

ICDS (I, II & IX)

AS AMENDMENTS

SCHEDULE III AMENDMENTS



CA. PRAMOD JAIN

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

Shared at

South Delhi CA Study Circle of NIRC of ICAI

31st August 2017

SCHEDULE III AMENDMENTS



SCHEDULE III

- ✖ Amended w.e.f. 30th March 2017.
- ✖ Every company to disclose details of SBN held & transacted during 8/11/2016 to 30/12/2016 .

	SBNs	Other denomina tion notes	Total
Closing cash in hand as on 8.11.2016			
(+) Permitted receipts			
(-) Permitted payments			
(-) Amount deposited in Banks			
Closing cash in hand as on 30.12.2016			

AUDITOR'S REPORT

- ✖ **Whether the company had provided requisite disclosures in its financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8 November 2016 to 30 December 2016**
- ✖ **And if so**
- ✖ **Whether these are in accordance with the books of accounts maintained by the company.**



WHAT TO DO

- ✖ Obtain bankers certificate for SBN deposit
- ✖ Obtain cash balance certificates with denominations as on opening of 9.11.16 & 30.12.16
- ✖ Obtain signed cash book and bank statements for demonetization period
- ✖ Perform audit procedures for SBN transactions
- ✖ Obtain due MR
- ✖ Issue report accordingly



	SBNs		Other Denomination Notes		Total	
	Denom ination	Amo unt	Denominati on	Amount	Denomi nation	Amo unt
Closing Balance as on 8.11.2016						
Add: Withdrawal from bank	NA	Nil				
Add: Receipts for permitted transactions						
Add: Receipts for non-permitted transactions						
Less: Paid for permitted transactions						
Less: Paid for non-permitted transactions						
Less: Deposited in Bank						
Closing Balance as on 30.12.2016						

SUGGESTED M. R.

- ✖ **We have appropriately disclosed {Refer Note []}, the details of Specified Bank Notes (SBN) held and transacted during the period from 8.11.2016 to 30.12.2016 pursuant to the requirement of Notification G.S.R 308(E) dated 30th March 2017.**
- ✖ **Further we confirm that we have complied with all relevant guidelines / notifications issued by RBI from time to time in respect of holding and dealing with SBN, and that the company had proper controls, system and procedures in place for such compliances.**

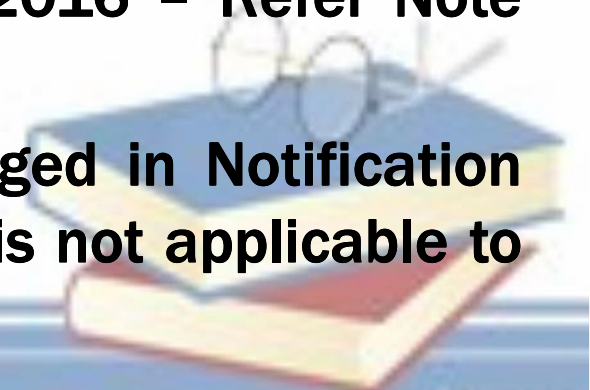
REPORTING FORMATS

✖ **Clean Report:**

- + Based on audit procedures and relying on the management representation we report that the disclosures are in accordance with books of account maintained by the Company and as produced to us by the Management – Refer Note [*]

✖ **Where clause not applicable:**

- + The Company did not have any holdings or dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016 – Refer Note [*]
- + The disclosure requirement as envisaged in Notification G.S.R 308(E) dated 30th March 2017 is not applicable to the Company - Refer Note [*]



REPORTING FORMATS

- ✖ **Company provided details, but auditor could not verify due to non-availability of sufficient and appropriate audit evidence resulting into scope limitation**
- + **The Company has provided requisite disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016. However, we are unable to obtain sufficient and appropriate audit evidence to report on whether the disclosures are in accordance with books of account maintained by the Company and as produced to us by the Management – Refer Note [*];**
- ✖ **Also comment in report – not received information**

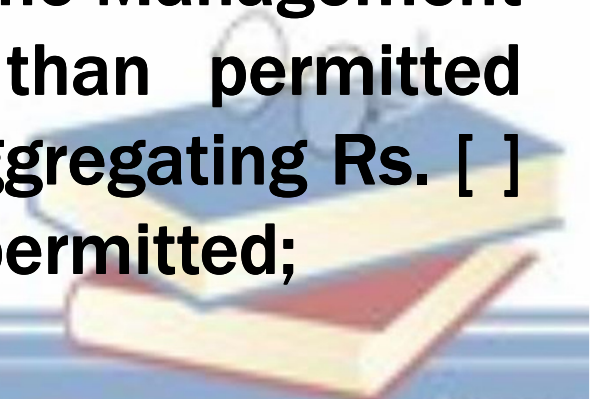


REPORTING FORMATS

- ✖ **Company did not give disclosures:**
 - + The Company has not provided requisite disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016.
- ✖ **Company did not give certain requisite disclosures:**
 - + The Company has not provided certain requisite disclosures in the FS as to holdings as well as dealings in Specified Bank Notes during period from 8.11.2016 to 30.12.2016. Consequently we are unable to obtain sufficient and appropriate audit evidence to report whether the disclosures to the extent stated in the notes are in accordance with books of account maintained by the Company and as produced to us by the Management – Refer Note [*]
- ✖ **Also comment in both cases – not received information**

REPORTING FORMATS

- ✖ **Company has disclosed, but have transacted in non-permitted receipt/payments**
- + **The Company has provided requisite disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016. However, as stated in notes [*] to the financial statements amounts aggregating to Rs. [] as represented to us by the Management have been utilized for other than permitted transactions/received amount aggregating Rs. [] from transactions which are not permitted;**



CA. Pramod Jain

ACCOUNTING STANDARDS



AMENDED W.E.F. 30TH MARCH 2016

- ✖ **AS 2 (Valuation of Inventories)**
- ✖ **AS 4 (Contingencies and Events Occurring after the Balance Sheet Date)**
- ✖ **AS 6 (Depreciation Accounting requirements for depreciation are now incorporated in revised AS 10)**
- ✖ **As 10 (Property, Plant and Equipment)**
- ✖ **AS 13 (Accounting for Investments)**
- ✖ **AS 14 (Accounting for Amalgamation)**
- ✖ **AS 21 (Consolidated Financial Statements)**
- ✖ **AS 29 (Provisions, Contingent Liabilities and Contingent Assets)**



AS 6 & AS 10

- ✖ AS 6 omitted
- ✖ AS 10 – Property Plant & Equipment. For tangible only
- ✖ PPE are tangible items that:
 - ✖ Are held for use in production or supply of goods or services, for rental to others, or for administrative purposes; AND
 - ✖ Are expected to be used during more than a period of twelve months
- ✖ It now includes bearer plants, biological assets too
- ✖ Provides for recognizing & derecognizing costs of replacement of:
 - ✖ Parts (Other than small parts)
 - ✖ Major inspection costs



AS 10

- ✖ Capitalization of decommissioning, restoration & similar liabilities – other than for producing inventories)- in old AS too
- ✖ If deferred payments – interest subject to AS 16
- ✖ Revaluation model or Cost model
- ✖ Revaluation of entire class not specific asset
- ✖ Investment Property in AS 13 only at Cost Model
- ✖ Enhanced disclosures
 - + Existence and amounts of restrictions on title, and PPE pledged as security for liabilities
 - + Contractual commitments for PPE



AS 10

- ✖ **Component accounting**
- ✖ **Change in depreciation is now accounting estimate**
- ✖ **No gross block / net block but now – carrying amounts**
- ✖ **Spare parts, which were being treated as inventory & are now required to be capitalised as per AS 10, to be capitalised at their carrying amounts & depreciated over their remaining useful lives prospectively**



OTHER IMPORTANT AMENDMENTS

- ✖ **AS 2 - Earlier - Machinery Spares which can be used only with item of a fixed asset were FA if its use is irregular.**
 - + **Now - spare parts, servicing equipment and standby equipment to be FA only as per AS 10 (PPE) – 12 month**
 - + **Common classification for inventories would include Stock-in-trade (in respect of goods acquired for trading)**
- ✖ **AS 4 – no provision for proposed dividends now**



OTHER IMPORTANT AMENDMENTS

- ✖ **AS 13 – Investment property at cost model - AS 10 less depreciation and any impairment costs**
- ✖ **AS 14 – Amalgamation - Limited revision to include reference to Companies Act, 2013**
- ✖ **AS 21 - Where no subsidiary but an associate / JV, to prepare CFS as per applicable AS**
- ✖ **AS 29 - Discounting of decommissioning, restoration & similar liabilities as per AS 10 at pre-tax rate that reflect the current market assessment of time value of money & and the risks specific to the liability**



IND AS – ROADMAP FOR OTHER THAN BANKS, NBFC & INSURANCE COS.

From FY
2015-16

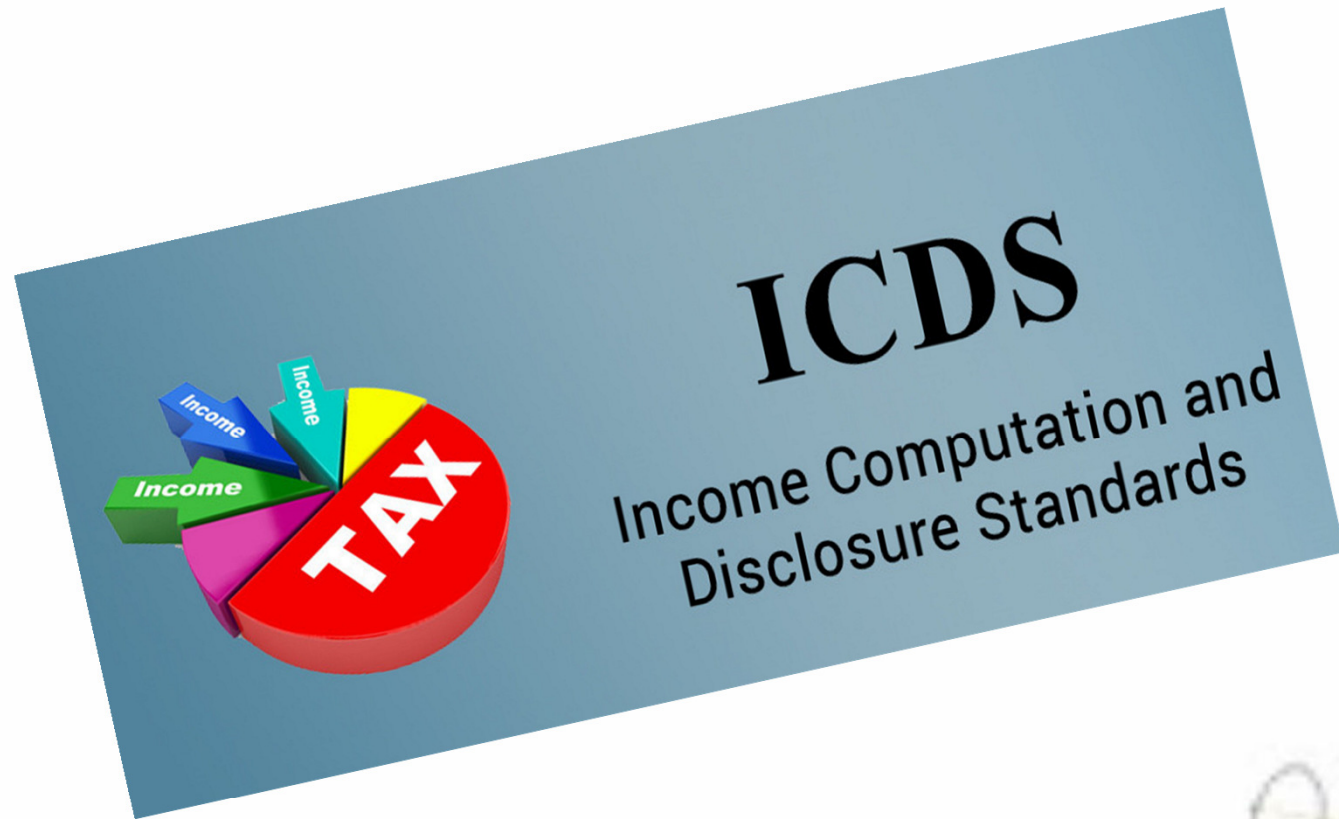
- Any company voluntary

From FY
2016-17

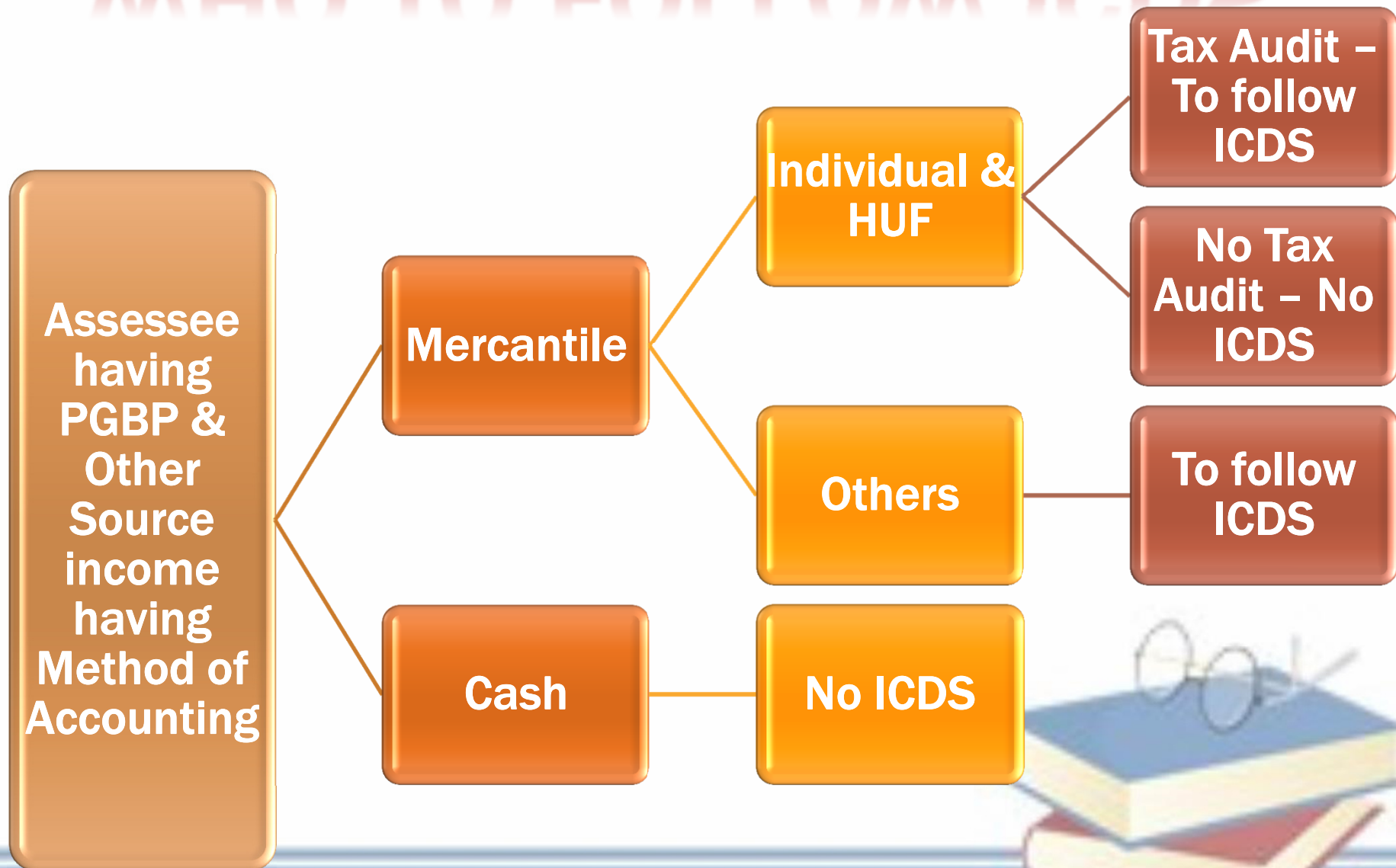
- All companies having net worth of rupees 500 crore or more.
- Holding, subsidiary, joint venture or associate companies of above companies.

From FY
2017-18

- Cos. whose equity or debt securities are listed or are in the process of being listed on any stock exchange in India or outside India and having net worth of < Rs. 500 crore.
- Unlisted companies having net worth of Rs. 250 crores or more but less than Rs. 500 crore.
- Holding, subsidiary, joint venture or associate companies of above companies.



WHO TO FOLLOW ICDS



SUMMARY

Source

- **Section 145(2)**

Effective Date

- **W.e.f. AY 2017-18**

Heads of Income

- **Only on PGBP & Other Source**
- **If accounts on mercantile basis**

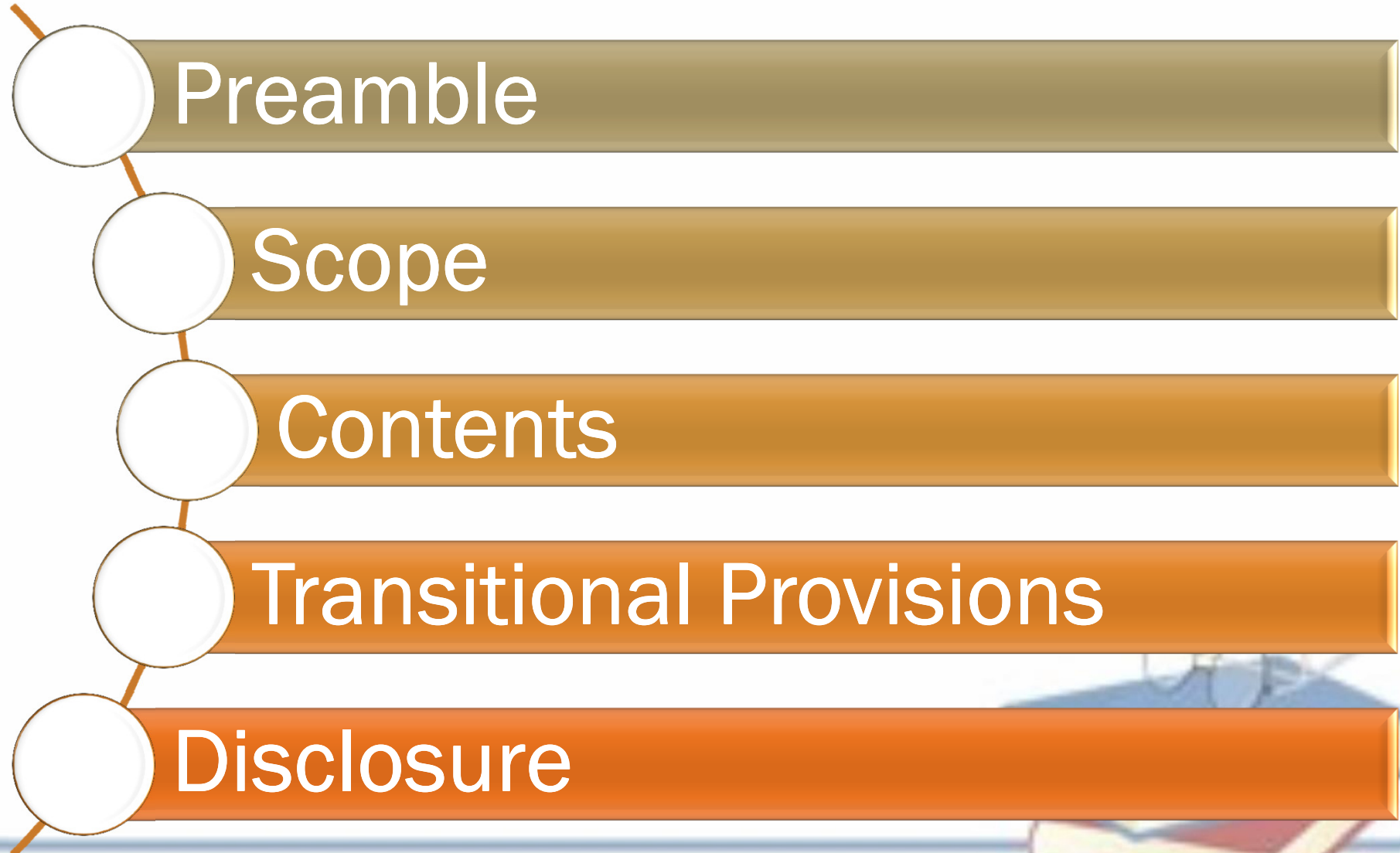
No. of Standards

- **10 vide Not. Dt. 29.09.2016**

Disclosure

- **Para 13 of Form 3CD & ITR**

STRUCTURE



PREAMBLE

- 1. This Income Computation and Disclosure Standard is applicable for computation of income chargeable under the head "Profits and gains of business or profession" or "Income from other sources" and not for the purpose of maintenance of books of account.**
- 2. In the case of conflict between the provisions of the Income-tax Act, 1961 ('the Act') and this Income Computation and Disclosure Standard, the provisions of the Act shall prevail to that extent.**



WHAT TO DO

Get the FS
prepared
complying AS
/ Ind AS

Check & List
out the
applicable
ICDS

Note Differences
in accounting
policy as per AS
in books & ICDS

Does any of
those relate to
any ICDS?

Is there any
adjustment
required in
computation from
Profit as per Books
& IT?

If different, effect
on profit /loss to
be disclosed in
Form 3CD & ITR

If yes, disclosure
may be required
in 3CD & ITR too

Verify related
ICDS
disclosures in
Form 3CD

Fill ICDS effect
details in ITR

ACCOUNTING POLICIES

If in books as per
AS / Ind AS



Effect and
disclosure in
Form 3CD

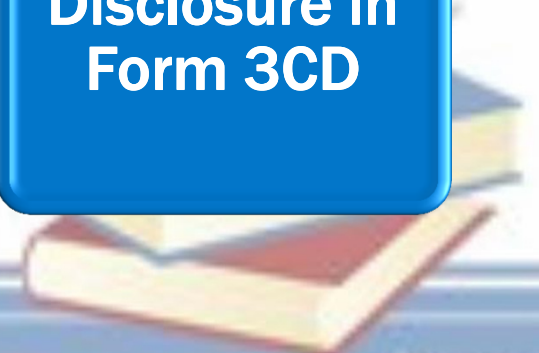
If in books as
per ICDS



Qualify in
Audit Report



Disclosure in
Form 3CD



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 – 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	
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 Liabilities and Contingent Assets	
XI	Total Net effect (I+II+III+IV+V+VI+VII+VIII+IX+X)	0

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

WHAT IF ICDS NOT FOLLOWED

- ✖ Section 145(3) - AO has the power to make best judgment assessment u/s. 144 if he is not satisfied about the :-
 - + Correctness or completeness of the accounts of the assessee ; or
 - + Method of accounting is not regularly followed ;or
 - + **Income not computed as per ICDS**
- ✖ Hence ICDS has to be mandatorily followed or else best judgement assessment can be done by Assessing Officer.

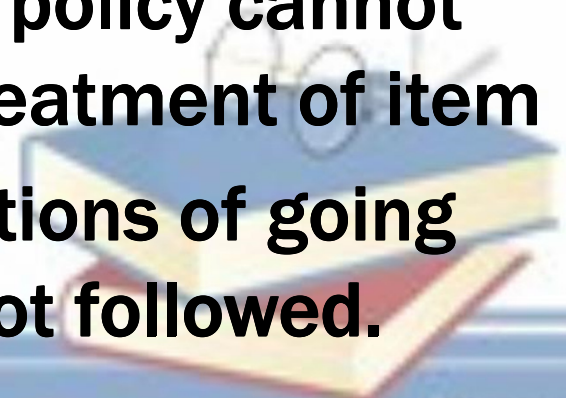


I - ACCOUNTING POLICIES



ICDS I – DISCLOSURES

- ✖ All significant accounting policies
- ✖ Change in accounting policy which has material effect including amount to the extent ascertainable
- ✖ If change in accounting policy to have material effect in later years, then disclosure to be made:
 - + In year of adoption as well as
 - + In 1st year of material effect - not as per AS
- ✖ Disclosure or change in accounting policy cannot remedy a wrong or inappropriate treatment of item
- ✖ If fundamental accounting assumptions of going concern, consistency and accrual not followed.



ICDS I – PRACTICAL IMPLICATIONS

- ✖ **Disclosure of all significant accounting policies in Clause 13 (f) of Form 3CD, wherever applicable:**
 - + Give complete
 - + Where similar may refer of policies in notes to FS
- ✖ **Disallowances or deductions to be disclosed in ICDS schedule in Form 3CD as well as ITR (other than those covered by other ICDS):**
 - + Marked to market loss / gain
 - + Expected losses
- ✖ **Take care of change in accounting policies having material effect in the year of effect too.**



FORM 3CD – CLAUSE – 13(E)

ICDS	Name of ICDS	Increase in Profit	Decrease in Profit	Net (Rs.)	Description
I	Accounting Policies	2000		2000	Mark to Market Loss on Derivatives
	Total			2000	



FORM 3CD – CLAUSE – 13(F)

ICDS	Name of ICDS	Disclosures
I	Accounting Policies	<ul style="list-style-type: none">Refer to the significant accounting policies mentioned at Note No. _ to the Financial Statements



CA. Pramod Jain

II – VALUATION OF INVENTORIES



ICDS II – VALUATION OF INVENTORIES

- ✖ Inventory to be valued at cost or NRV whichever is lower.
- ✖ By-products, scrap or waste material are immaterial, they shall be measured at NRV and this value shall be deducted from the cost of the main product.
- ✖ Does not include WIP dealt by other ICDS.
- ✖ Cost of inventories to include:
 - + Cost of purchases;
 - ✖ Includes all duties & taxes . AS 2 excludes refundable from taxing authorities



ICDS II – VALUATION OF INVENTORIES

- + **Costs of services; (earlier for service provider, now deleted)**

- × Includes labour and other costs of personnel directly engaged in providing the service including supervisory personnel and attributable overheads

- + **Costs of conversion; and**

- + **Other costs incurred in bringing the inventories to their present location and condition**

- × **Cost Formulae**

- + **Specific identification of cost**

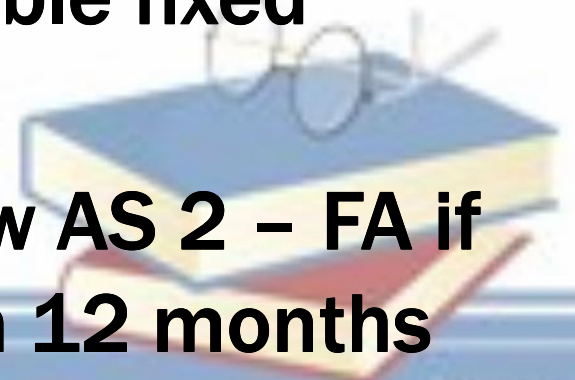
- + **FIFO**

- + **Weighted Average**



ICDS II – VALUATION OF INVENTORIES

- ✗ **Techniques for measurement of cost:**
 - + **Standard Cost**
 - + **Retail method (An average percentage for each retail department is to be used)**
- ✗ **ICDS - Machinery spares, which can be used only in connection with a tangible fixed asset and their use is expected to be irregular, to be dealt with in accordance with the ICDS V (Tangible fixed assets)**
- ✗ **The New AS 10 PPE read with new AS 2 – FA if expected to be used for more than 12 months**



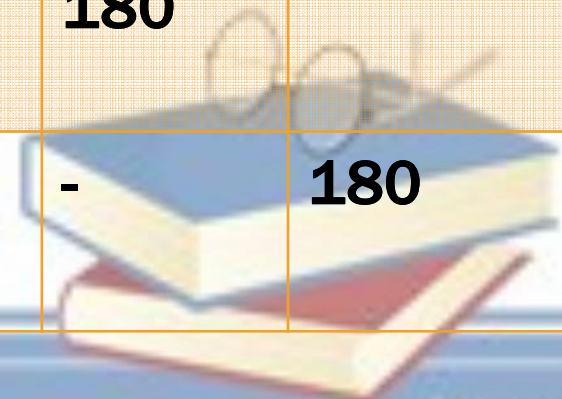
ICDS II – TAX DUTIES

- ✖ **AS**: The costs of purchase shall consist of purchase price including duties & taxes (**other than those subsequently recoverable by the enterprise from the taxing authorities**), freight inwards & other expenditure directly attributable to the acquisition. (Exclusive method).
- ✖ **ICDS**: The costs of purchase shall consist of purchase price including duties and taxes, freight inwards & other expenditure directly attributable to the acquisition. (Inclusive method)
- ✖ Already under S. 145A since 1.4.1999



ICDS II – TAX DUTIES

Sl. No.	Particulars	Increase in profit (Rs)	Decrease in profit (Rs)
1	Increase in cost of opening stock on inclusion of excise duty on which CEN VAT credit is available/availed		20
2	Increase in purchase cost of raw material on inclusion of excise duty on which CEN VAT credit is available/availed		180
3	Increase in sales of finished goods on inclusion of excise duty	180	
4	Excise duty paid on sale of finished goods as a result of its inclusion in sales	-	180



ICDS II – TAX DUTIES

5	Increase in closing stock of raw material on inclusion of excise duty	40	-
6	Increase in closing stock of finished goods on inclusion of excise duty	60	-
7	Increase in excise duty on closing stock of finished goods as a result of its inclusion in closing stock of finished goods	-	60
8	Accounting of CENVT credit availed and utilised on raw materials consumed in payment of excise duty on finished goods accounted on the basis of raw material consumed	160	-
	Total	440	440

ICDS II – PARTNERSHIP FIRMS

- ✖ In case of dissolution of a partnership firm or AOP / BOI, notwithstanding whether business is discontinued or not, the inventory on the date of dissolution shall be valued at the NRV.
- ✖ Judicial Precedents:
 - + In cases of dissolution of firm, the stock-in-trade will have to be valued at the prevailing market price while preparing a/cs if the business of firm is discontinued- *A.L.A. Firm v. CIT [1991] 55 Taxman 497(SC)*
 - + Where firm got dissolved due to death of a partner & business was reconstituted with remaining partners & business continued without any interruption, closing stock was to be valued at cost or MP, whichever was lower, & not at market value -*Sakthi Trading Co. v. CIT [2001] 118 Taxman 301 (SC)*

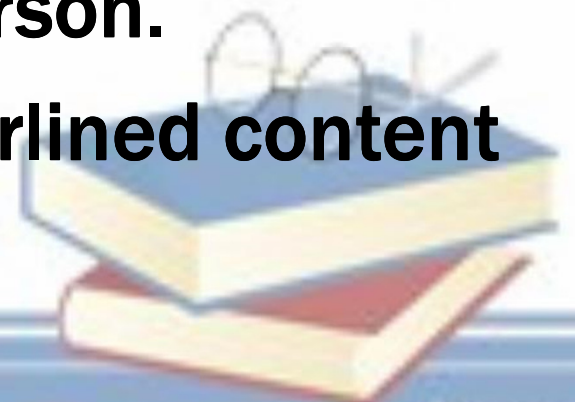
ICDS II – VALUATION OF INVENTORIES

- ✗ No Interest / borrowing cost unless as per ICDS IX
 - + Where inventories require a period of 12 months or more to bring them to a saleable condition
- ✗ No change in method of valuation without reasonable cause
- ✗ Value of the inventory as on beginning of PY shall be:
 - + Cost of inventory available, if any, on day of commencement of business when the business has commenced during the PY;
 - + Value of the inventory as on the close of the immediately preceding PY, in any other case.



ICDS II – DISCLOSURES

- ✖ 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;
- ✖ The total carrying amount of inventories and its classification appropriate to a person.
- ✖ AS – same as above except underlined content



ICDS II – PRACTICAL IMPLICATION

✖ Disclosures

- + Same as per AS 2, but if standard cost used..
State whether it approximates the actual cost**
- + Carrying amount??**
- ✖ If there is change in method of valuation of inventory its change in accounting policy...
follow AS 1 disclosure**
- ✖ Take care at time of dissolution of partnership firm**



ICDS II – PRACTICAL IMPLICATION

- ✖ **Disclosure for not following inclusive method of valuation of inventory – non-compliance of s. 145A – already reporting at Para 14(b) of Form 3CD– refer Para 23 of ICAI Tax Audit Guidance Note**
- ✖ **Borrowing costs for inventories only if they require a period of 12 months or more to bring them to a saleable condition**



FORM 3CD – CLAUSE – 13(E)

ICD S	Name of ICDS	Increase in Profit	Decrease in Profit	Net (Rs.)	Description
II	Valuation of Inventories	10000		10000	<ul style="list-style-type: none">Difference over cost to NRV in case of dissolution of firm. Valued at lower in books
	Total			10000	



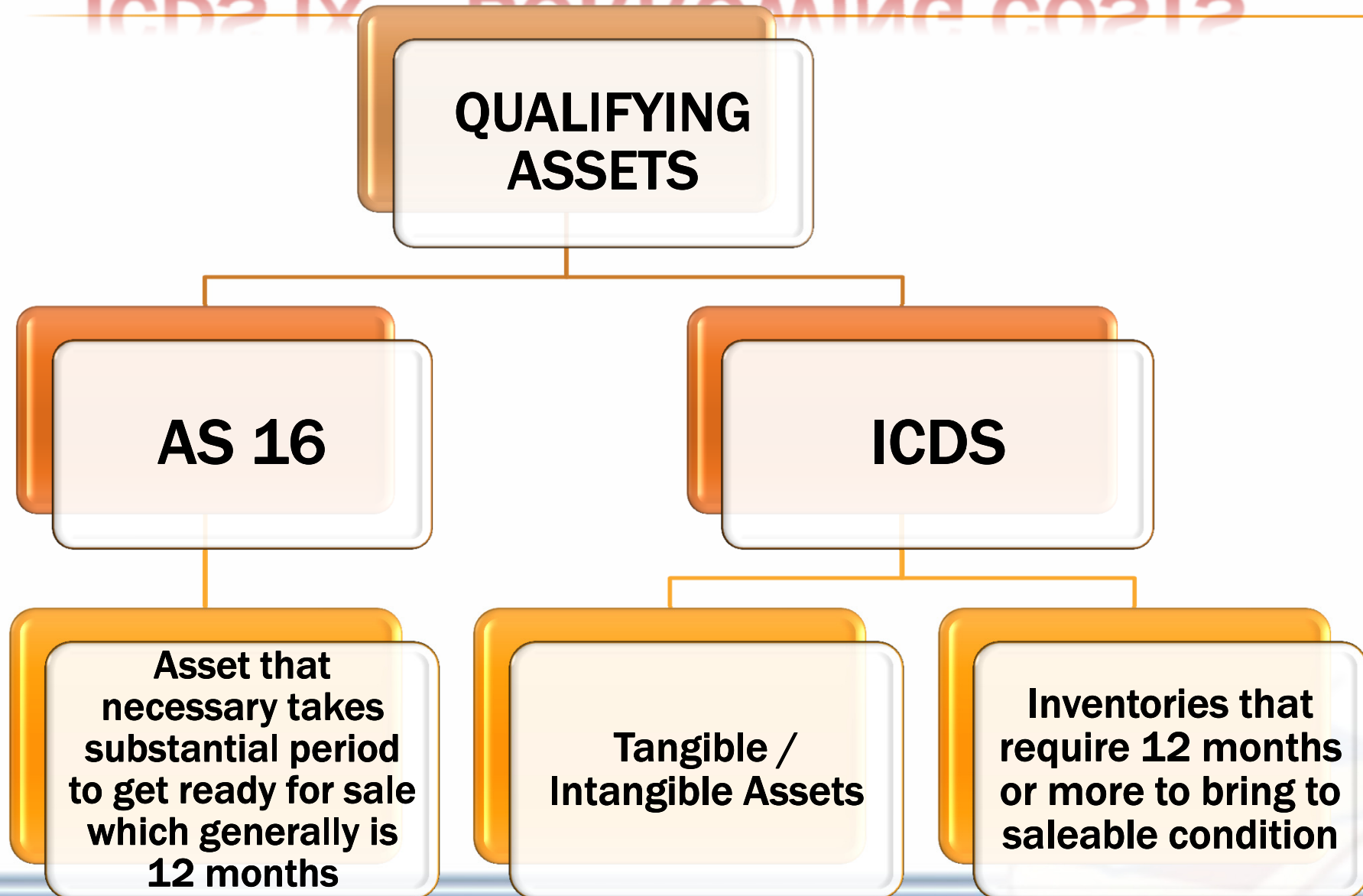
FORM 3CD – CLAUSE – 13(F)

ICDS	Name of ICDS	Disclosures
II	Valuation of Inventories	<ul style="list-style-type: none">• Refer to the significant accounting policies mentioned at Note No. _ to the Financial Statements• For carrying amount and classification refer Note No. _ of Balance Sheet• Inventories are not inclusive of duties and taxes, yet there is no effect on profits, refer to Para 14(b) of Form 3CD• The assessee is following Standard Costing as a measurement of cost, and that approximates the actual cost

IX – BORROWING COSTS



ICDS IX – BORROWING COSTS



ICDS IX – BORROWING COSTS

✖ Capitalization:

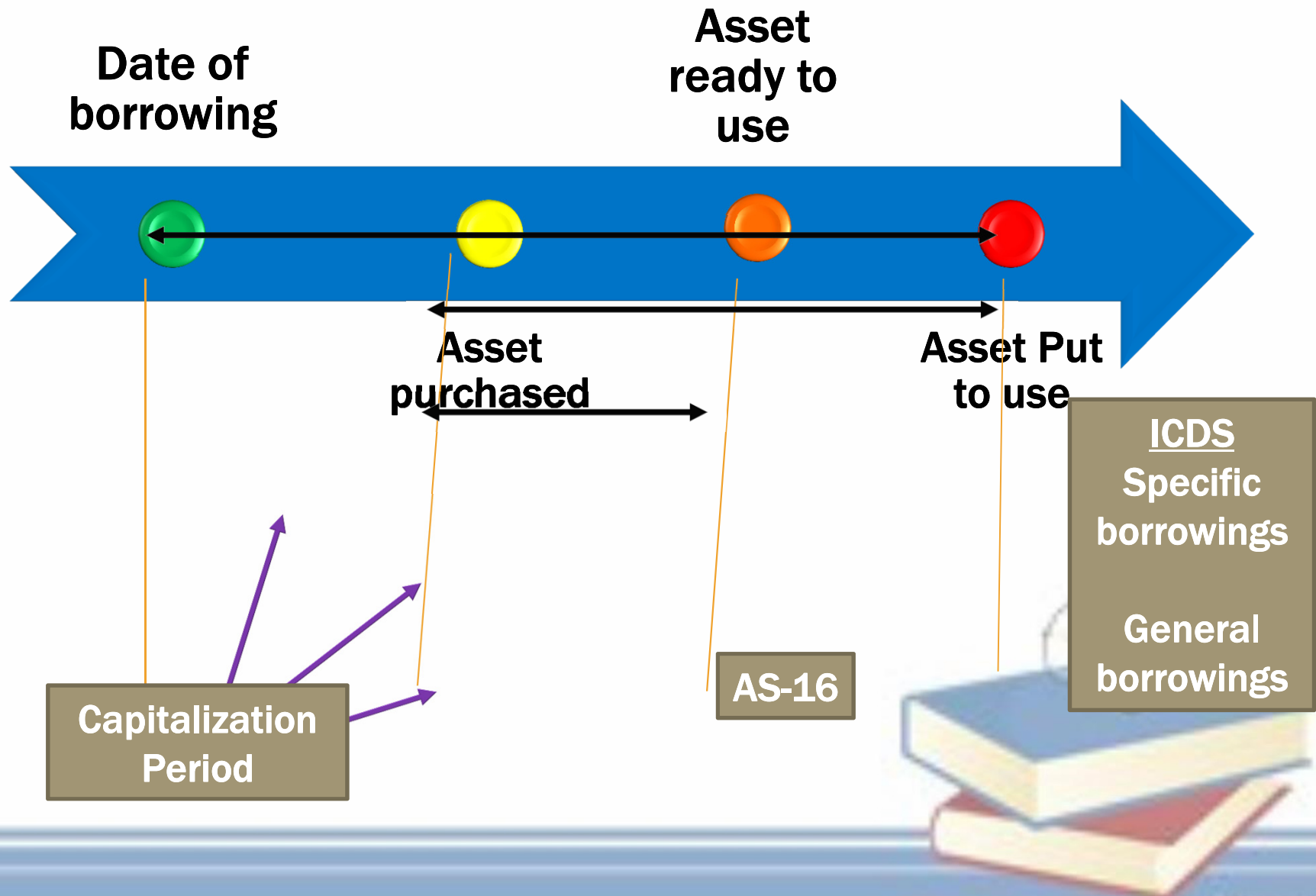
- + Specific Borrowing**
- + General Borrowing**

✖ Specific Borrowing:

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



ICDS IX – CAPITALIZATION



ICDS IX – FAQ

- ✖ **Q 20 -There are specific provisions in Act read with Rules under which a portion of borrowing cost may get disallowed u/ss like 14A, 43B, 40(a)(i), 40(a)(ia), 40A(2)(b), etc. Whether borrowing costs to be capitalized under ICDS-IX should exclude portion of borrowing costs which gets disallowed under such specific provisions?**
 - + **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**



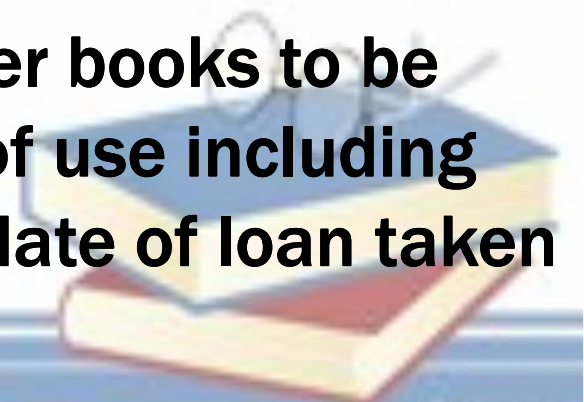
ICDS IX – DISCLOSURE

- ✖ 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**
- ✗ **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)

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

FORM 3CD – CLAUSE – 13(F)

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



THANK YOU



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