

INCOME COMPUTATION AND DISCLOSURE STANDARDS - to be applied in books from 31/03/17

Applicable FROM WHEN?	F Y 2016-17(A Y 2017-18)
APPLICABLE TO WHOM? NOT APPLICABLE TO WHOM?	1. All assesseees covered u/s 44AB 2 Not applicable for computation of MAT

ICDS-I - ACCOUNTING POLICIES

Effective date	F Y 2016-17(A Y 2017-18)
Purpose	Computation Of Income chargeable to tax Under the heads "Profit and Gains from Business and profession" and "Income from Other Sources".
Scope	It Deals with Significant Accounting Policies <u>Marked to market loss or an expected losses not be recognised</u> unless such recognition of loss is in accordance with the provision of any other ICDS No concept of Materiality Accounting Policies cannot be changed without a reasonable cause Disclosure of accounting policies shall be at one place and should not be scattered Treatment and presentation of transactions and events shall be governed by their substance and not merely by the legal form If a fundamental accounting assumption(Going Concern,consistency,accrual) is not followed,fact to be disclosed in Notes to Financial statements.
Conflict of ICDS with Income Tax Act	Provision of Income tax act shall prevail over ICDS

ICDS-II - VALUATION OF INVENTORIES

Effective date	F Y 2016-17(A Y 2017-18)
Purpose	Computation Of Income chargeable to tax Under the heads "Profit and Gains from Business and profession" and "Income from Other Sources".
Scope	This ICDS shall be applied for valuation of inventories, except: <ol style="list-style-type: none"> 1. WIP arising under construction contract including directly related service contract which is dealt with by the ICDS on construction contract 2. WIP which is dealt with other ICDS 3. Share, debentures & other financial instruments held as stock in trade which are dealt by ICDS on securities 4. Producers' inventories of livestock, agriculture & forest products, mineral oils, ores & gases to the extent that they are measured at NRV 5. Machinery spares
Valuation of inventory on dissolution of Firm/AOP/BOI	The use of LIFO method - not permissible and Standard Cost method is permissible Inventory on the date of dissolution will be valued at net realisable value <i>Value of opening inventory in the year of commencement of business shall be taken at cost of inventory available on the day of commencement of business</i>
Cost of purchase	<i>Cost of purchase = purchase price+duties and taxes(incl creditable)+freight inwards+exp directly attributable to acquisition</i>
Inventory of Service Provider	<i><u>ALL CREDITABLE TAXES TO BE INCLUDED IN VALUE OF CLOSING STOCK</u></i> <i><u>materials and consumables lying for providing service to be included</u></i>

ICDS-III- CONSTRUCTION CONTRACTS	
Effective Date	F Y 2016-17(A Y 2017-18)
Purpose	Computation Of Income chargeable to tax Under the heads "Profit and Gains from Business and profession" and "Income from Other Sources".
Scope	Applied in determination of income for a construction contracts of a contractor Retention shall be included in contract revenue Contract revenue and cost should be recognized by reference to the stage of completion at the reporting date Pre construction income should be treated income The early stage of a contract shall not extend beyond 25% of the stage of completion Contract revenue shall be recognized when it is reasonably assured that it will be recieved
Not applicable	Netting off allowed for all incidental income assessee who opt for presumptive taxation
ICDS-IV - Revenue Recognition	
Effective Date	F Y 2016-17(A Y 2017-18)
Purpose	Computation Of Income chargeable to tax Under the heads "Profit and Gains from Business and profession" and "Income from Other Sources".
Scope	Recognition of revenue arising from sale of goods ,rendering of services ,interest,royalties and dividends Revenue from sale of goods should be recognized at the transfer of all significant risk and rewards of ownership <u>Revenue from services is recognized on the basis of percentage completion method.COMPLETED CONTRACT METHOD not allowed NOW</u> <u>Taxes collected from buyer on sale of goods shall be included in valuation of sale of goods(Not applicable to service providers)</u> <u>Duty credit entitlement received by exporter from government (as a percentage of foreign exchange earned In previous financial year) to be treated as REVENUE GRANT and taxable as income in accordance with provisions of ICDS VII</u>
DUTY CREDIT ENTITLEMENT received under SFIS SCHEME	Dividend are recognized on the basis of provision of act Royalties recognized on the basis of agreement Interest shall accrue on the time basis Revenue to be recognised in service contract on % completion method, except for service contract below 90 days

ICDS-V- TANGIBLE FIXED ASSETS

Effective Date	F Y 2016-17(A Y 2017-18)
Purpose	Computation Of Income chargeable to tax Under the heads "Profit and Gains from Business and profession" and "Income from Other Sources".
Scope	Treatment of tangible fixed assests
Cost of self constructed tangible assets	Costs of construction directly related to specific assets and general costs of construction allocable to the specific assets . When asset is acquired in exchange, fair value of asset acquired shall be its actual cost
Assets acquired on Barter	
Addition/extension to an existing tangible asset	Any extension/addition to existing cap asset which becomes integral part of existing asset,to be added to its actual cost Any extension/addition to existing cap asset which has a separate identity and is capable of being used after existing tangible asset is disposed off,shall be treated as separate asset. Additional expenditure to be capitalized if it increase the future benefits of the asset beyond its previously assessed standards of performance
Sub Judice Building	Spares to be capitalized if it can be used only in connection with fixed asset And its use is irregular.Otherwise charge to revenue Buliding whose title is sub-judice is treated as fixed assets as ownership is not necessary
Project under sale	If project under sale originally treated as fixed asset would amount to fixed asset even if it is under sale
Treatment of Duty credit entitlement under SFIS	Duty credit entitlement scrip received under SFIS to be taxable as revenue grant and should not be deducted from value of capital good imported duty free

ICDS-VI- THE EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE

Effective Date	F Y 2016-17(A Y 2017-18)
Purpose	Computation Of Income chargeable to tax Under the heads "Profit and Gains from Business and profession" and "Income from Other Sources".
Scope	Treatment of transactions in foreign currencies Translating the financial statement of foreign operations Treatment of foreign currency transactions in the nature of forward exchange contracts Premium, discounts or exchange difference on trading or speculative contracts shall be recognized on settlement
Initial Recognition of transaction	Exchange difference on certain long term monetary items to be recognized to profit and loss immediately Initial recognition of a Foreign currency transaction in reporting currency to be done at rate of exchange prevailing on the date of transaction.(Avg rates may be used for a week/month)
Conversion at last day of previous year	On last date of Financial year, monetary items should be converted by applying closing rate On last day of Financial year, non monetary items should be converted by applying rate at the date of transaction(Historical rate)
Recognition of Foreign exchange differences	For monetary items, exchange difference on conversion/settlement to be recognised as income or as expense in that previous year For non monetary items, Exchange difference shall not be recognized as income or expense in that previous year
Forward Exchange Contracts(NOT ENTERED FOR TRADING/SPECULATION/HEDGING)	Premium or discount on forward exchange contract shall be amortised as expense or income over the life of contract Exchange difference on forward contract shall be recognized In previous year in which exchange rates change
Forward Exchange Contracts(ENTERED FOR TRADING/SPECULATION/HEDGING)	Premium ,discount or exchange differences on contracts intended for trading,hedging/speculation,to be recognised at the time of settlement.NO M2M for such contracts

ICDS-VII- GOVERNMENT GRANTS

Effective Date	F Y 2016-17(A Y 2017-18)
Purpose	Computation Of Income chargeable to tax Under the heads "Profit and Gains from Business and profession" and "Income from Other Sources".
Scope	It deals with treatment of government grants Recognition of grants should not be postponed beyond the date of actual receipt
Grant directly related to DEPRECIABLE asset/group of assets	Government grant related to depreciable fixed asset,the grant shall be deducted from the actual cost of asset/assets or from written down value of block of assets to which the asset belongs. <u>NO OPTION TO RECOGNIZE GRANT AS DEFERRED INCOME</u>
Grant directly related to NON DEPRECIABLE asset/group of assets	Grant to be recognised as income over same period over which cost of meeting obligations under grant is charged to income. Government grant cannot be directly relatable to the asset acquired,proportionate amount of grant in same proportion as the asset bear to all assets in respect of which government is received, shall be deducted from the cost of the asset/WDV of block to which asset belongs
Grant NOT directly related to asset/group of assets	Any such grant received for providing immediate financial support to be recognised as income of previous year in which it is receivable.
Grant received as compensation for expenses/losses	Non monetary assets given at a concessional rate,should be accounted on basis of their acquisition cost
Non Monetary Grants Duty Credit entitlement under SFIS	To be treated as revenue grant and is taxable as income
Refund of Government Grants	Amount refundable shall be applied first against any unamortised deffered credit remaining in respect of government grant,remaining should be charged to profit and loss Refund of grant in respect of depreciable fixed asset to be recognised by increasing the actual cost of the asset and charging depreciation Prospectively on new cost.
Not applicable	Government assistance other than in form of government grants Government participation in ownership of enterprise

ICDS-VIII- SECURITIES	
Effective Date	F Y 2016-17(A Y 2017-18)
Purpose	Computation Of Income chargeable to tax Under the heads "Profit and Gains from Business and profession" and "Income from Other Sources".
Scope	It deals with securities held as stock in trade Security on acquisition should be recognized at actual cost Security acquired on exchange, fair value of asset acquired will be its actual cost Unpaid interest accrued before acquisition of interest bearing security ,the subsequent receipt of interest should be allocated between pre and post acquisition, and pre acquisition should be deducted from actual cost Securities held as stock in trade shall be valued at the end of the year at actual cost or net realisable value whichever is lower - CATEGORY WISE [Eg. Shares, mf, debt funds etc]
Not applicable	Recognition of interest and dividends on securities securities held by person engaged in business of securities securities held by mutual funds, venture capital funds, banks and public financial institution
ICDS-IX- BORROWING COSTS	
Effective Date	F Y 2016-17(A Y 2017-18)
Purpose	Computation Of Income chargeable to tax Under the heads "Profit and Gains from Business and profession" and "Income from Other Sources".
Scope	It deals with treatment of borrowing cost
Exchange differences on FC borrowings	NOT TO BE TREATED AS BORROWING COSTS UNDER ICDS
Income on temporary investment of borrowing cost	To be taxed separately as income, No netting off allowed from cost of asset Borrowing cost that are directly attributable to the qualifying asset shall be capitalized as part of cost of asset. Funds specifically borrowed for obtaining qualifying asset, <u>capitalising of borrowing cost should commence from date on which funds are borrowed in same proportion as qualifying asset bears to average assets.</u>
Specific borrowing for Qualifying assets	<u>capitalising of borrowing cost should commence from date on which funds were utilized</u>
General Borrowing utilized for Qualifying assets	No suspension of capitalization in any circumstances Capitalization of borrowing cost ceases when asset is put to use Interest on capital borrowed for acquisition of an asset will not be allowed as deduction
Not applicable	It does not deal with actual or imputed cost of owner equity and preference share capital

ICDS-X- PROVISIONS,CONTINGENT LIABLITIES, AND CONTINGENT ASSETS

Effective Date	F Y 2016-17(A Y 2017-18)
Purpose	Computation Of Income chargeable to tax Under the heads "Profit and Gains from Business and profession" and "Income from Other Sources".
Scope	It deals with provisions,contingent liabilities and contingent assets except those: 1)resulting from financial instruments 2)resulting from executory contracts 3)arising in insurance business from contracts with policy holders 4)covered by another ICDS Contingent assets shall not be recognized. Only when it becomes reasonably ceratin that economic benefit will arise it will be recognized Expenditure required to settle a provision is expected to be reimbursment by another party,it should be recognized when it is reasonably assured that it will be received Provision shall be recognized when person has a present obligation as a result of past event,it is reasonably certain that outflow of resource embodying economic benefits will be required to settle the obligation and a realiable estimate can be made of the amount of the obligation Contingent liability shall not be recognized Provision shall be used only for the expenditure for which provision was created