Assets:</p> <ul style="list-style-type: none">• 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. Your suggestions and comments would be highly appreciated

Best Regards

CA. Pramod Jain

pramodjain@lunawat.com

+91 9811073867