

# ICDS VI to X

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## CASH RESTRICTIONS



**CA. PRAMOD JAIN**

FCA, FCS, FCMA, LL.B, MIMA, DISA

Shared at

Panipat Branch of NIRC of ICAI

30<sup>th</sup> May 2017

# CASH RESTRICTIONS



# DEDUCTION U/S 80 G

- Not admissible if donation made exceeding Rs. 2000 in cash by a person (Earlier Rs. 10000/-). Cl. 33 Form 3CD
- ABC Trust receives Rs 50000/- from Mr. B in cash on 9<sup>th</sup> May 2017. Is there any implication on Trust or Mr. B ?
- Mr. X gives following donations to PQR Trust.?:
  - 20.5.2017 Rs. 2100/-
  - 25.5.2017 Rs. 1900/-
  - 27.5.2017 Rs. 1800/-
- Nil
- Mr. A gives following donations:
  - To ABC Trust Rs. 2500/-
  - To PQR Trust Rs. 1500/-
  - To XYZ Trust Rs. 1800/-
- Nil

## **S. 40A(3) / 40A (3A)**

- **Expenditure u/s 40A(3) / 40A(3A) disallowed in payment made in cash exceeding Rs. 10000/- per person per day (Old Rs. 20000/-)**
- **Limits:**
  - **Rs. 2500/- 1.4.1969**
  - **Rs. 10000/- 1.4.1989**
  - **Rs. 20000/- 1.4.1997**
  - **Rs. 10000/- 1.4.2017**
- **Reportable in clause 21 (d) of Form 3CD**

## S. 40A(3) / 40A (3A)

- C. P. Ltd pays wages to its 100 employees as per the minimum wages Act Rs. 14000/- per month in cash?
- Service of Car of Rs. 12500/-?
- Payment of Rent Rs. 15000/- pm?
- Payment of bill at Restaurant of Rs. 10400/-
- XYZ P. Ltd. purchases raw material through an invoice dt 27.5.2017 of Rs. 54000/-. Makes payment Rs. 9000/- per day?
- Would there be any difference if invoice is of Rs. 2.50 Lakhs and payment is less than Rs. 10K per day?
- XYZ P. Ltd. makes payment to its Sundry Creditor Mr. A of FY 2015-16 of Rs. 1.50 Lakhs in cash in **May 2017?**

# ASSETS

- **Depreciation disallowed on cash component of asset cost exceeding Rs. 10000/- per person per day.**
  - **Capital Gain?**
  - **Deferred Tax?**
  - **MAT?**
  - **Rule 6DD?**
- **X Ltd. investing into shares acquires 10000 shares of Y Pvt. Ltd. for Rs. 1 Lakh in cash?**
- **S. 35AD benefit not allowed on exp. incurred exceeding Rs. 10000/- per person per day**

# SECTION 269 ST

- **No person to receive an amount  $\geq$  Rs. 2 L in cash**
  - **in aggregate from a person in a day; or**
  - **in respect of a single transaction; or**
  - **in respect of transactions relating to one event or occasion from a person**

# SECTION 269 ST

- **Not applicable to receipts by:**
  - **Government,**
  - **Bank,**
  - **Post Office Savings Bank or Co-operative Bank,**
  - **S. 269SS transactions**
  - **Such other persons or class of persons or receipts, which the CG may notify**
- **No applicable to receipts from Bank, Post Office Savings Bank or Co-operative Bank**
- **Penalty of equal amount u/s 271DA**
- **Rule 6DD?**





- **Mr. A sells his personal Innova car to Mr. Y for Rs. 4 Lakhs in Cash?**
  - Yes
- **Ramlal an agriculturist sells his produce to M/s ABC & Co. for Rs. 3 Lakhs in Cash**
  - Yes
- **Son receives gift Rs. 5 L in cash from his father**
  - Yes
- **X receives Rs. 2.10 Lakhs for following from Y in cash on 27.5.2017:**
  - **Loan Rs. 0.18 Lakhs**
  - **Against sale of Car Rs. 1.92 Lakhs**
    - No



- **X sells the following to Y:**
  - **Car for Rs. 1.50 Lakhs on 1.5.2017**
  - **Jewellery for Rs. 1.75 Lakhs on 4.5.2017**
- **Y makes the payment in cash as follows:**
  - **Rs. 1.70 Lakh on 2.5.2017**
  - **Rs. 1.55 Lakhs on 6.5.2017**
- **Father of Ms. C receives gifts from various persons on occasion of C's marriage aggregating Rs. 5 Lakhs?**
  - **No**
- **X takes cash loan of Rs. 2.10 Lakhs from Y?**
  - **No 269ST, but 269SS**
- **X makes repayment of loan along with interest of Rs. 2.30 Lakhs in Cash to Y?**
  - **Yes, also 269T**



- **On the occasion of marriage Mr. B's father made payments of Rs. 3.00 Lakhs in cash to following:**
  - **To horse cart – Rs. 75K**
  - **To event manager for party Rs. 2.25 Lakhs**
    - **2.25 L**
- **On the occasion of marriage of Ms. C the event manager receives Rs. 4.25 L on 20.5.2017 in cash:**
  - **Rs. 1.50 Lakhs from mother of C**
  - **Rs. 1.75 Lakhs from father of C**
  - **Rs. 1 Lakh from brother of C**
    - **If single bill, could be issue**

???

- **On the occasion of marriage of Ms. C, AB Jewellers sold jewellery as under:**
  - **Mother of Ms. C Rs 1.50 Lakhs on 18.4.2017**
  - **Mother of Ms. C Rs. 1.75 Lakhs on 20.4.2017**
  - **Mother-in Law of Ms. C Rs. 2.50 Lakhs on 18.4.17**
  - **Sister of Ms. C Rs. 1.50 Lakhs on 20.4.2017**
  - **Bua of Ms. C Rs. 1 lakh on 20.4.2017**
  - **2.50 L**
- **Mr. Y from Australia comes to India. On arrival he falls ill & is hospitalised. His bill is of Rs. 2.25 Lacs which he wants to pay in 3500 dollars as he doesn't have rupees?**
  - **Doubtful, but should be no**



- **Mr. A receives cash payment of Rs. 2.75 Lakhs from ABC P. Ltd. on 15<sup>th</sup> May 2017 for the following:**
  - **Rs. 2.10 Lakhs part payment for invoice no. 4. dt. 17.4.2017 of Rs. 3 Lakhs**
  - **Rs. 45K part payment for invoice no. 6 dt. 30.4.2017 of Rs. 2.50 Lakhs**
  - **Rs. 20K part payment for invoice no. 12 dt 10.5.2017 of Rs. 1.50 Lakhs**
- **Implications are:**
  - **271DA penalty on Mr. A for Rs. 2.75 Lakhs**
  - **Mr. A to report Rs. 2.10 Lakhs in AIR in Form 61A**
  - **ABC P. Ltd expense of Rs. 2.75 Lakhs would be disallowed u/s 40A(3)**



- **A charitable trust organises 3 days Satsang of Pandit ji. It receives followings in cash:**
  - **Rs. 10 lacs as donations from various persons in 3 days**
  - **Rs. 4.50 lacs from 3 sponsorship in equal amounts**
- **It pays the following:**
  - **Rs. 1 lacs per day for tent**
  - **Rs. 1.50 lacs per day to caterers**
  - **Rs. 75000 per day for security and sevadar to manpower consultant**
    - **Yes, In hands of receiver for payment made by Trust**



- **PQR P. Ltd receives Rs. 5 lacs each from its 2 subscribers on incorporation in cash**
  - Yes
- **Mr. B introduces Rs. 3 Lacs a capital in partnership firm ABC & Co?**
  - Yes
- **Mr. B partner withdraws the following in cash from ABC & Co. during FY 2017-18:**
  - **Rs. 1.80 Lacs remuneration Rs. 15K p.m.**
  - **Rs. 36000 being interest on 31.3.2017**
  - **Rs. 3 L on different dates, being profit**
    - S. 40A(3)



# ICDS

Income Computation and  
Disclosure Standards



# ICDS CHECKLIST

ICDS	Name of ICDS	Whether Applicable	Amounts in ITR & 3CD	Disclosures in 3CD	Remarks
I	Accounting Policies	Yes			
II	Valuation of Inventories				
III	Construction Contracts				
IV	Revenue Recognition	Yes			
V	Tangible Fixed Assets				
VI	Changes in Foreign Exchange Rates				
VII	Government Grants				
VIII	Securities				
IX	Borrowing Costs				
X	Provisions, Contingent Liabilities & Contingent Assets				

# FORM 3CD – CLAUSE - 13

- ✘ (a) Method of accounting employed in previous year
- ✘ (b) Change in method of accounting applied
- ✘ (c) If, yes, effect thereof on profit / loss
- ✘ (Old d) Deviation in method of accounting from accounting standards prescribed u/s 145 and effect thereof on P/L
- ✘ ICDS reporting brought in w.e.f. 1.4.2017

# FORM 3CD – CLAUSE - 13

- × (d) – whether any adjustment is required to be made to the profits or loss for complying with the ICDS notified u/s 145(2)
- × (e) – Is, yes, give details
- × (f) – Disclosure as per ICDS
  - + For 8 standards
  - + Two omitted as no disclosure required as per the standard:
    - × Changes in Foreign Exchange Rates
    - × Securities

**FORM 3CD – CLAUSE – 13(E)**

<b>ICDS</b>	<b>Name of ICDS</b>	<b>Increase in Profit</b>	<b>Decrease in Profit</b>	<b>Net (Rs.)</b>	<b>Description</b>
<b>I</b>	<b>Accounting Policies</b>				
<b>II</b>	<b>Valuation of Inventories</b>				
<b>III</b>	<b>Construction Contracts</b>				
<b>IV</b>	<b>Revenue Recognition</b>				
<b>V</b>	<b>Tangible Fixed Assets</b>				
<b>VI</b>	<b>Changes in Foreign Exchange Rates</b>				
<b>VII</b>	<b>Government Grants</b>				
<b>VIII</b>	<b>Securities</b>				
<b>IX</b>	<b>Borrowing Costs</b>				
<b>X</b>	<b>Provisions, Contingent Liab &amp; Assets</b>				
	<b>Total</b>				

# FORM 3CD – CLAUSE – 13(F)

ICDS	Name of ICDS	Disclosures
I	Accounting Policies	
II	Valuation of Inventories	
III	Construction Contracts	
IV	Revenue Recognition	
V	Tangible Fixed Assets	
VII	Government Grants	
IX	Borrowing Costs	
X	Provisions, Contingent Liab & Assets	

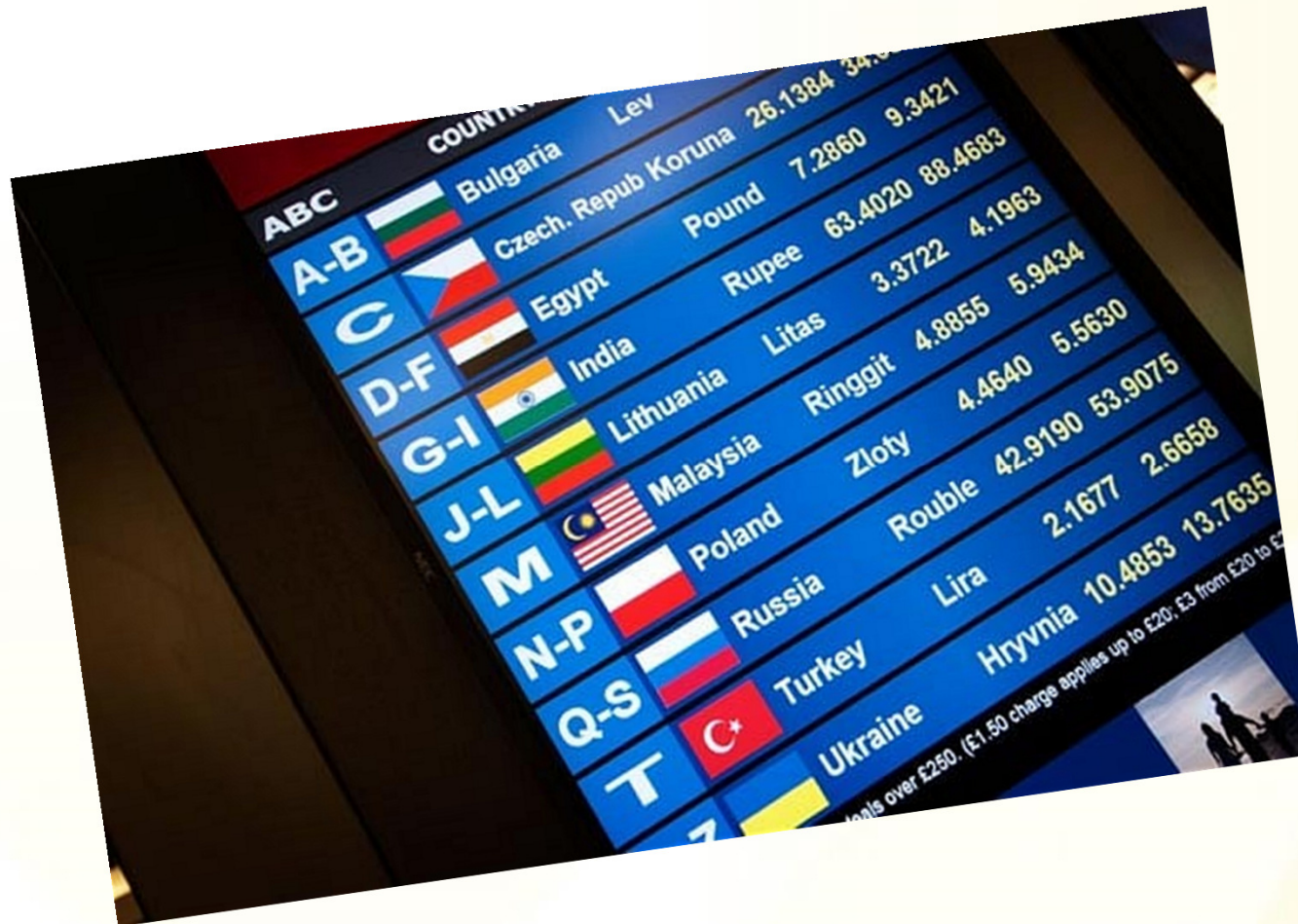
# ITR

<b>Schedule ICDS</b>		<b>Effect of Income Computation Disclosure Standards on profit</b>	
<b>Sl. No.</b>	<b>ICDS</b>	<b>Amount</b>	
<b>(i)</b>	<b>(ii)</b>	<b>(iii)</b>	
<b>I</b>	<b>Accounting Policies</b>		
<b>II</b>	<b>Valuation of Inventories</b>		
<b>III</b>	<b>Construction Contracts</b>		
<b>IV</b>	<b>Revenue Recognition</b>		
<b>V</b>	<b>Tangible Fixed Assets</b>		
<b>VI</b>	<b>Changes in Foreign Exchange Rates</b>		
<b>VII</b>	<b>Government Grants</b>		
<b>VIII</b>	<b>Securities</b>		
<b>IX</b>	<b>Borrowing Costs</b>		
<b>X</b>	<b>Provisions, Contingent Liabilities and Contingent Assets</b>		
<b>XI</b>	<b>Total Net effect (I+II+III+IV+V+VI+VII+VIII+IX+X)</b>	<b>0</b>	

✘ **Is there any impact of this disclosure on Computation in ITR automatically?**

# VI

## EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES



ABC	COUNTRY	Currency	Rate 1	Rate 2
A-B	Bulgaria	Lev	26.1384	34.9
C	Czech. Repub	Koruna	7.2860	9.3421
D-F	Egypt	Pound	63.4020	88.4683
G-I	India	Rupee	3.3722	4.1963
J-L	Lithuania	Litas	4.8855	5.9434
M	Malaysia	Ringgit	4.4640	5.5630
N-P	Poland	Zloty	42.9190	53.9075
Q-S	Russia	Rouble	2.1677	2.6658
T	Turkey	Lira	10.4853	13.7635
Z	Ukraine	Hryvnia		

fees over £250. (€1.50 charge applies up to €20, €3 from €20 to €200)

## **ICDS VI –**

### **EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES**

- × **ICDS scope does not exclude exchange differences arising from foreign currency borrowings to the extent considered as an adjustment to interest costs.**
- × **Initial Recognition**
  - + **To be recorded in reporting currency by applying exchange rate of the foreign currency at the date of the transaction**
- × **Conversion on last date of previous year**
- × **Recognition of exchange differences has to be subject to s. 43A or Rule 115**
- × **Foreign Operations**
- × **Forward Exchange Contracts**



## **ICDS VI –**

### **EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES**

- ✘ **Exchange differences on conversion at last date of PY:**
  - + **Monetary items**
    - ✘ **To be converted by applying closing rate**
    - ✘ **Exchange differences arising on settlement thereof or on conversion shall be recognised as income/expense**
  - + **Non-monetary items**
    - ✘ **Item which are carried at historical cost to be converted by applying rate at the date of transaction**
    - ✘ **Exchange differences arising on conversion thereof shall not be recognised as income /expense in that PY.**
- ✘ **Revised ICDS - Non-monetary items being inventory carried at fair value shall be converted at rate prevailing on date when such NRV is determined**

## **ICDS VI -**

### **EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES**

- × Foreign Operations -**
- × Does not differentiate between integral and non-integral operations. Same translating provisions.**
  - + FS of a foreign operation shall be translated using the principles and procedures in paras 3 to 6 as if the transactions of the foreign operation had been those of the person himself**
- × AS - separate provisions for non-integral.**  
**Exchange difference on monetary items forming part of enterprise net investment in non-integral operations to be transferred to FCTR**

## **ICDS VI –**

### **EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES**

#### **✘ Forward Exchange Contracts**

- ✘ Any premium or discount arising at inception of a forward exchange contract shall be amortised as expense or income over the life of contract.**

#### **Provided:**

- + is not intended for trading or speculation purposes;  
and**
- + is entered into to establish the amount of the reporting currency required or available at the settlement date of the transaction**

## **ICDS VI –**

### **EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES**

#### **× Forward Exchange Contracts**

#### **× Premium, discount or exchange difference on contracts that are**

**+ intended for trading or speculation purposes, or**

**+ that are entered into to hedge foreign currency risk of**

**× a firm commitment (not including shall not include assets and liabilities existing at the end of the previous year ) or**

**× a highly probable forecast transaction**

**to be recognised at time of settlement. AS – provide for Mark to market**

## **ICDS VI – TRANSITIONAL PROVISION**

- ✘ **All foreign currency transactions undertaken on or after 1.4.2016 shall be recognised in accordance with the provisions of this standard.**
- ✘ **Exchange differences arising in respect of monetary items or non-monetary items, on settlement thereof during PY commencing on 1.4.2016 or on conversion thereof at 31.3.2017 shall be recognised in accordance with provisions of this ICDS after taking into a/c amount recognised on last day of PY ending on 31.3.2016 for an item, if any, which is carried forward from said PY.**

## ICDS VI – TRANSITIONAL PROVISION

- ✘ **FS of foreign operations for PY commencing on 1.4.2016 shall be translated using the principles & procedures specified in this standard after taking into a/c amount recognised on last day of PY ending on 31.3.2016 for an item, if any, which is carried forward from said PY.**
- ✘ **All forward exchange contracts existing on 1.4.2016 or entered on or after 1.4.2016 shall be dealt with in accordance with the provisions of this standard after taking into a/c income or expenses, if any, recognised in respect of said contracts for PY ending on or before 31.3.2016**

## ICDS VI – TRANSITIONAL PROVISION

- ✘ As per AS 11, exchange differences arising on foreign exchange translation in case of non-integral foreign operation is required to be Cr. or Dr. as foreign exchange translation reserve but as per ICDS, same is required to be recognized as income/loss in the year in which it arises
- ✘ Foreign Currency Translation Reserve (FCTR) balance as on 1.4.2016 pertaining to exchange differences monetary items for non-integral operations to be recognized to the extent not recognized in income computation in past. FAQ – 0 16

# **ICDS VI – DISCLOSURES**

- × **ICDS – None**
- × **AS – A few**



# ICDS VI – PRACTICAL IMPLICATION

- ✘ **Difference in translation of non-integral operations, if any**
- ✘ **Foreign Currency Translation Reserve (FCTR) balance as on 1.4.2016 pertaining to exchange differences monetary items for non-integral operations to be recognized to the extent not recognized in income computation in past**
- ✘ **Would 43A implications be disclosed in ICDS now?**

# **VII – GOVERNMENT GRANTS**



# **ICDS VII – GOVERNMENT GRANTS**

- ✘ **As per ICDS “Government grants” are**
  - + **Assistance by Government in cash or kind to a person for past or future compliance with certain conditions.**
  - + **They exclude:**
    - ✘ **Those forms of Government assistance which cannot have a value placed upon them; and**
    - ✘ **The transactions with Government which cannot be distinguished from the normal trading transactions of the person**
- ✘ **Are Cash assistance, duty drawbacks, reimbursements covered !!**

# **ICDS VII – GOVERNMENT GRANTS**

- × **AS -12 permits two approaches, depending on the nature of the grant:**
  - + **Capital approach – owner’s funds**
  - + **Income approach**
- × **ICDS – only income approach**
- × **Recognition Criteria:**
  - + **Not be recognised until there is reasonable assurance that**
    - × **Person shall comply with conditions attached to them; &**
    - × **Grants shall be received**
  - + **Not to be postponed beyond actual date of receipt.**

## **ICDS VII – GOVERNMENT GRANTS**

- ✘ **AS-12 – To be recognised on satisfaction of related conditions & achieving reasonable certainty of receipt.**
- ✘ **AS -12 - Government grant with respect to depreciable FA may be either reduced from gross block or may be transferred to PL in proportion..**
- ✘ **ICDS - Government grant with respect to depreciable fixed asset always required to be reduced from the actual cost of depreciable fixed assets.**

## **ICDS VII – GOVERNMENT GRANTS**

- ✘ **AS 12 - Government grants in respect of non depreciable fixed assets are required to be credited to the capital reserve account where there is no obligation to be fulfilled. However ICDS is silent over this & requires to be recognized as income over the period over which cost of meeting such obligation is charged**
- ✘ **ICDS have annulled 'The Purpose Rule' that was established by several Case laws pronounced like Rasoi Ltd. Now even the subsidy is for capital purpose the same is exposed to taxability.**

## **ICDS VII – IT ACT**

- ✘ **Inserted by Finance Act 2015 - S. 2(24) (xviii) - Assistance in the form of a subsidy or grant or cash incentive or duty drawback or waiver or concession or reimbursement (by whatever name called) by the CG or a SG or any authority or body or agency in cash or kind to the assessee other than,—**
  - + **Subsidy or grant or reimbursement which is taken into account for determination of actual cost of the asset in accordance with the provisions of Explanation 10 to clause (1) of section 43; or**
  - + **Inst. By Finance Act 2016 - Subsidy or grant by CG for the purpose of the corpus of a trust or institution established by the CG or a SG, as the case may be**

## **ICDS VII – IT ACT**

- ✘ **Explanation 10 to 43(1) - Where a portion of the cost of an asset acquired by the assessee has been met directly or indirectly by the CG or SG or any authority established under any law or by any other person, in the form of a subsidy or grant or reimbursement (by whatever name called), then, so much of the cost as is relatable to such subsidy or grant or reimbursement shall not be included in actual cost of the asset to the assessee:**



## **ICDS VII – IT ACT**

- × **Explanation 10 to 43(1) -**
- × **Provided that where such subsidy or grant or reimbursement is of such nature that it cannot be directly relatable to the asset acquired, so much of the amount which bears to the total subsidy or reimbursement or grant the same proportion as such asset bears to all the assets in respect of or with reference to which the subsidy or grant or reimbursement is so received, shall not be included in the actual cost of the asset to the assessee.**
- × **Also to see s. 28**

## **ICDS VII – TRANSITIONAL PROVISION**

- ✘ **All the Government grants which meet the recognition criteria of para 4 on or after 1.4.2016 shall be recognised for the previous year commencing on or after 1.4.2016 in accordance with the provisions of this standard after taking into account the amount, if any, of the said Government grant recognised for any previous year ending on or before 31.3.2016**

## **ICDS VII – TRANSITIONAL - FAQ**

- ✘ **Q 17 – FAQ – Grants received prior to 1.4.2016 shall continue to be recognised as per law prevailing on that date. Example as per FAQ:**
  - + **Total subsidy entitlement as on 31.3.16 - 10 Cr**
  - + **Total recognised till 31.3.2016 – 6 Cr**
  - + **Pending due to satisfaction of related conditions or achieving reasonable certainty of receipt – 4 Cr**
  - + **4 Cr to be recognized in yr(s) in which related conditions are met & reasonable certainty is achieved**
  - + **If subsidy received prior to 1.4.2016 Para 13 of ICDS VII not applicable even if related conditions are met after 1.4.2016. Earlier Law applicable**

## ICDS VII – DISCLOSURE

- × **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;**
  - × **Not recognised during the PY as income and reasons thereof.**
- × **AS – totally different**

# **ICDS VII – PRACTICAL IMPLICATION**

- ✘ **Disclosures required**
- ✘ **If transferred to owner's fund – adjustment required and disclosure in ICDS**
- ✘ **If grant for depreciable assets charged to revenue in proportion.. Disclosure as per ICDS – reduce from FA**
- ✘ **If grant for non-depreciable assets transferred to capital reserve.. Disclosure as per ICDS – charge to revenue**
- ✘ **If complying as per IT Act, no other implication**

# VIII SECURITIES



# ICDS VIII SECURITIES

- ✘ Not on investments, but only on securities held only as stock-in-trade
- ✘ In two Parts – A & B. Part A Does not deal with:
  - + Interest and dividend which are covered by Revenue Recognition
  - + Securities held by business of Insurance
  - + Securities held by, MF, VCF, Banks & PFIs
- ✘ At year end securities to be valued at lower of:
  - + Actual cost initially recognised; or
  - + Net realisable value

# ICDS VIII SECURITIES

- × **“Securities” shall mean:**
  - + **As defined in S. 2(h) of the Securities Contracts (Regulation) Act, 1956**
  - + **Share of a company in which public are not substantially interested**
- × **But shall not include derivatives referred to in sub-clause (ia) of clause (h)**



## ICDS VIII – SECURITIES

- ✘ **Comparison to be done category-wise and not each security wise**
- ✘ **To be classified into the following categories:-**
  - + **Shares;**
  - + **Debt securities;**
  - + **Convertible securities; &**
  - + **Any other securities not covered above.**
- ✘ **Opening stock-in-trade to be:**
  - + **Cost of securities , if any, on commencement of business if commenced during PY; and**
  - + **Value of securities on close of immediately preceding PY. in other case.**

# ICDS VIII – SECURITIES

- ✘ **Initial Recognition to be:**
  - + **On acquisition - at actual cost.**
  - + **To include its purchase price and acquisition charges such as brokerage, fees, tax, duty or cess.**
  - + **If acquired in exchange for other securities / asset, fair value of the security /asset so acquired shall be its actual cost.**
  - + **Where unpaid interest has accrued before the acquisition of an interest-bearing security and is included in the price paid for the security, the pre-acquisition portion of the interest is deducted from the actual cost**



- ✘ **Would the cost include Securities transaction Tax (STT)?**
- ✘ **Would unlisted shares cost include stamp duty paid??**
- ✘ **A Ltd dealing in shares enters into following:**
  - + **Sells its asset whose FMV is Rs. 18 Lakhs to Y Ltd.**
  - + **In exchange Y Ltd. issues 1 lakh Shares of Rs. 10 each**
  - + **What would be cost of acquisition in books of A Ltd?**  
+ **Rs. 10 L**
- ✘ **Z Ltd dealing in shares enters into following:**
  - + **Sells shares of Reliance whose FMV is Rs. 21 Lakhs to X Ltd.**
  - + **In exchange X Ltd. transfers 50000 shares of B Pvt. Ltd for Rs. 10 L. B. Pvt. Ltd as immovable property worth Rs. 2 Cr.**
  - + **What would be cost of acquisition in books of Z Ltd?**  
+ **Rs. 10 L**

# ICDS VIII – BUCKET METHOD

Security	Category	Cost	NRV	Lower of Cost or NRV	ICDS Value
1	Share A	1000	750	750	
2	Share B	1200	1500	1200	
3	Share C	1400	1200	1200	
4	Share D	2000	1900	1900	
	<b>Total</b>	<b>5600</b>	<b>5350</b>	<b>5050</b>	<b>5350</b>
5	Deb. E	1500	1600	1500	
6	Deb. F	1050	900	900	
7	Deb. G	1250	1350	1250	
8	Deb H	2200	2300	2200	
	<b>Total</b>	<b>6000</b>	<b>6150</b>	<b>5850</b>	<b>6000</b>
<b>Total</b>		<b>11600</b>	<b>11500</b>	<b>10900</b>	<b>11350</b>

# ICDS VIII – BUCKET METHOD

Security	Cost	NRV	Lower of Cost or NRV	ICDS Value
1	1000	20	20	
2	1000	100	100	
3	1000	100	100	
4	1000	200	200	
5	1000	200	200	
6	1000	5000	1000	
<b>Total</b>	<b>6000</b>	<b>5620</b>	<b>1620</b>	<b>5620</b>

# ICDS VIII – BUCKET METHOD

Security	Cost	NRV	Lower of Cost or NRV	ICDS Value
<b>YEAR 1</b>				
1	1000	500	500	
2	1000	100	100	
3	3000	3500	3000	
<b>Total</b>	<b>5000</b>	<b>4100</b>	<b>3600</b>	<b>4100</b>
<b>YEAR 2</b>				
1	1000	2000	1000	
2	1000	500	500	
3	3000	4000	3000	
<b>Total</b>	<b>5000</b>	<b>6500</b>	<b>4500</b>	<b>5000</b>

## ICDS VIII – SECURITIES

- ✘ **Unlisted securities or listed but not quoted with regularity - at actual cost initially recognised.**
- ✘ **Where actual cost initially recognised cannot be ascertained by specific identification, then to be determined on FIFO or **weighted average****
- ✘ **Part B is for Banks & PFIs**
  - + **To be classified, recognised & measured in accordance with RBI guidelines in this regard & any excess deduction not to be taken into a/c. To this extent, ICDS VI relating to forward exchange contracts to not apply**

# **ICDS VIII – PRACTICAL IMPLICATION**

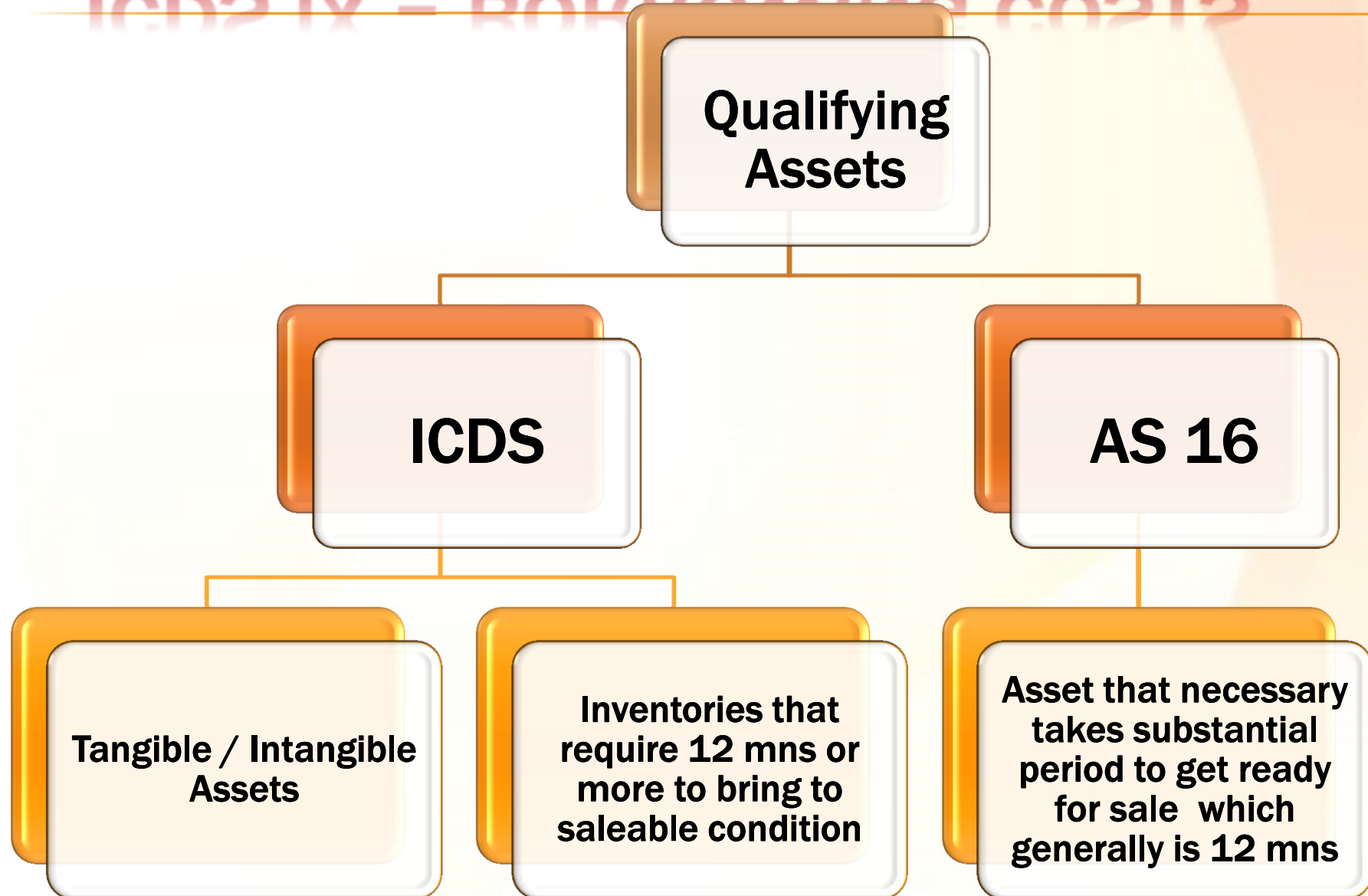
- ✘ **No Disclosures**
- ✘ **One can value its inventories of securities in books of accounts as per Bucket method as no specific AS on same. Consequently no ICDS adjustment thereof.**



# IX – BORROWING COSTS



# ICDS IX – BORROWING COSTS



## ICDS IX – BORROWING COSTS

- × **ICDS does not include exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest cost as a borrowing cost**
- × **FAQ – Q 21 – bill discounting charges are borrowing costs**
- × **Capitalization:**
  - + **Specific Borrowing**
  - + **General Borrowing**

# ICDS IX – BORROWING COSTS

## × Specific Borrowing:

+ Actual borrowing costs incurred during period on funds so borrowed from the date funds borrowed

## × Other than specific borrowing:

+ Capitalization of general borrowing costs as per para 6 of ICDS IX formula to be done on asset-by-asset basis. FAQ – Q 22

+  $A \times B / C$

+ A = borrowing costs incurred except on specific borrowings

# ICDS IX – BORROWING COSTS

- + **B = (excluding directly funded by specific borrowing)**
  - × average of costs of qualifying asset as appearing in B/S of a person on 1st day & last day of PY;
  - × in case the qualifying asset does not appear in the B/S of a person on 1st day, half of the cost of qualifying asset; or
  - × in case the qualifying asset does not appear in the B/S of a person on last day of PY, average of costs of qualifying asset as appearing in B/S of a person on 1st day of PY and on date of put to use or completion, as case may be
- + **C = average of amount of total assets as appearing in B/S of a person on 1st day & last day of PY, other than assets to the extent they are directly funded out of specific borrowings**
- × For this formulae qualifying asset - if it requires 12 months or more for acquisition or construction or production)
- × If less than 12 months... no capitalization?

## ICDS IX – BORROWING COSTS

- ✘ ICDS is silent on suspension of capitalization during extended periods in which active development is interrupted.
- ✘ Cessation of borrowing costs: -
  - + In case of tangible fixed asset and intangible asset when **first put to use**; and
  - + In case of inventory when substantial activities necessary to prepare such inventory for its intended sale are complete
- ✘ "used for the purpose of business" as per S. 32 should be interpreted to include a case where the asset is kept ready for use but has not actually been put to use.

## ICDS IX – BORROWING COSTS

- ✘ However AS 16 – Cessation when substantially all the activities necessary to prepare the qualifying asset for its **intended use** or sale are complete, i.e. when the asset is **ready to be put to use**
- ✘ Difference between ready to be put to use and put to use is important...
- ✘ Loan for vehicle. Interest between loan taken and vehicle on road... capitalise

## ICDS IX – BORROWING COSTS

- × **FAQ - Q 20 -Borrowing costs disallowed u/s 14A, 43B, 40(a)(i), 40(a)(ia), 40A(2)(b):**
  - + **Capitalization shall exclude those borrowing costs which are specifically disallowed under specific provision of the Act**
  - + **Capitalization of borrowing costs shall apply for that portion of the borrowing cost which is otherwise allowable as deduction under the Act**
- × **Finance Act, 2015 already inserted proviso to sec 36(i)(iii) that the interest expenses incurred for acquisition of capital asset upto put to use shall not be deductible.**



# **ICDS IX – BORROWING COSTS**

- ✘ **AS 16 – Income earned on temporary investment of borrowings is to be deducted from borrowing costs.**
  - + **No similar provision in ICDS?**
  - + **It does not restricts even !!**

## **ICDS IX – TRANSITIONAL PROVISION**

- ✘ **All the borrowing costs incurred on or after 1.4.2016 shall be capitalised for the previous year commencing on or after 1.4.2016 in accordance with the provisions of this standard after taking into account the amount of borrowing costs capitalised, if any, for the same borrowing for any previous year ending on or before 31.3.2016**

# **ICDS IX – DISCLOSURE**

- ✘ **Accounting policy adopted for borrowing costs**
- ✘ **Amount of borrowing costs capitalised during the previous year.**
- ✘ **AS - Similar**

# ICDS IX – PRACTICAL IMPLICATIONS

- ✘ Disclosure ... same as per AS
- ✘ Exchange differences arising from foreign currency borrowings to the extent .. interest cost
  - + In books revenue
  - + In computation
    - ✘ If related to s. 43A – capitalize
    - ✘ If related to revenue – not borrowing but exchange difference
- ✘ Interest if charged to revenue – capitalize:
  - + From date of ready to be put to use and put to use
  - + From loan taken and vehicle on road

**X**

**PROVISIONS  
CONTINGENT LIABILITIES  
CONTINGENT ASSETS**

## **ICDS X – PROVISIONS, CONTINGENT LIABILITIES / ASSETS**

- ✘ Provision to be recognized when it is reasonably certain that an outflow of resources embodying economic benefits will be required to settle the obligation – AS 29 – when it is probable**
- ✘ No provision shall be recognised for costs that need to be incurred to operate in the future**
- ✘ Where details of a proposed new law have yet to be finalised, an obligation arises only when the legislation is enacted AS 29 – virtual certain to be enacted**

## **ICDS X – PROVISIONS, CONTINGENT LIABILITIES / ASSETS**

- ✘ **Are the following provisions ? :**
  - + **Provision for expenses for march end i.e., telephone, electricity**
  - + **Provision for doubtful debts**
  - + **Provision for diminution in value of long term investments**
  - + **Provision for taxes**
  - + **Warranties**
  - + **Provisions for Gratuity**
- ✘ **Provisions of employee benefits under AS 15 covered by Act and not under ICDS. FAQ – Q24**

## **ICDS X – PROVISIONS, CONTINGENT LIABILITIES / ASSETS**

- ✘ **Provisions of employee benefits under AS 15 covered by Act and not under ICDS. FAQ – Q24**
- ✘ **Contingent asset to be recognised when it becomes reasonably certain that inflow of economic benefit will arise. AS 29 – virtually certain**
- ✘ **ICDS excludes onerous contracts too.**
- ✘ **What about:**
  - + **Provision for doubtful debts?**
  - + **Provision for diminution in value of long term investments?**



## ICDS X – TRANSITIONAL PROVISION

- ✘ All provisions or assets & related income to be recognised for PY commencing on or after 1.4.2016 in accordance with ICDS X after taking into a/c amount recognised if any, for any PY ending on or before 31.3.2016 . Q 23 of FAQ:

Provision required as per ICDS on 31.3.2017 for items brought forward from 31.3.2016 (A)	3 Crs
Provisions as per ICDS for FY 2016-17 (B)	5 Crs
Total Gross Provision (C) = (A) + (B)	8 Crs
Less: Provision already recognised in computation of PY 2016-17 or earlier (D)	2 Crs
Net provision to be recognized as per ICDS for AY 2017-18 as per transition provision (E) = (C) – (D)	6 Crs

## ICDS X – DISCLOSURE

- × Provisions 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.
- × AS – SME exempted from these. But many other disclosures in AS

# ICDS X – DISCLOSURE

- × **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.**
- × **AS – no such disclosures, but have of liabilities, etc**

# **ICDS X – PRACTICAL IMPLICATIONS**

- × **Disclosures**
- × **Provisions, which are not as per ICDS to be disclosed in ICDS like:**
  - + **Doubtful Debts**
  - + **Investments**

# **TAKE CARE**

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**Certificate of ICDS is now  
through Form 3CD**



**KEEP INCREASING  
YOUR VALUE**

# THANK YOU



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