



ICDS

Income Computation and
Disclosure Standards

ICDS VI to X



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

Shared at

Jalandhar Branch of NIRC of ICAI

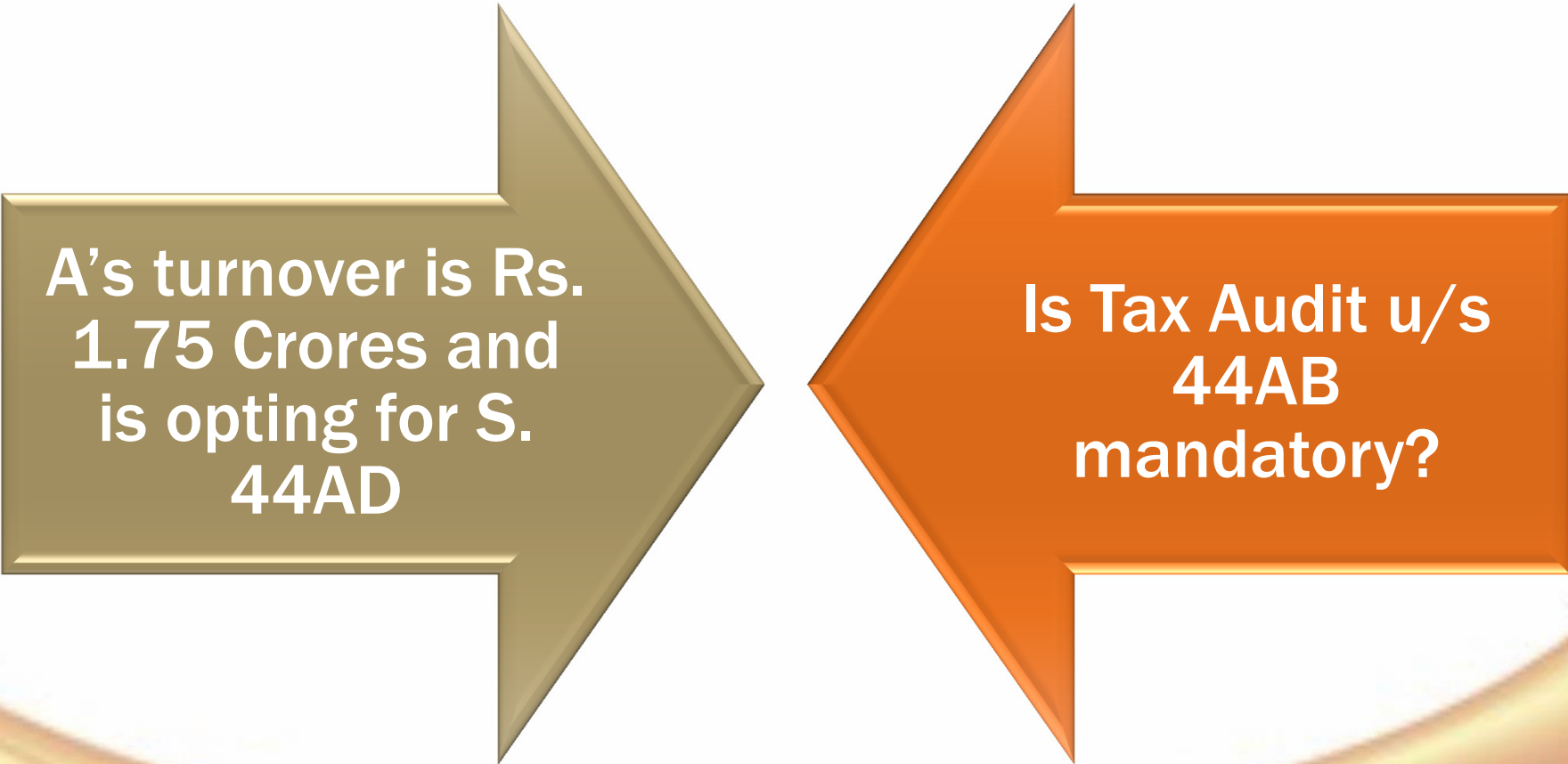
17th July 2017

Section 44AD



Presumptive Tax Scheme

44AD / 44AB



A's turnover is Rs.
1.75 Crores and
is opting for S.
44AD

Is Tax Audit u/s
44AB
mandatory?

APPLICABILITY OF 44AD(44ADA) / 44AB - AY 2017-18

**Mfg. - Turnover – 120L; NP – 10 L; 80-IA – 7 L;
TI-2.40L**

- AD - No
- AB - Yes

**Trading- Turnover – 90L; NP -3L; Architect –
Fee – 55 L; NP- 15 L; TI-7L**

- AD – No
- ADA - No
- AB - Yes

**Doctor – Trading Turnover – 120L - NP – 8 L;
Fee – 27 L – NP 15 L; TI- 20 L**

- AD – No
- ADA - Yes
- AB - Yes

**Trading; Turnover -120L; Commission - 2L; NP-
5L; TI 4L**

- AD - No
- AB - Yes

PRESUMPTIVE TAXATION - CHANGES

- **Limit u/s 44AD increased from 1 Cr to 2 Cr**
- **S. 44ADA introduced for Professionals – Limit 50 Lacs – Deemed Income -50%**
- **For firms - partners salary & interest not allowable for business as well as professional**
- **If benefit u/s 44AD not claimed in 1 year then cannot claim in next 5 years. In such case to maintain books if income > maximum amount not chargeable to tax and audit u/s 44AB**
- **No similar clause for professionals u/s 44ADA**
- **Advance Tax for 44AD /44ADA– 15th March**

APPLICABILITY-44AD / 44AB FOR AY 2017-18

**AY 2017-18 – T – Rs. 120 Lacs . P
– 10 L, TI – 9 L**

• Y/N

**AY 2018-19 – T – Rs. 120 Lacs . P
– 8 L, TI – 6 L**

• N/Y

**AY 2019-20 – T – Rs. 70 Lacs . P –
10 L, TI – 9 L**

• N/Y

**AY 2020-21 – T – Rs. 60 Lacs . P –
10 L, TI – 2 L**

• N/N

SECTION 44AD ESSENTIALS

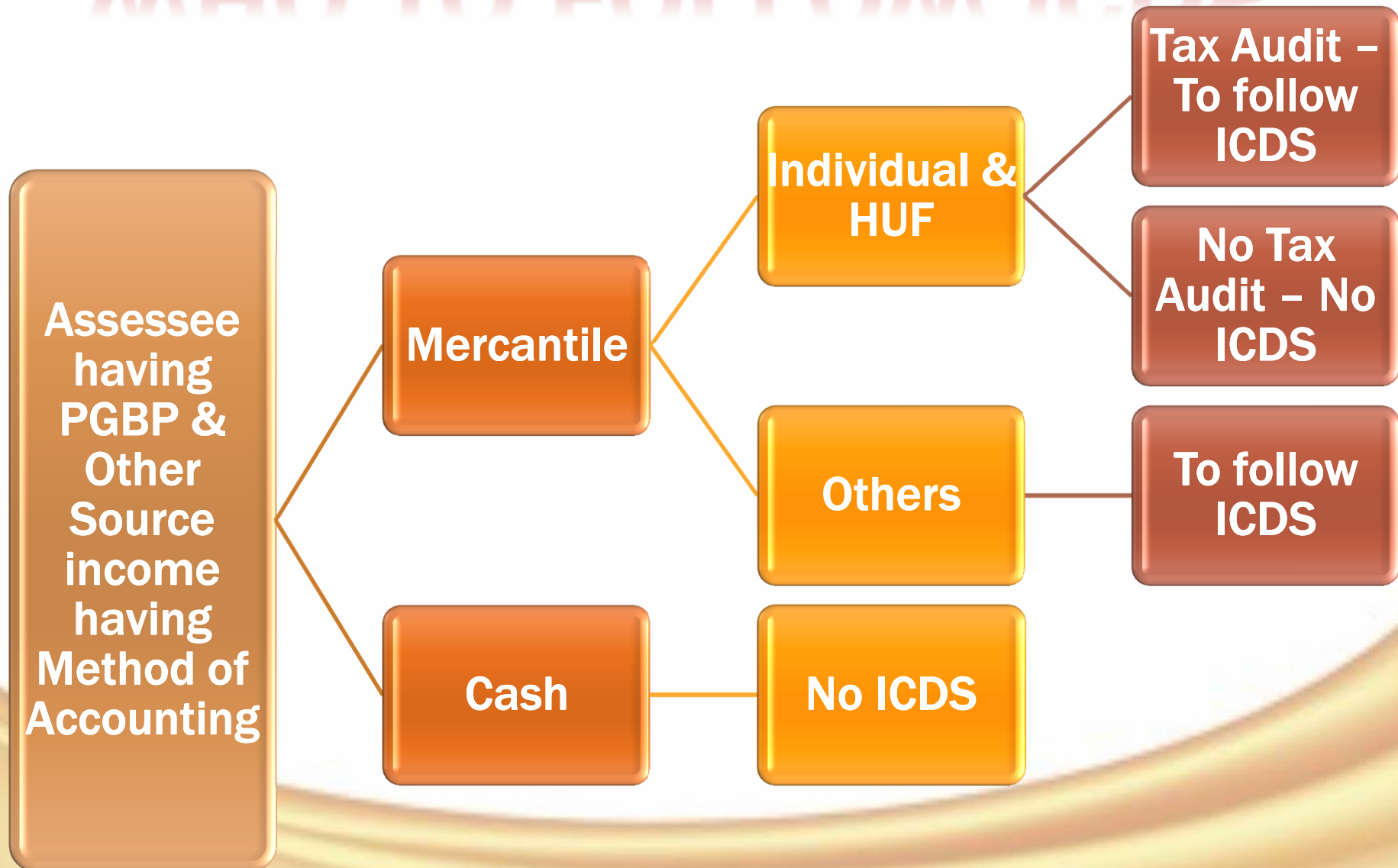
- **Should be eligible assessee**
 - **Ind., HUF, Firm (except LLP); and**
 - **No s. 10A, 10AA, 10B, 10BA & Chp VIA Part C**
- **Should be doing eligible business**
 - **Any except 44AE; and**
 - **Turnover < 2 Crs**
- **Section not applicable to a person carrying:**
 - **Profession**
 - **Commission or brokerage**
 - **Agency business**
- **Deemed profit 8% or more**
- **Commensurate with bank account !!!**

SECTION 44ADA ESSENTIALS

- **Should be engaged in profession**
 - **section 44AA read with rule 6F**
- **Gross receipt < 50 Lakhs**
- **Deemed profit 50% or more**
- **Commensurate with bank account !!!**



WHO TO FOLLOW ICDS



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		

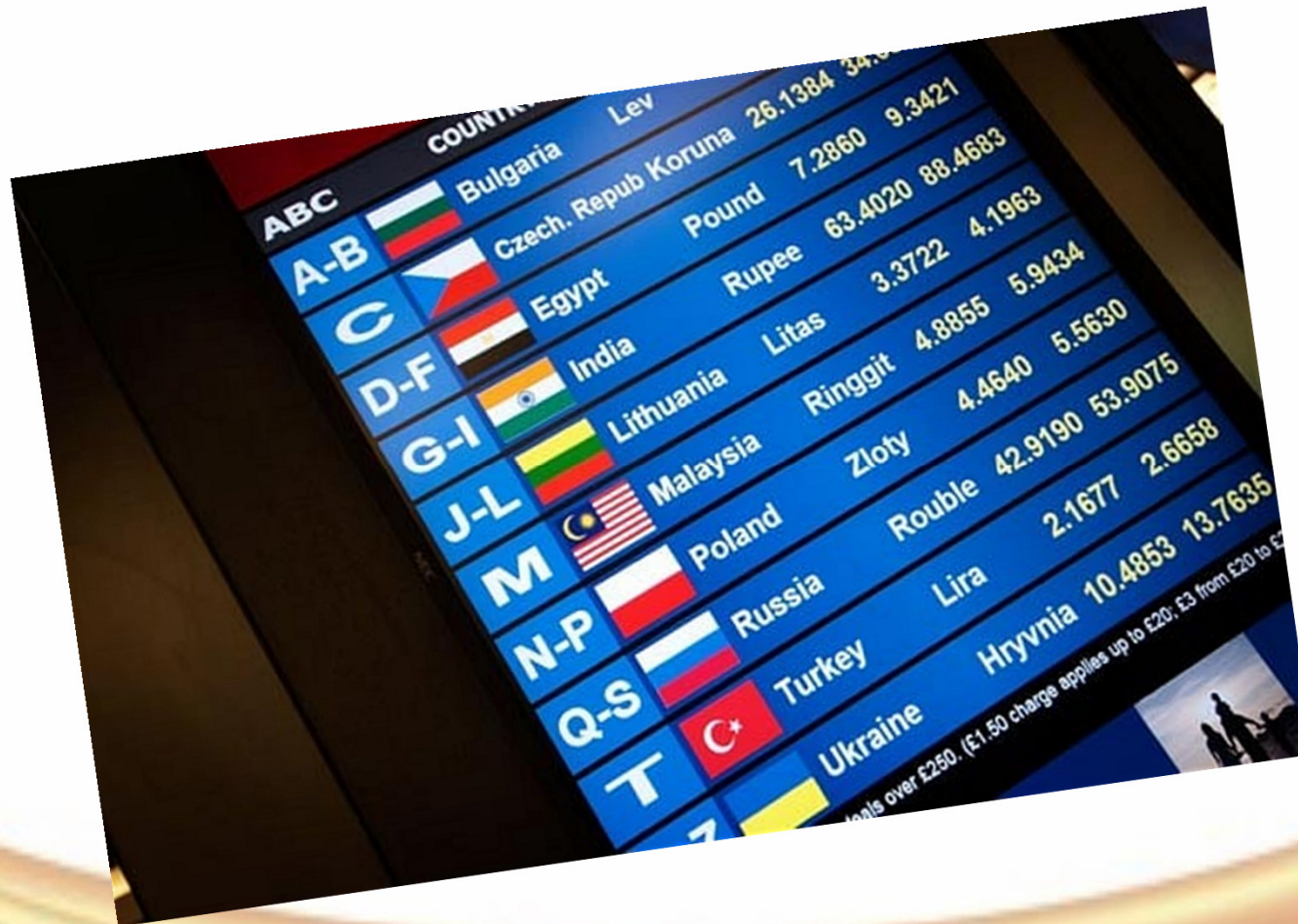
ITR

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?

VI

EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES



ABC	COUNTRY	Currency	Rate 1	Rate 2
A-B	Bulgaria	Lev	26.1384	34.0
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
7	Ukraine	Hryvnia		

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

ICDS VI – EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES



ICDS VI – EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES

✖ 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

✖ ICDS scope does not exclude exchange differences arising from foreign currency borrowings to the extent considered as an adjustment to interest costs.

MONETARY VS. NON-MONETARY

**Monetary
Items**

**Money held
& assets to
be received
or liab. to be
paid in fixed
or
determinable
amt. of
money**

**Cash,
Trade
receivab
les,
Trade
payable
s**

**Non-
Monetary
Items**

**Assets &
Liabilities
other than
monetary
items**

**Fixed
Assets,
Inventor
ies,
Investm
ents**

ICDS VI – CONVERSION AT LAST DATE OF PY

✖ Monetary items

- + To be converted by applying closing rate**
- + Exchange differences arising on settlement 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 shall not be recognised as income /expense in that PY.**
- ✖ Non-monetary items being inventory carried at fair value shall be converted at rate prevailing on date when such NRV is determined**

ICDS VI – CONVERSION AT LAST DATE OF PY

- ✖ X Ltd. Sold goods worth \$150,000 to ABC Inc in USA on 1st Sept. 2016 ABC Ltd paid:
 - + \$ 50,000 on 31st Dec 2016
 - + \$ 50,000 on 2nd Feb. 2017
- ✖ The exchange rates for \$ to INR on different dates were as follows:

+ 1 st Sept. 2016	- INR 64.00
+ 31 st Dec. 2016	- INR 65.00
+ 2 nd Feb. 2017	- INR 64.50
+ 31 st Mar. 2017	- INR 65.50

ICDS VI – CONVERSION AT LAST DATE OF PY

✖ The exchange rates for \$ to INR :

- + 1st Sept. 2016 - INR 64.00
- + 31st Dec. 2016 - INR 65.00
- + 2nd Feb. 2017 - INR 64.50
- + 31st Mar. 2017 - INR 65.50

Receivable A/c



☐ 1.9.16 = 9600000

☐ 31.12.16 = - 3200000

☐ 2.2.17 = - 3200000

☐ 31.3.17 = + 75000

☐ Balance 31.3.17 = 3275000

Foreign Exchange Fluctuation



☐

☐ 31.12.16 = 50000

☐ 2.2.17 = 25000

☐ 31.3.17 = 75000

☐ Balance 31.3.17 = 150000

ICDS VI – FOREIGN OPERATIONS

- ✖ **ICDS – Considers only Branch - 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 – 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 – 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 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?**

FORM 3CD – CLAUSE – 13(E)

ICDS	Name of ICDS	Increase in Profit	Decrease in Profit	Net (Rs.)	Description
VI	Effect of Changes in Foreign Exchange Rates	2500	5000	-2500	<ul style="list-style-type: none"> • FCTR of non-Integral Operations - 2000 • Foreign Exchange Fluctuation loss on borrowing costs as per AS 16 - 5000 • Mark to market loss on FEC - 500
	Total			-2500	

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**

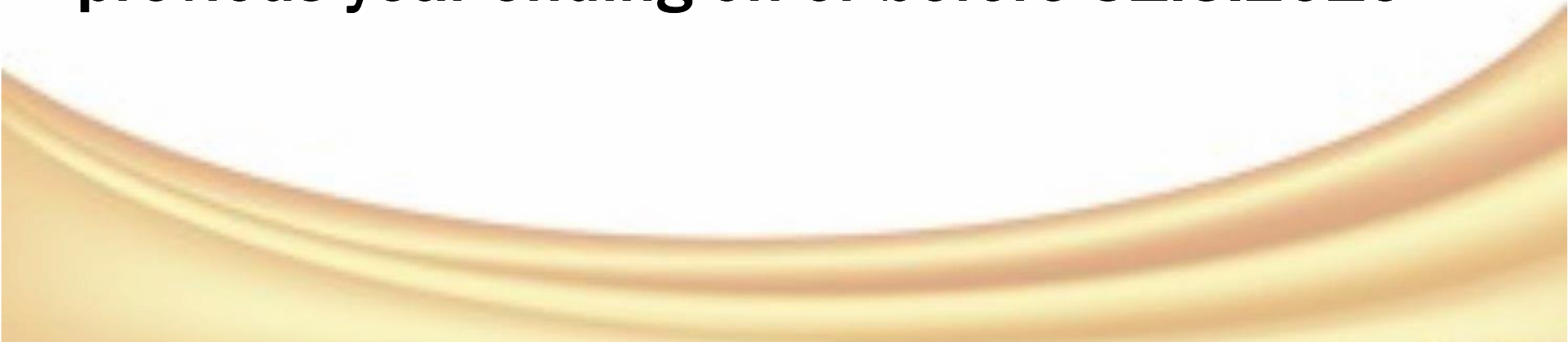
ICDS VII – IT ACT

- ✖ **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**

FORM 3CD – CLAUSE – 13(E)

ICDS	Name of ICDS	Increase in Profit	Decrease in Profit	Net (Rs.)	Description
VII	Government Grants	2000	3000	-1000	<ul style="list-style-type: none"> • Grant recognise d as Capital Reserve - 2000 • Grant on FA recognise d as revenue as per AS 12 - 3000
	Total			-1000	

FORM 3CD – CLAUSE – 13(F)

ICDS	Name of ICDS	Disclosures
VII	Government Grants	<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.

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	
	Total	5600	5350	5050	5350
5	Deb. E	1500	1600	1500	
6	Deb. F	1050	900	900	
7	Deb. G	1250	1350	1250	
8	Deb H	2200	2300	2200	
	Total	6000	6150	5850	6000
Total		11600	11500	10900	11350

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	
Total	6000	5620	1620	5620

ICDS VIII – BUCKET METHOD

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

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.**



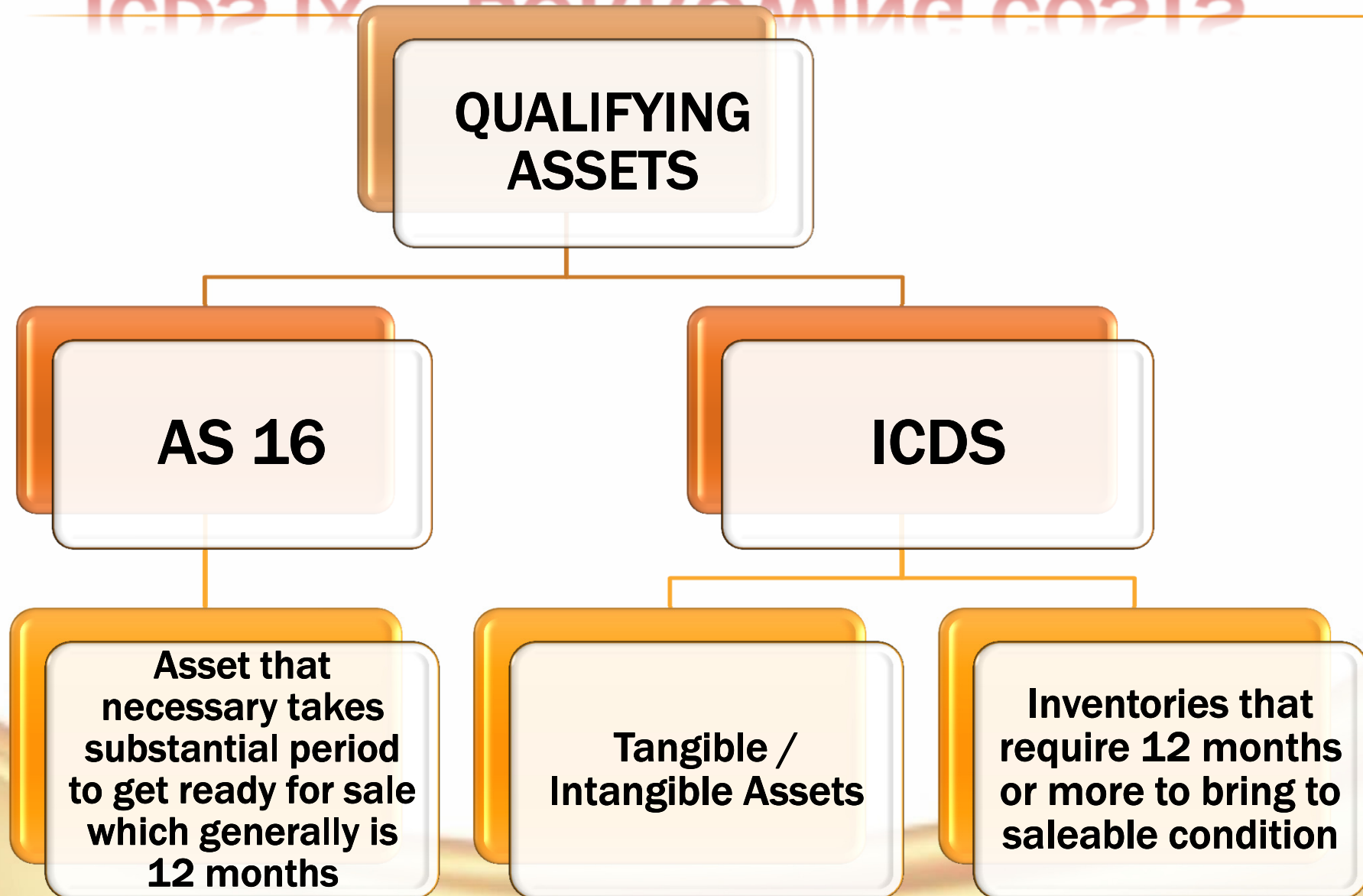
FORM 3CD – CLAUSE – 13(E)

ICDS	Name of ICDS	Increase in Profit	Decrease in Profit	Net (Rs.)	Description
VIII	Securities	4000		4000	Securities valued at cost or NRV scrip-wise
	Total			4000	


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**
- 

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 – 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?

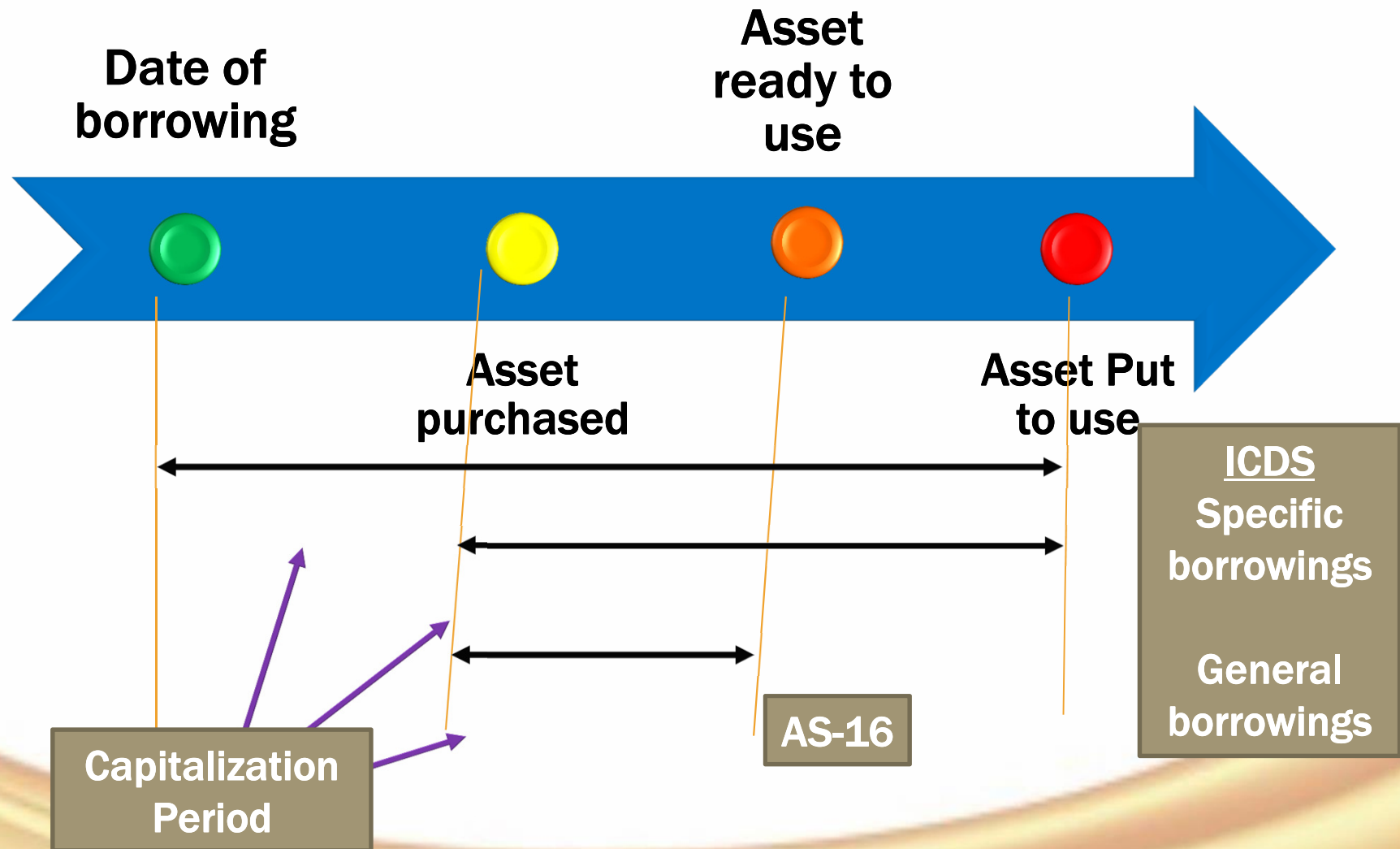
ICDS IX – CESSATION

- ✖ 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 – 1st 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 – 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 – 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


- ✖ **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 – 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**
- ✗ **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"> • 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

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

- ✖ **ICDS - For recognition of Reimbursement of any expenditure, there should be a reasonable certainty that reimbursement will be received as per ICDS - AS 29 - virtual certainly.**
- ✖ **ICDS does not deal with recognition of restructuring provision.**
- ✖ **ICDS does not deal with discounting of provision in case of decommissioning , restoration and similar liabilities that are recognized as cost of property , plant and equipment**

ICDS X – PROVISIONS, CONTINGENT LIABILITIES / ASSETS

- ✖ **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, hence expected loss cannot be recognised as provision**
 - + **Onerous contracts' are those contracts where the costs involved with fulfilling the terms and conditions of the contract are higher than the amount of economic benefit received from the contract itself**

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**

FORM 3CD – CLAUSE – 13(E)

ICDS	Name of ICDS	Increase in Profit	Decrease in Profit	Net (Rs.)	Description
X	Provisions, contingent Liabilities & Contingent Assets	5000		5000	<ul style="list-style-type: none"> • Provision for doubtful debts – 2000 • Provision for diminution in value of long term investments - 3000
	Total			5000	

FORM 3CD – CLAUSE – 13(F)

ICDS	Name of ICDS	Disclosures
X	Provisions, contingent Liabilities & Contingent Assets	<p>Provisions 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 amt. of asset that is recognised for that expected reimbursements

TAKE CARE

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





**KEEP INCREASING
YOUR VALUE**

THANK YOU!



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