



Namaste

In series - 5 we would discuss the Particulars of Form 3CD – Part B – S. No. 13 related to Income Computation and Disclosure Standards (ICDS)

Serial No. 13

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

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

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

- Under S. Nos. 13(a), (b) & (c), the Tax auditor is required to give information about the method of accounting followed by the assessee during the previous year. In case of any change he has to furnish the details of such change and its effect on profit or loss:
- All the companies are mandatorily required to follow mercantile basis of accounting. In case of other assesses like LLP's, Sole Proprietorship, Partnership concerns, Societies, Trust, Individuals, 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.
- Tax auditor is required to 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 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)

13(e) - Is, yes, give details

- Tax Auditor is required to report the details of the deviations in the method of accounting followed by the assessee in the previous year from the ICDS notified u/s 145(2) of the act and its effect on profit/loss. 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 S. Nos. 13(d), (e) and (f) would not be applicable to it.



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

- S. No. 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.

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.
- 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.
- The disclosure requirements have changed a bit due to amendment in Income Tax Act, 1961 with retrospective effect from AY 2017-18 and changes Income-tax Return Forms for AY 2018-19.

ICDS No.	ICDS Name	Disclosure Requirement as per ICDS	Draft Disclosures for S. No. 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 • Marked to Market Loss / Expected Loss is to be disallowed u/s 40A, hence not adjusted in ICDS
II	Valuation of Inventories	<ul style="list-style-type: none"> • 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 standard cost approximates the actual cost; and • Total carrying amount of inventories and its classification appropriate to a person. 	<ul style="list-style-type: none"> • Refer to Note No. _ to Financial Statements (Significant Accounting Policy for Inventories) • 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 u/s 145A, refer to S. No. 14(b) of



			<p>Form 3CD</p> <ul style="list-style-type: none"> • 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)
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 the stage of completion of service transactions in progress; and • For service transactions in progress at end of PY: <ul style="list-style-type: none"> ○ Amount of costs 	<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 Note No. _ to Financial Statements (Note for services in progress at year end)



CA. PRAMOD JAIN

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

		<p>incurred and recognised profits (less recognised losses) upto end of PY;</p> <ul style="list-style-type: none"> ○ Amount of advances received; and ○ Amount of retentions. 	
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 year 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 S. No. 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)
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; • Nature and extent of Government grants recognised during the previous year as income; • Nature and extent of Government grants not 	<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; • 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.



		<p>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</p> <ul style="list-style-type: none"> • Nature and extent of Government grants not recognised during the previous year 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 against the provision, during the PY; ○ Unused amounts reversed during the PY; and ○ Amt. of any expected reimbursement, stating 	<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 against the provision, during the PY; • Unused amounts reversed during the PY; and • Amt. of any expected reimbursement, stating



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

		<p>amt of asset that is recognised for that expected reimb.</p> <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>amt. of asset that is recognised for that expected reimbursements</p> <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. I thank *Ms. Diksha Plaha* in assisting me to compile this part of the series. Your suggestions and comments would be highly appreciated

Best Regards

CA. Pramod Jain
pramodjain@lunawat.com
+91 9811073867