



# ICDS

Income Computation and  
Disclosure Standards

## ICDS 5 & 9



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Shared at  
Bhartiya Vitta Salahakar Samiti  
22<sup>nd</sup> June 2018

# FINANCE ACT 2018

- ✖ Various provisions amended w.r.e.f. AY 2017-18
- ✖ S. 145A - amended
  - + ICDS 2 (Valuation of Inventories)
  - + ICDS 8 (Securities)
- ✖ S. 145B - inserted
  - + ICDS 4 (Revenue Recognition)
  - + ICDS 7 (Government Grants)
- ✖ S. 36(xvii) inserted – Mark to Market Loss – ICDS 1
- ✖ S. 40A amended - ICDS 1 (Accounting Policies)
- ✖ S. 43AA inserted - ICDS 6 (Foreign Exchange Rate)
- ✖ S. 43CB inserted - ICDS 3 (Cons. Cont.) / ICDS 4

# FORM 3CD – CLAUSE - 13

- ✗ (a) Method of accounting employed in previous year – Mercantile / cash
- ✗ (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)

ICD S	Name of ICDS	Increase in Profit	Decrease in Profit	Net (Rs.)	Descripti on
I	Accounting Policies	14 Ch			
II	Valuation of Inventories				
III	Construction Contracts				
IV	Revenue Recognition				
V	Tangible Fixed Assets				
VI	Changes in Foreign Exchange Rates				
VII	Government Grants				
VIII	Securities				
IX	Borrowing Costs				
X	Provisions, Contingent Liab & Assets				
	Total				

# FORM 3CD – CLAUSE – 13(F)

ICDS	Name of ICDS	Disclosures	Descrip.
I	Accounting Policies	500 Character	
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

Schedule ICDS Effect of Income Computation Disclosure Standards on profit		
Sl. No.	ICDS	Amount
(i)	(ii)	(iii)
I	Accounting Policies	
II	Valuation of Inventories <i>(other than the effect of change in method of valuation u/s 145A, if the same is separately reported at col. 4d or 4e of Part A-OI)</i>	
III	Construction Contracts	200000
IV	Revenue Recognition	300000
V	Tangible Fixed Assets	
VI	Changes in Foreign Exchange Rates	
VII	Government Grants	
VIII	Securities <i>(other than the effect of change in method of valuation u/s 145A, if the same is separately reported at col. 4d or 4e of Part A-OI)</i>	
IX	Borrowing Costs	5000
X	Provisions, Contingent Liabilities and Contingent Assets	
11a	Total Effect of ICDS adjustments on Profits (I+II+III+IV+V+VI+VII+VIII+IX+X) (If Positive)	505000
11b	Total Effect of ICDS adjustments on Profits (I+II+III+IV+V+VI+VII+VIII+IX+X) (If Negative)	

# ITR – PART A - OI

- ✖ **3a - Increase in Profit or decrease in loss because of deviation, if any as per ICDS notified u/s 145(2) [Column 11a(iii) of Schedule ICDS]**
- ✖ **3b - Decrease in Profit or Increase in loss because of deviation, if any as per ICDS notified u/s 145(2) [Column 11b(iii) of Schedule ICDS]**

# ITR – SCHEDULE BP

- ✖ **25. Increase in Profit or decrease in loss on account of ICDS adjustments and deviation in method of valuation of stock (Column 3a + 4d of Part A OI)**
- ✖ **33. Decrease in Profit or Increase in loss on account of ICDS adjustments and deviation in method of valuation of stock (Column 3b + 4e of Part A OI)**

# ACCOUNTING POLICIES

If books / FS as  
per AS / Ind AS



Effect and  
disclosure in  
Form 3CD

If books / FS  
as per ICDS

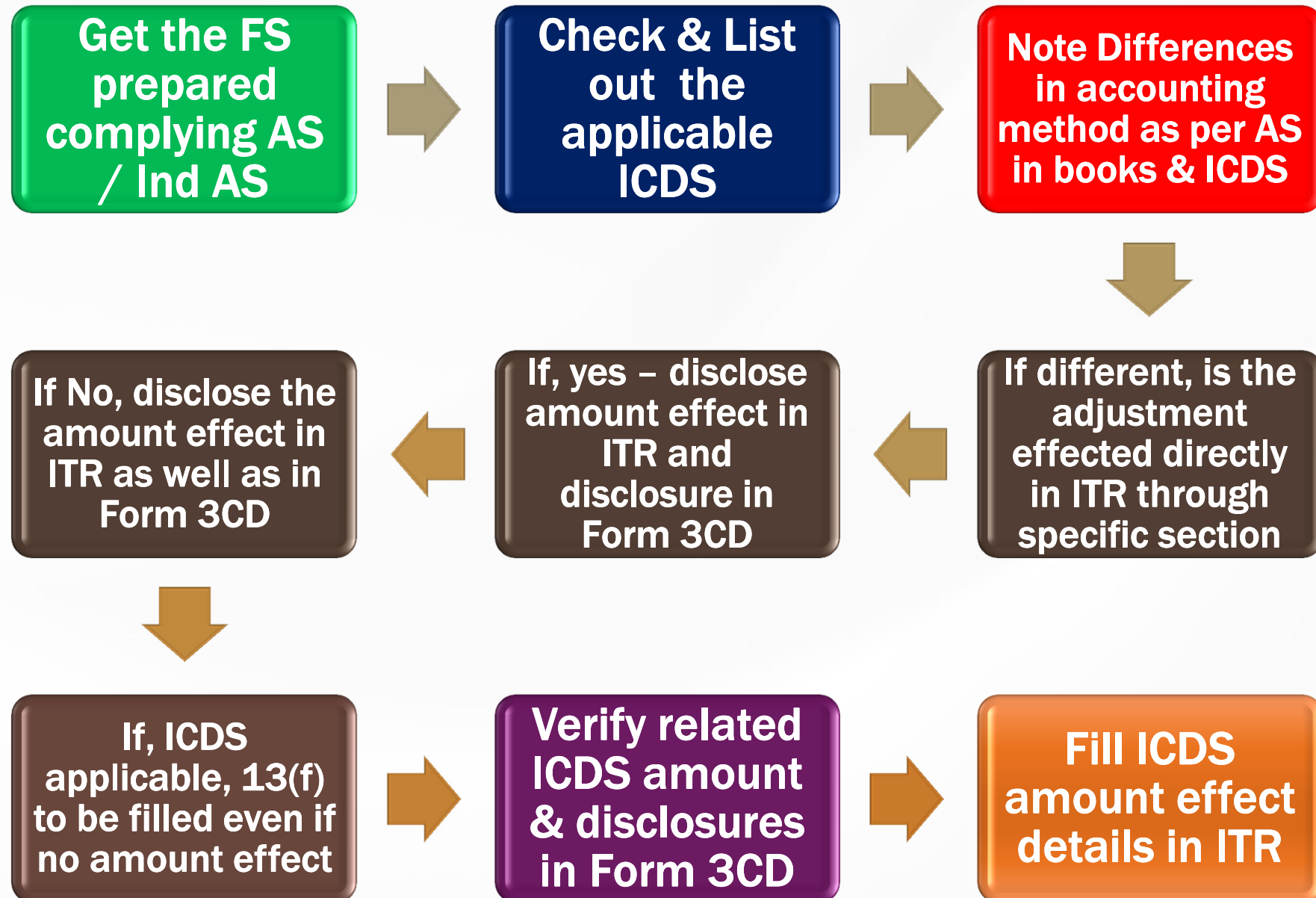


Qualify in  
Audit Report



Disclosure in  
Form 3CD

# WHAT TO DO – PRACTICAL APPROACH

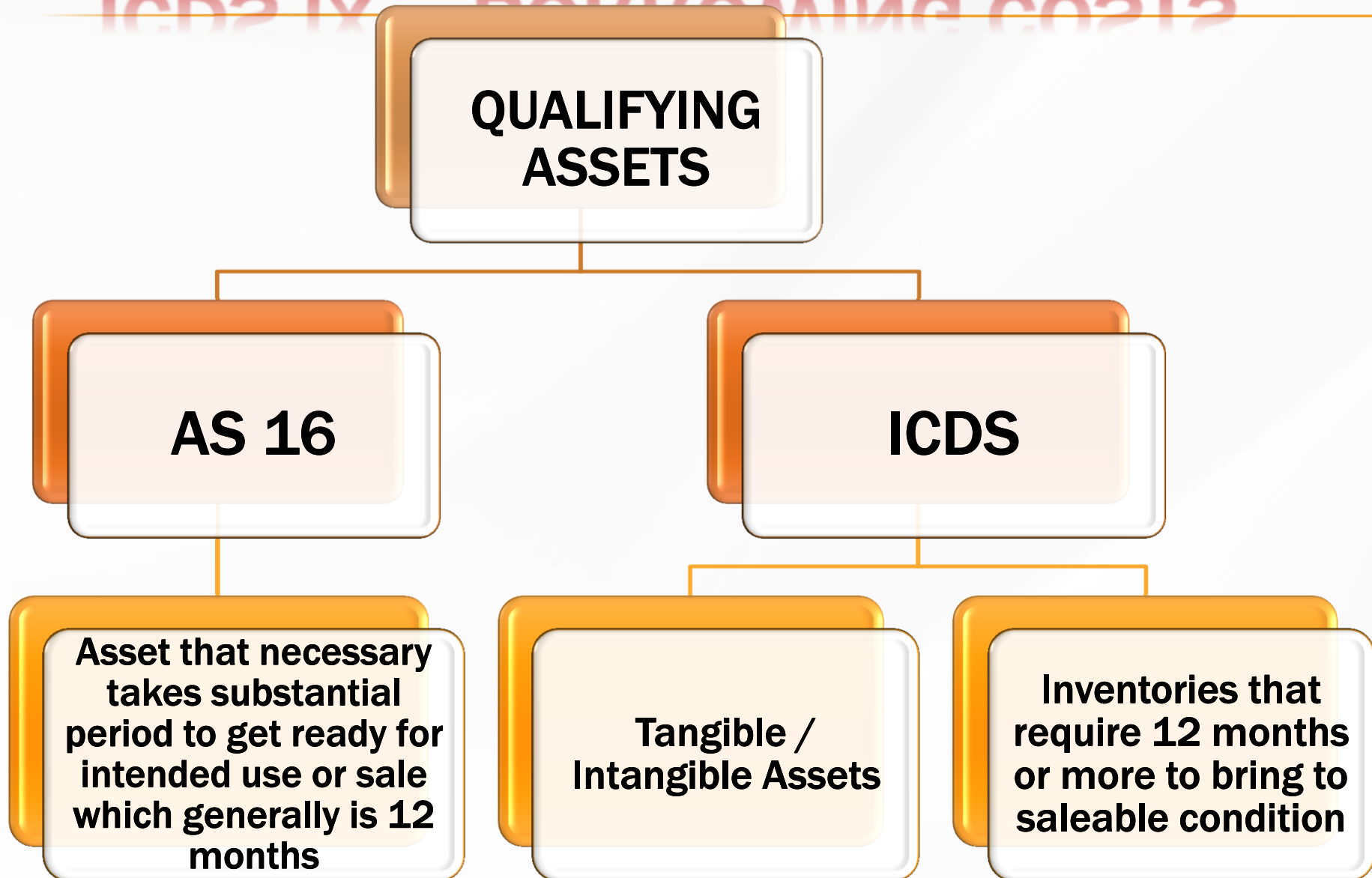


# IX – BORROWING COSTS

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# ICDS IX – BORROWING COSTS



## **ICDS IX – BORROWING COSTS**

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- ✖ **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**

# **ICDS IX – BORROWING COSTS**

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- × **Capitalization:**

- + **Specific Borrowing**
- + **General Borrowing**

- × **Specific Borrowing:**

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

# ICDS IX – BORROWING COSTS

- ✖ 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
- ✖ Formulae Based
  - +  $A \times B / C$
  - + 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 – CESSATION

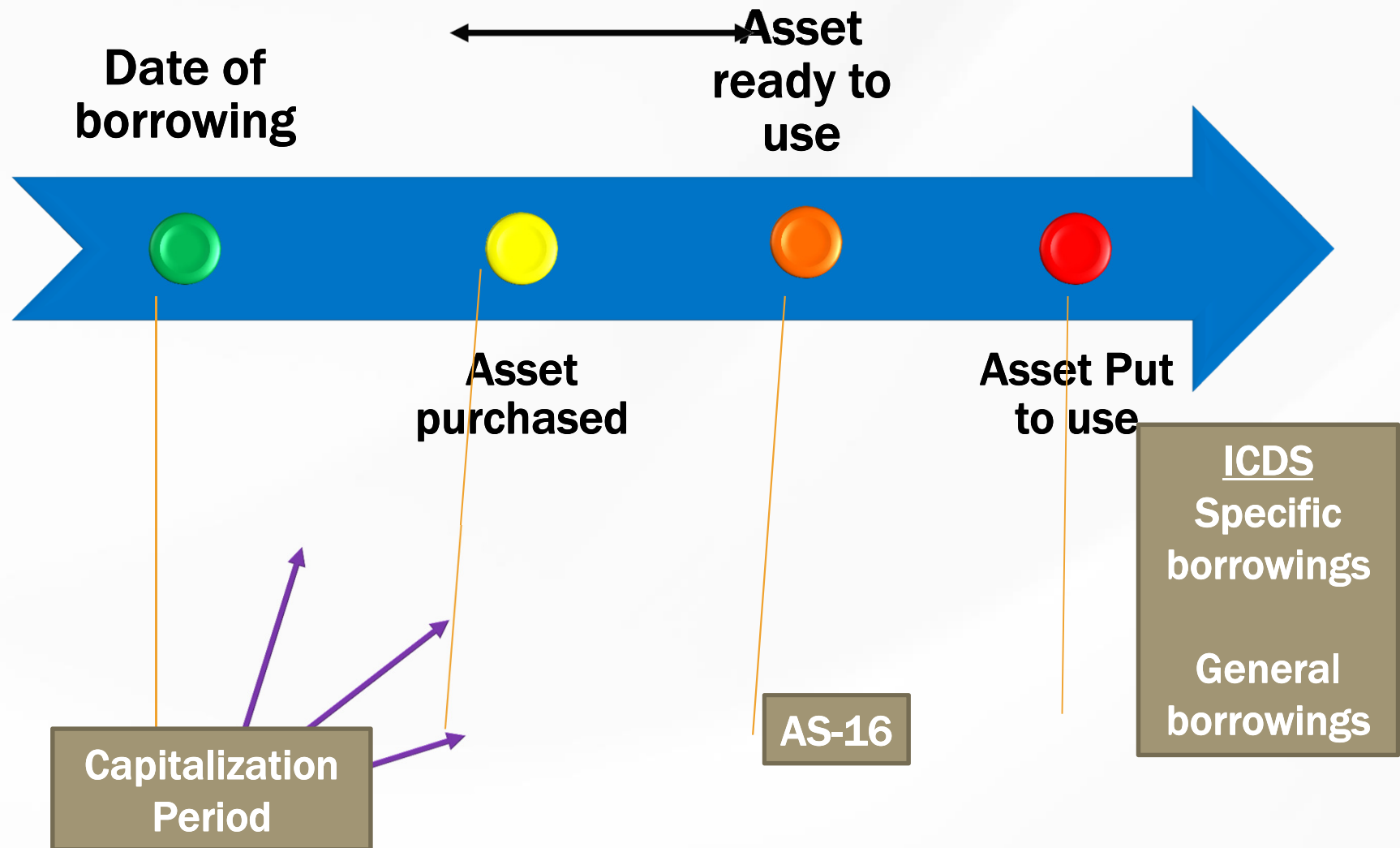
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- ✖ Cessation of borrowing costs: -
  - + In case of tangible fixed asset and intangible asset when **first put to use**; and
  - + In case of inventory when substantial activities necessary to prepare such inventory for its intended sale are complete
- ✖ ICDS - silent on suspension of capitalization during extended periods in which active development is interrupted.

## ICDS IX – CESSATION

- ✖ ICDS – 1<sup>st</sup> put to use
- ✖ 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 – CAPITALIZATION



## ICDS IX – S. 36(1)(III)

- ✖ Finance Act, 2015 already amended Proviso to Section 36(i)(iii) that the interest expenses incurred for acquisition of capital asset upto put to use shall not be deductible.
- ✖ Provided that any amount of the interest paid, in respect of capital borrowed for acquisition of **an asset** ~~for the [extension of existing business or profession]~~ (whether capitalized in the books of accounts or not), for any period beginning from the date on which the capital was borrowed for acquisition of the assets till the date on which **such asset was first put to use**, shall not be allowed as deduction.

## **ICDS IX – BORROWING COSTS**

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- ✖ **AS 16 – Income earned on temporary investment of borrowings is to be deducted from borrowing costs.**
  - + **No similar provision in ICDS?**
  - + **Would be taxed as income**

## **ICDS IX – DISCLOSURE**

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- ✘ 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**
- ✗ **Capitalize Interest if charged to revenue:**
  - + **For Qualifying assets as per AS as well as ICDS**
    - ✗ **From date of ready to be put to use and put to use**
  - + **For Qualifying asset as per ICDS but not a Qualifying assets as per AS:**
    - ✗ **Interest charged to revenue as per books to be capitalized upto the date of put of use including for loan taken for vehicles from date of loan taken till put on road**

# ICDS IX – PRACTICAL IMPLICATIONS

- ✗ **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**

# FORM 3CD – CLAUSE – 13(E)

ICDS	Name of ICDS	Increase in Profit	Decrease in Profit	Net (Rs.)	Description
IX	Borrowing Costs	10000		10000	<ul style="list-style-type: none"> <li>• Qualifying assets as per AS &amp; ICDS – intt from date of ready for use to date of put to use - 2000</li> <li>• Qualifying assets as per ICDS but not as per AS upto put to use -3000</li> <li>• Exchange Fluctuation loss being borrowing cost as per AS 16 - 5000</li> </ul>
	<b>Total</b>			<b>10000</b>	

# FORM 3CD – CLAUSE – 13(F)

ICDS	Name of ICDS	Disclosures
IX	Borrowing Costs	<ul style="list-style-type: none"><li>Refer to the significant accounting policies mentioned at Note No. _ to the Financial Statements</li></ul>

# V – TANGIBLE FIXED ASSETS



# **ICDS V – TANGIBLE FIXED ASSETS**

- ✖ **AS 10 - Spare parts, stand-by equipment and servicing equipment are recognised in accordance with this Standard when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory**
- ✖ **ICDS :**
  - + **Stand-by equipment /servicing equipment are to be capitalised.**
  - + **Machinery spares to be charged to revenue as and when consumed. When such spares can be used only in connection with an item of tangible FA & their use is expected to be irregular, they shall be capitalised**

# **ICDS V – TANGIBLE FIXED ASSETS**

- ✘ **Time upto which to be capitalized:**
  - + **Expenditure incurred on start-up and commissioning of the project, including the expenditure incurred on test runs and experimental production, shall be capitalised. AS 10- Initial cost to include testing costs**
  - + **Expenditure incurred after the plant has begun commercial production, that is, production intended for sale or captive consumption, shall be treated as revenue expenditure.**
- ✘ **Exp. incurred till plant has begun commercial production intended for sale or captive consumption to be capitalised. FAQ – Q 15**

# **ICDS V – TANGIBLE FIXED ASSETS**

- ✖ **AS 10 - Provides for recognizing & derecognizing costs of replacement of:**
  - ✖ **Parts (other than small parts)**
  - ✖ **Major inspection costs**
- ✖ **ICDS - An Expenditure that increases the future benefits from the existing asset beyond its previously assessed standard of performance is added to the actual cost**
- ✖ **If against shares – FV of asset acquired to be actual cost. In AS same but with various conditions**
- ✖ **Revaluation**
- ✖ **Depreciation as per IT Act**
- ✖ **Income on transfer as per IT Act**

## **ICDS V – DISCLOSURES – CLAUSE 18 FORM 3CD**

- ✖ **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—**
  - + **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.**

## **ICDS V – PRACTICAL IMPLICATIONS**

- ✖ **Disclosure - Clause 18 of Form 3CD. Mention same in description as well as disclosure**
- ✖ **If cost varies due to borrowing costs, what to do...? No specific column in Para 18. Addition would tally with FS too?**
  - + Add in actual cost in Para 18 and give details in additions
- ✖ **Would Depreciation adjustment for companies etc to be disclosed in ICDS?**
- ✖ **Would gain / loss on sale of asset be disclosed in ICDS?**
- ✖ **Machinery Spares / Stand by equipments, etc**

# FORM 3CD – CLAUSE – 13(E)

ICDS	Name of ICDS	Increase in Profit	Decrease in Profit	Net (Rs.)	Description
V	Tangible Fixed Assets		5000	-5000	<ul style="list-style-type: none"> <li>Profit on sale of assets 5000 taken on block of asset method</li> </ul>
	Total			-10000	

# FORM 3CD – CLAUSE – 13(F)

ICDS	Name of ICDS	Disclosures
V	Tangible Fixed Assets	<ul style="list-style-type: none"><li>• For Disclosures Refer to the clause 18 of Form 3CD</li><li>• 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</li></ul>

# **TAKE CARE**

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



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The screenshot displays the homepage of ExpertsPanel.in. At the top, a dark navigation bar contains the site logo, a search bar with a dropdown menu set to 'Questions', and several icons for navigation: a menu icon, a document icon, a share icon, a group of people icon, a question mark icon, and a tag icon. Below these icons are labels: 'Questions', 'Unanswered', 'Categories', 'Experts', 'Ask a Question', and 'Tagged Question'. A user profile picture is visible on the right side of the navigation bar.

Below the navigation bar is a banner image showing hands working on a laptop and documents. Overlaid on the left side of the banner is the text: 'A Place to Share Knowledge' followed by 'for and by Professionals in Law, Tax, Accounts, Finance'.

Below the banner is a horizontal menu with the following items: 'Recent Questions' (highlighted in blue), 'Articles', 'Presentations', 'Videos', and 'Notifications'.

The main content area is divided into three columns:

- Left Column: All Categories**
  - Audit & Assurance and Accounting Standards (51)
  - Bank / Insurance / Stock / Debtors Audit (39)
  - Corporate Matters/LLP (167)
  - Goods and Services Tax (GST) (719)
  - Income Tax
- Middle Column: Recent Questions**
  - Question added 4 hours ago Income Tax By Suresh Kumar Goyal, CA, Punjabi Bagh
    - 0 answers
    - 6 views
    - Q. buyback of shares
  - Question added 5 hours ago Income Tax By Suresh Kumar Goyal, CA, Punjabi Bagh
    - 1 answer
    - 11 views
    - Q. Buy back of shares
    - Answered By CA PRAMOD JAIN
- Right Column:**
  - Have a written opinion?
  - Ask a question: (with a text input field and a 'Next' button)
  - Concept by CA Pramod Jain

Together ...we shall make it....

Thank You!

**CA. Pramod Jain**

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