



# 2019

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



# ICDS

Income Computation and  
Disclosure Standards

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## **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 29<sup>th</sup> September 2016.

This document also contains draft of the disclosures that are to be made in Tax Audit Report i.e. Form 3CD. Small Changes made to the original document to make the same applicable for AY 2018-19 and titled now as Version 2.0.

### **STATUTORY SUMMARY**

<b>S. No.</b>	<b>Provisions</b>	<b>Particulars</b>
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 <sup>th</sup> 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 <sup>th</sup> March 2017



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## 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. Hence, 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 its accounts audited u/s 44AB

## WHERE ARE THE DISCLOSURES TO BE MADE?

For 2 (two) items disclosure for ICDS are required:

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

Disclosures for ICDS are to be made in Form 3CD only and at following places:

- For Amount effect (in Rs.) of ICDS:
  - In Form 3CD:
    - At Clause 13(e)
  - In Income Tax Return (ITR):
    - 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.

<i>ICD S No.</i>	<i>ICDS Name</i>	<i>Disclosure Requirement as per ICDS</i>	<i>Draft Disclosures for Clause 13(f) in Form 3CD</i>
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I	Accounting Policies	<ul style="list-style-type: none"> <li>• All Significant Accounting Policies adopted by a person shall be disclosed.</li> <li>• If fundamental accounting assumptions of going concern, consistency and accrual not followed, specific disclosure is required.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Refer Significant Accounting Policies mentioned at Note No. _ to Financial Statements</b></li> <li>• <b>Marked to Market Loss / Expected Loss is to be disallowed u/s 40A, hence not adjusted in ICDS</b></li> </ul>
II	Valuation of Inventories	<ul style="list-style-type: none"> <li>• 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</li> <li>• Total carrying amount of inventories and its classification appropriate to a person.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Refer to Note No. _ to Financial Statements (Significant Accounting Policy for Inventories)</b></li> <li>• <b>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)</b></li> <li>• <b>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 Form 3CD</b></li> <li>• <b>Difference over cost to NRV in case of dissolution of firm is to be disclosed u/s 145A, hence not disclosed in ICDS</b></li> <li>• <b>For Carrying Amount &amp; Classification refer Note No. _ to Balance Sheet (Inventories)</b></li> </ul>
III	Construction Contracts	<ul style="list-style-type: none"> <li>• The amount of contract revenue recognised as revenue in the period; and</li> <li>• The methods used to determine the stage of completion of contracts in progress.</li> <li>• For contracts in progress</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Refer to Note No. _ to the Financial Statements (Significant Accounting Policy for Revenue Recognition)</b></li> <li>• <b>For amount of contract revenue recognised as revenue in the period refer</b></li> </ul>



		<p>at the reporting date, namely:—</p> <ul style="list-style-type: none"> <li>○ Amount of costs incurred and recognised profits (less recognised losses) upto the reporting date;</li> <li>○ Amount of advances received; and</li> <li>○ Amount of retentions.</li> </ul>	<p><b>Note No. _ of Statement of Profit &amp; Loss</b> (Construction Revenue)</p> <ul style="list-style-type: none"> <li>• <b>For contracts in progress at year end refer Note No. _ to Financial Statements</b> (Note for contracts in progress at year end)</li> </ul>
IV	Revenue Recognition	<ul style="list-style-type: none"> <li>• 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;</li> <li>• Amount of revenue from service transaction recognised as revenue during the PY;</li> <li>• Method used to determine the stage of completion of service transactions in progress; and</li> <li>• For service transactions in progress at end of PY: <ul style="list-style-type: none"> <li>○ Amount of costs incurred and recognised profits (less recognised losses) upto end of PY;</li> <li>○ Amount of advances received; and</li> <li>○ Amount of retentions.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <b>Refer Note No. _ to the Financial Statements</b> (Significant Accounting Policy for Revenue Recognition)</li> <li>• <b>For amount of revenue from service transactions recognised as revenue during the PY refer Note No. _ of Statement of Profit &amp; Loss</b> (Revenue from services)</li> <li>• <b>For service transactions in progress at year end refer Note No. _ to Financial Statements</b> (Note for services in progress at year end)</li> </ul>
V	Tangible Fixed Assets	<ul style="list-style-type: none"> <li>• Description of asset or block of assets;</li> <li>• Rate of depreciation;</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Refer to the Clause 18 of Form 3CD</b></li> <li>• <b>Depreciation effect due to</b></li> </ul>



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		<ul style="list-style-type: none"> <li>• Actual cost or WDV, as the case may be;</li> <li>• 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"> <li>○ CENVAT credit claimed and allowed under CENVAT Credit Rules, 2004;</li> <li>○ Change in rate of exchange of currency;</li> <li>○ Subsidy or grant or reimbursement, by whatever name called;</li> </ul> </li> <li>• Depreciation Allowable; and</li> <li>• Written down value at the end of year.</li> </ul>	<p><b>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)</b></p>
VII	Government Grants	<ul style="list-style-type: none"> <li>• 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;</li> <li>• Nature and extent of Government grants recognised during the previous year as income;</li> <li>• 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</li> </ul>	<p><b>Nature and extent of Government grants recognised during PY:</b></p> <ul style="list-style-type: none"> <li>• <b>By way of deduction from actual cost of the asset or assets or from the WDV of block of assets during the PY;</b></li> <li>• <b>As income;</b></li> <li>• <b>By way of deduction from actual cost of asset(s) or from WDV of block of assets and reasons thereof;</b></li> <li>• <b>Not recognised during the PY as income and reasons thereof.</b></li> </ul>



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		<p>value of block of assets and reasons thereof; and</p> <ul style="list-style-type: none"> <li>• Nature and extent of Government grants not recognised during the previous year as income and reasons thereof.</li> </ul>	
IX	Borrowing Costs	<ul style="list-style-type: none"> <li>• Accounting policy adopted for borrowing costs</li> <li>• Amount of borrowing costs capitalised during the previous year.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Refer to the Significant Accounting Policies mentioned at Note No. _ to the Financial Statements (Significant Accounting Policy for Borrowing Costs)</b></li> <li>• <b>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)</b></li> </ul>
X	Provisions, Contingent Liabilities & Contingent Assets	<ul style="list-style-type: none"> <li>• In respect of each class of provisions: <ul style="list-style-type: none"> <li>○ Brief description of the nature of the obligation;</li> <li>○ Carrying amount at the beginning and end of the PY;</li> <li>○ Additional provisions made during the PY, including increases to existing provisions;</li> <li>○ Amounts used, that is incurred and charged against the provision, during the PY;</li> <li>○ Unused amounts reversed during the PY; and</li> </ul> </li> </ul>	<p><b>In respect of each class of provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Brief description of the nature of the obligation;</b></li> <li>• <b>Carrying amount at the beginning and end of the PY;</b></li> <li>• <b>Additional provisions made during the PY, including increases to existing provisions;</b></li> <li>• <b>Amounts used, that is incurred and charged against the provision, during the PY;</b></li> <li>• <b>Unused amounts reversed during the PY; and</b></li> <li>• <b>Amt. of any expected</b></li> </ul>





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		<ul style="list-style-type: none"><li>○ Amt. of any expected reimbursement, stating amt of asset that is recognised for that expected reimb.</li><li>• In respect of Contingent Assets:<ul style="list-style-type: none"><li>○ Brief description of the nature of the asset and related income;</li><li>○ Carrying amount of asset at the beginning and end of the PY;</li><li>○ Additional amount of asset and related income recognised during the year, including increases to assets and related income already recognised; and</li><li>○ Amount of asset and related income reversed during the PY.</li></ul></li></ul>	<p><b>reimbursement, stating amt. of asset that is recognised for that expected reimbursements</b></p> <p><b>In respect of Contingent Assets:</b></p> <ul style="list-style-type: none"><li>• <b>Brief description of the nature of the asset and related income;</b></li><li>• <b>Carrying amount of asset at the beginning and end of the PY;</b></li><li>• <b>Additional amount of asset and related income recognised during the year, including increases to assets and related income already recognised; and</b></li><li>• <b>Amount of asset and related income reversed during the PY.</b></li></ul>
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I hope this document is of use to you. Your suggestions and comments would be highly appreciated

Best Regards

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