ACCOUNTING STANDARDS
and corresponding
INCOME COMPUTATION and DISCLOSURE STANDARDS

INDEX

Income Computation and Disclosure Standards *vis-à-vis* Accounting Standards

	ICAI		Notified by the CBDT	Remarks-
Sr/ Para No.	**A**ccounting **S**tandards *[presumably (base) corresponding to which ICDSs Issued by CBDT]* *[for application in the preparation of General Purpose Financial Statements and other Financial Reporting, which are subject to the attest function of the members of the ICAI]*	Sr/ Para No.	Income Computation and Disclosure Standards – As per Notification No. SO/892E dated 31st March, 2015 *[for computation of an assessee's 'profit and gains of business or professon'* or *'income from other sources' – u/s 145 of the Income-tax Act, 1961*]	**ICDSs vs Actng Stands**
	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
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	AS 1 **Disclosure of Accounting Policies**	**A.**	**ICDS I** relating to **accounting policies**	
			Preamble	
			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 accounts. 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.	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
	Introducton		**Scope**	
1	This Standard deals with the disclosure of significant accounting policies **followed in preparing and presenting financial statements.**	1	This Income Computation and Disclosure Standard deals with significant accounting policies.	**ICDS** = on lines of **AS**
2	The view presented in the financial statements of an enterprise of its state of affairs and of the profit or loss can be significantly affected by the accounting policies followed in the preparation and presentation of the financial statements. The accounting policies followed vary from enterprise to enterprise. Disclosure of significant accounting policies followed is necessary if the view presented is to be properly appreciated.			**AS** = Clarifi-catory/ Educa- tive in nature
3	The disclosure of some of the accounting policies followed in the preparation and presentation of the financial statements is required by law in some cases.			**AS**= Clarificatory/Educative in nature
4	The Institute of Chartered Accountants of India has, in Standards issued by it, recommended the disclosure of certain			

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	accounting policies, e.g., translation policies in respect of foreign currency items.			
5	In recent years, a few enterprises in India have adopted the practice of including in their annual reports to shareholders a separate statement of accounting policies followed in preparing and presenting the financial statements.			**AS**= Clarificatory/ Educative in nature
6	In general, however, accounting policies are not at present regularly and fully disclosed in all financial statements. Many enterprises include in the Notes on the Accounts, descriptions of some of the significant accounting policies. But the nature and degree of disclosure vary considerably between the corporate and the non-corporate sectors and between units in the same sector.			
7	Even among the few enterprises that presently include in their annual reports a separate statement of accounting policies, considerable variation exists. The statement of accounting policies forms part of accounts in some cases while in others it is given as supplementary information.			**AS**= Clarificatory/ Educative in nature
8	The purpose of this Standard is to promote better understanding of financial statements by establishing through an accounting standard the disclosure of significant accounting policies and the manner in which accounting policies are disclosed in the financial statements. Such disclosure would also facilitate a more meaningful comparison between financial statements of different enterprises.			**AS**= Clarificatory/ Educative in nature
	Exlanation			
	Fundamental Accounting Assumptions			
9	Certain fundamental accounting assumptions underlie the preparation and presentation of financial statements. They are usually not specifically stated because their acceptance and use are assumed. Disclosure is necessary if they are not followed.			**AS**= Clarificatory/ Educative in nature

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10	The following have been generally accepted as fundamental accounting assumptions:—		**Fundamental Accounting Assumptions**	**ICDS** = on lines of **AS**
	(a) Going Concern ~~The enterprise is normally viewed as a going concern, that is, as continuing in operation for the foreseeable future. It is assumed that the enterprise~~ has neither the intention nor the necessity of liquidation or of curtailing materially the scale of the operations.	2	(a) **Going Concern** "Going concern" refers to the assumption that the person has neither the intention nor the necessity of liquidation or of curtailing materially the scale of the business, profession or vocation and intends to continue his business, profession or vocation for the foreseeable future.	**AS**= refers to there being no intention or need of liquidation or of curtailment **ICDS** = also adds reference to continuity in the f/seeable future
	(b) Consistency It is assumed that accounting policies are consistent from one period to another.		(b) **Consistency** "Consistency" refers to the assumption that accounting policies are consistent from one period to another;	**ICDS**= on lines of **AS**
	(c) **Accrual:** Revenues and costs are accrued, that is, recognised as they are earned or incurred (and not as money is received or paid) and recorded in the financial statements of the periods to which they relate. (The considerations affecting the process of matching costs with revenues under the accrual assumption are not dealt with in this standard.)		(c) **Accrual** "Accrual" refers to the assumption that revenues and costs are accrued, that is, recognised as they are earned or incurred (and not as money is received or paid) and recorded in the previous year to which they relate.	**ICDS**= on lines of **AS**
	Nature of Accounting Policies		**Accounting Policies**	
11	The accounting policies refer to the specific accounting principles and the methods of applying those principles adopted by the ~~enterprise in the preparation and presentation of financial statements~~.	3	The accounting policies refer to the specific accounting principles and the methods of applying those principles adopted by a person.	**ICDS**= on lines of **AS, except that in the AS reference is to 'principles**

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				adopted by the enterprise', while in ICDS, reference is to 'principles… by a person'
12	There is no single list of accounting policies which are applicable to all circumstances. The differing circumstances in which enterprises operate in a situation of diverse and complex economic activity make alternative accounting principles and methods of applying those principles acceptable. The choice of the appropriate accounting principles and the methods of applying those principles in the specific circumstances of each enterprise calls for considerable judgement by the management of the enterprise.			**AS**= Clarificatory/ Educative in nature
13	The various standards of the Institute of Chartered Accountants of India combined with the efforts of government and other regulatory agencies and progressive managements have reduced in recent years the number of acceptable alternatives particularly in the case of corporate enterprises. While continuing efforts in this regard in future are likely to reduce the number still further, the availability of alternative accounting principles and methods of applying those principles is not likely to be eliminated altogether in view of the differing circumstances faced by the enterprises.			**AS**= Clarificatory/ Educative in nature
	Areas in which Differing Accounting Policies are Encountered			
14	The following are examples of the areas in which different			**AS**= Clarifi-

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	accounting policies may be adopted by different enterprises.			catory/ Educa-tive in nature
	(a) Methods of depreciation, depletion and amortisation			
	(b) Treatment of expenditure during construction			
	(c) Conversion or translation of foreign currency items			
	(d) Valuation of inventories			
	(e) Treatment of goodwill			
	(f) Valuation of investments			
	(g) Treatment of retirement benefits			
	(h) Recognition of profit on long-term contracts			
	(i) Valuation of fixed assets			
	(j) Treatment of contingent liabilities.			
15	The above list of examples is not intended to be exhaustive.			
	Considerationsin the Selection of Accounting Policies		**Considerations in the Selection and Change of Accounting Policies**	
16	The primary consideration in the selection of accounting policies by an enterprise is that the financial statements prepared and presented on the basis of such accounting policies should represent a true and fair view of the state of affairs of the enterprise as at the balance sheet date and of the profit or loss for the period ended on that date.	4	Accounting policies adopted by a person shall be such so as to represent a true and fair view of the state of affairs and income of the business, profession or vocation. For this purpose,	**ICDS**= on lines of **AS**
17	For this purpose, the major considerations governing the selection and application of accounting policies are:—			
	a. Prudence In view of the uncertainty attached to future events, profits are not anticipated but recognised only when realised though not necessarily in cash. Provision is made for all		(i) the treatment and presentation of transactions and events shall be governed by their substance and not merely by the legal form; and	**ICDS**= on lines of **AS** *[P 17 b.]*

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	known liabilities and losses even though the amount cannot be determined with certainty and represents only a best estimate in the light of available information.			
	b. Substance over Form The accounting treatment and presentation in financial statements of transactions and events should be governed by their substance and not merely by the legal form.		(ii) marked to market loss or an expected loss shall not be recognised unless the recognition of such loss is in accordance with the provisions of any other Income Computation and Disclosure Standard.	**ICDS**= on lines of **AS** *[P 17 a.]*
	c. Materiality Financial statements should disclose all "material" items, i.e. items the knowledge of which might influence the decisions of the user of the financial statements.			**ICDS= appears not to have included this**
		5	An accounting policy shall not be changed without reasonable cause.	**ICDS= appears** on lines of **AS** *[P 17 c.]*
	Disclosure of Accounting Policies		**Disclosure of Accounting Policies**	
18	To ensure proper understanding of financial statements, it is necessary that all significant accounting policies adopted in the preparation and presentation of financial statements should be disclosed.	6	All significant accounting policies adopted by a person shall be disclosed.	**ICDS**= on lines of **AS**
19	Such disclosure should form part of the financial statements.			
20	It would be helpful to the reader of financial statements if they are all disclosed as such in one place instead of being scattered over several statements, schedules and notes.			
21	Examples of matters in respect of which disclosure of accounting policies adopted will be required are contained in			

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	paragraph 14. This list of examples is not, however, intended to be exhaustive.			
22	Any change in an accounting policy which has a material effect should be disclosed. The amount by which any item in the financial statements is affected by such change should also be disclosed to the extent ascertainable. Where such amount is not ascertainable, wholly or in part, the fact should be indicated. If a change is made in the accounting policies which has no material effect on the financial statements for the current period but which is reasonably expected to have a material effect in later periods, the fact of such change should be appropriately disclosed in the period in which the change is adopted.	7	Any change in an accounting policy which has a material effect shall be disclosed. The amount by which any item is affected by such change shall also be disclosed to the extent ascertainable. Where such amount is not ascertainable, wholly or in part, the fact shall be indicated. If a change is made in the accounting policies which has no material effect for the current previous year but which is reasonably expected to have a material effect in later previous years, the fact of such change shall be appropriately disclosed in the previous year in which the change is adopted and also in the previous year in which such change has material effect for the first time.	**ICDS**= on lines of **AS**. **ICDS** = also adds reference to the **previous year in which such change has material effect for the first time** **which addition is presumably guided by Para 26 of the AS**
23	Disclosure of accounting policies or of changes therein cannot remedy a wrong or inappropriate treatment of the item in the accounts.	8	Disclosure of accounting policies or of changes therein cannot remedy a wrong or inappropriate treatment of the item.	**ICDS**= on lines of **AS**
		9	If the fundamental accounting assumptions of Going Concern, Consistency and Accrual are followed, specific disclosure is not required. If a fundamental accounting assumption is not followed, the fact shall be disclosed.	**ICDS**= on lines of **AS** *[P 27 c.]*
	Main Principles			
24	All significant accounting policies adopted in the preparation and presentation of financial statements should be disclosed.			**AS**= Clarifi-catory/ Educa-tive in nature

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25	The disclosure of the significant accounting policies as such should form part of the financial statements and the significant accounting policies should normally be disclosed in one place			
26	Any change in the accounting policies which has a material effect in the current period or which is reasonably expected to have a material effect in later periods should be disclosed. In the case of a change in accounting policies which has a material effect in the current period, the amount by which any item in the financial statements is affected by such change should also be disclosed to the extent ascertainable. Where such amount is not ascertainable, wholly or in part, the fact should be indicated.			**AS**= Clarifi-catory/ Educa-tive in nature
27	If the fundamental accounting assumptions, viz. Going Concern, Consistency and Accrual are followed in financial statements, specific disclosure is not required. If a fundamental accounting assumption is not followed, the fact should be disclosed.			
			Transitional Provisions	
		10	All contract or transaction existing on the 1st day of April, 2015 or entered into on or after the 1st day of April, 2015 shall be dealt with in accordance with the provisions of this standard after taking into account the income, expense or loss, if any, recognised in respect of the said contract or transaction for the previous year ending on or before the 31st March, 2015.	**Not relevant in the context of AS**

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	AS 2 Valuation of Inventories	**B.**	**ICDS II** *relating to* **valuation of inventories**	
	Objective		**Preamble**	
	A primary issue in accounting for inventories is the determination of the value at which inventories are carried in the financial statements until the related revenues are recognised. This Standard deals with the determination of such value, including the ascertainment of cost of inventories and any write-down thereof to net realisable value.		This Income Computation and Disclosure Standard is applicable for computation of income chargeable under the head "Profits and gains of Business or profession" or In the case of conflict between the provisions of Income Tax Act, 1961 ('the Act') and this Income Computation and Disclosure Standard, the provisions of the Act shall prevail to that extent.	
	Scope		**Scope**	
1	This Standard should be applied in accounting for inventories other than:	1	This Income Computation and Disclosure Standard shall be applied for valuation of inventories, except :	**ICDS=** on lines of **AS**
	(a) work in progress arising under construction contracts, including directly related service contracts (see Accounting Standard (AS) 7, Construction Contracts);		(a) Work-in-progress arising under 'construction contract' including directly related service contract which is dealt with by the Income Computation and Disclosure Standard on construction contracts;	**ICDS=** on lines of **AS**
	(b) work in progress **arising in the ordinary course of business of service providers**;		(b) Work-in-progress which is dealt with by other Income Computation and Disclosure Standard;	**ICDS=** on lines of **AS.** ICDS III - Construction Contracts - has reference to contract work in progress, and

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				ICDS IV – Revenue Recognition – has reference to service transactions in progress. **Work in progress or similar other phrase appears to be there in other [than these two] ICDSs**
	(c) shares, debentures and other financial instruments held as stock-in-trade; and		(c) Shares, debentures and other financial instruments held as stock-in-trade which are dealt with by the Income Computation and Disclosure Standard on securities;	**ICDS=** on lines of **AS** in the **ICDS VIII** relating to **Securities,** 'securities' have been **classified** as (a) shares, (b) debt securities, (c) Convertible Securities; and (d) any other securities not covered above**.**
	(d) producers' inventories of livestock, agricultural and forest products, and mineral oils, ores and gases to the extent that they are measured at net realisable value **in accordance with well established practices in those industries.**		(d) Producers' inventories of livestock, agriculture and forest products, mineral oils, ores and gases to the extent that they are measured at net realisable value;	**ICDS=** on lines of **AS** 'in accordance with well established

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				practices in those industries' in the **AS** has **not** been **taken** to **ICDS II.** In the latter, meaning specified is 'Net Realisable Value' is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. **Para 21** of **ICDS II** states 'Where there has been a decline in the price of materials and it is estimated that the cost of finished products will exceed the net realisable value, the value of materials shall be written down to **net realisable value which shall be the replacement**

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				cost of such materials'.
			(e) Machinery spares, which can be used only in connection with a tangible fixed asset and their use is expected to be irregular, shall be dealt with in accordance with the Income Computation and Disclosure Standard on tangible fixed assets.	**ICDS=** **appears** on lines of **AS** *[P 4]*
2	The inventories referred to in paragraph 1 (d) are measured at net realisable value at certain stages of production. This occurs, for example, when agricultural crops have been harvested or mineral oils, ores and gases have been extracted and sale is assured under a forward contract or a government guarantee, or when a homogenous market exists and there is a negligible risk of failure to sell. These inventories are excluded from the scope of this Standard.			**AS**= Clarificatory/ Educative in nature
	Definitions		**Definitions**	
3	The following terms are used in this Standard with the meanings specified: 3.1. Inventories are assets: (a) held for sale in the ordinary course of business; (b) in the process of production for such sale; or (c) in the form of materials or supplies to be consumed in the production process or in the rendering of services.	2	(1) The following terms are used in this Income Computation and Disclosure Standard with the meanings specified: (a) "Inventories" are assets: (i) held for sale in the ordinary course of business; (ii) in the process of production for such sale; (iii) in the form of materials or supplies to be consumed in the production process or in the rendering of services.	**ICDS=** on lines of **AS**
	3.2. Net realisable value is the estimated selling		(2) "Net realisable value" is the estimated selling	**ICDS=** on

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	price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.		price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.	lines of **AS**
4	Inventories encompass goods purchased and held for resale, for example, merchandise purchased by a retailer and held for resale, computer software held for resale, or land and other property held for resale. Inventories also encompass finished goods produced, or work in progress being produced, by the enterprise and include materials, maintenance supplies, consumables and loose tools awaiting use in the production process. Inventories do not include machinery spares which can be used only in connection with an item of fixed asset and whose use is expected to be irregular; such machinery spares are accounted for in accordance with Accounting Standard (AS) 10, Accounting for Fixed Assets.			**AS**= Clarifi-catory/ Educa-tive in nature
	Measurement of Inventories		**Measurement**	
5	Inventories should be valued at the lower of cost and net realisable value.	3	Inventories shall be valued at cost, or net realizable value, whichever is lower.	**ICDS=** on lines of **AS**
	Cost of Inventories		**Cost of Inventories**	
6	The cost of inventories should comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.	4	Cost of inventories shall comprise of all costs of purchase, costs of services, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.	**ICDS=** on lines of **AS**
	Cost of Purchase		**Cost of Purchase**	
7	The costs of purchase consist of the purchase price including duties and taxes (<u>other than those subsequently recoverable by the enterprise from the</u>	5	The costs of purchase shall consist of purchase price including duties and taxes, freight inwards and other expenditure directly attributable to the acquisition.	**ICDS=** on lines of **AS**, except that

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	taxing authorities), freight inwards and other expenditure directly attributable to the acquisition. Trade discounts, rebates, duty drawbacks and other similar items are deducted in determining the costs of purchase.		Trade discounts, rebates and other similar items shall be deducted in determining the costs of purchase.	"(other than those subsequently recoverable by the enterprise from the taxing authorities)" in the AS is not in ICDS
			Cost of Services	
		6	The costs of services in the case of a service provider shall consist of labour and other costs of personnel directly engaged in providing the service including supervisory personnel and attributable overheads.	
	Cost of Conversion		**Costs of Conversion**	
8	The costs of conversion of inventories include costs directly related to the units of production, such as direct labour. They also include a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods. Fixed production overheads are those indirect costs of production that remain relatively constant regardless of the volume of production, such as depreciation and maintenance of factory buildings and the cost of factory management and administration. Variable production overheads are those indirect costs of production that vary directly,	7	The costs of conversion of inventories shall include costs directly related to the units of production and a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods. Fixed production overheads shall be those indirect costs of production that remain relatively constant regardless of the volume of production. Variable production overheads shall be those indirect costs of production that vary directly or nearly directly, with the volume of production.	**ICDS=** on lines of **AS**

	ICAI		Notified by the CBDT	Remarks-
Sr/ Para No.	**A**ccounting **S**tandards *[presumably (base) corresponding to which ICDSs Issued by CBDT]* *[for application in the preparation of General Purpose Financial Statements and other Financial Reporting, which are subject to the attest function of the members of the ICAI]*	Sr/ Para No.	Income Computation and Disclosure Standards – As per Notification No. SO/892E dated 31st March, 2015 *[for computation of an assessee's 'profit and gains of business or professon'* or *'income from other sources' – u/s 145 of the Income-tax Act, 1961*]	**ICDSs vs Actng Stands**
	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	or nearly directly, with the volume of production, such as indirect materials and indirect labour.			
9	The allocation of fixed production overheads for the purpose of their inclusion in the costs of conversion is based on the normal capacity of the production facilities. Normal capacity is the production expected to be achieved on an average over a number of periods or seasons under normal circumstances, taking into account the loss of capacity resulting from planned maintenance. The actual level of production may be used if it approximates normal capacity. The amount of fixed production overheads allocated to each unit of production is not increased as a consequence of low production or idle plant. Unallocated overheads are recognised as an expense in the period in which they are incurred. In periods of abnormally high production, the amount of fixed production overheads allocated to each unit of production is decreased so that inventories are not measured above cost. Variable production overheads are assigned to each unit of production on the basis of the actual use of the production facilities.	8	The allocation of fixed production overheads for the purpose of their inclusion in the costs of conversion shall be based on the normal capacity of the production facilities. Normal capacity shall be the production expected to be achieved on an average over a number of periods or seasons under normal circumstances, taking into account the loss of capacity resulting from planned maintenance. The actual level of production shall be used when it approximates to normal capacity. The amount of fixed production overheads allocated to each unit of production shall not be increased as a consequence of low production or idle plant. Unallocated overheads shall be recognised as an expense in the period in which they are incurred. In periods of abnormally high production, the amount of fixed production overheads allocated to each unit of production is decreased so that inventories are not measured above the cost. Variable production overheads shall be assigned to each unit of production on the basis of the actual use of the production facilities.	**ICDS=** on lines of **AS**
10	A production process may result in more than one product being produced simultaneously. This is the case, for example, when joint products are produced	9	Where a production process results in more than one product being produced simultaneously and the costs of conversion of each product are not	**ICDS=** on lines of **AS**

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	or when there is a main product and a by-product. When the costs of conversion of each product are not separately identifiable, they are allocated between the products on a rational and consistent basis. The allocation may be based, for example, on the relative sales value of each product either at the stage in the production process when the products become separately identifiable, or at the completion of production. Most by-products as well as scrap or waste materials, by their nature, are immaterial. When this is the case, they are often measured at net realisable value and this value is deducted from the cost of the main product. As a result, the carrying amount of the main product is not materially different from its cost.		separately identifiable, the costs shall be allocated between the products on a rational and consistent basis. Where by-products, scrap or waste material are immaterial, they shall be measured at net realisable value and this value shall be deducted from the cost of the main product.	
	Other Costs		**Other Costs**	
11	Other costs are included in the cost of inventories only to the extent that they are incurred in bringing the inventories to their present location and condition. For example, it may be appropriate to include overheads other than production overheads or the costs of designing products for specific customers in the cost of inventories.	10	Other costs shall be included in the cost of inventories only to the extent that they are incurred in bringing the inventories to their present location and condition.	**ICDS=** same as in **AS**
12	Interest and other borrowing costs are usually considered as not relating to bringing the inventories to their present location and condition and are, therefore, usually not included in the cost of	11	Interest and other borrowing costs shall not be included in the costs of inventories, unless they meet the criteria for recognition of interest as a component of the cost as specified in the Income Computation	**ICDS=** on lines of **AS**

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	[2]	[3]	[4]	[5]
	inventories.		and Disclosure Standard on borrowing costs.	
	Exclusions from the Cost of Inventories		**Exclusions from the Cost of Inventories**	
13	In determining the cost of inventories in accordance with paragraph 6, it is appropriate to exclude certain costs and recognise them as expenses in the period in which they are incurred. Examples of such costs are:	12	In determining the cost of inventories in accordance with paragraphs 4 to paragraphs 11, the following costs shall be excluded and recognised as expenses of the period in which they are incurred**, namely:—**	**ICDS=** same as in **AS,** ***except*** in AS, exclusions are illustrative, whereas in **ICDS**, the exclusions are exhaustive
	(a) abnormal amounts of wasted materials, labour, or other production costs;		(a) Abnormal amounts of wasted materials, labour, or other production costs;	
	(b) storage costs, unless those costs are necessary in the production process prior to a further production stage;		(b) Storage costs, unless those costs are necessary in the production process prior to a further production stage;	
	(c) administrative overheads that do not contribute to bringing the inventories to their present location and condition; and		(c) Administrative overheads that do not contribute to bringing the inventories to their present location and condition ;	
	(d) selling and distribution costs.		(d) Selling costs.	
	Cost Formulas		**Cost Formulae**	
14	The cost of inventories of items	13	The Cost of inventories of items	**ICDS=** same as in **AS**
	that are not ordinarily interchangeable and		(i) that are not ordinarily interchangeable; and	
	goods or services produced and segregated for specific projects should be assigned by specific identification of their individual costs.		(ii) goods or services produced and segregated for specific projects shall be assigned by specific identification of their individual costs	
15	Specific identification of cost means that specific costs are attributed to identified items of inventory. This is an appropriate treatment for items that are segregated for a specific project, regardless of	14	'**Specific identification of cost**' means specific costs are attributed to identified items of inventory.	**ICDS=** on lines of **AS**

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	whether they have been purchased or produced			
	However, when there are large numbers of items of inventory which are ordinarily interchangeable, specific identification of costs is inappropriate since, in such circumstances, an enterprise could obtain predetermined effects on the net profit or loss for the period by selecting a particular method of ascertaining the items that remain in inventories.	15	Where there are a large numbers of items of inventory which are ordinarily interchangeable, specific identification of costs shall not be made.	**ICDS=** on lines of **AS**
			First-in-First-out and Weighted Average Cost Formula	
16	The cost of inventories, other than those dealt with in paragraph 14, should be assigned by using the first-in, first-out (FIFO), or weighted average cost formula. The formula used should reflect the fairest possible approximation to the cost incurred in bringing the items of inventory to their present location and condition.	16	Cost of inventories, other than the inventory dealt with in paragraph 13, shall be assigned by using the First-in- First-out (FIFO), or weighted average cost formula. The formula used shall reflect the fairest possible approximation to the cost incurred in bringing the items of inventory to their present location and condition.	**ICDS=** same as in **AS**
17	A variety of cost formulas is used to determine the cost of inventories other than those for which specific identification of individual costs is appropriate. The formula used in determining the cost of an item of inventory needs to be selected with a view to providing the fairest possible approximation to the cost incurred in bringing the item to its present location and condition. The FIFO formula assumes that the items of inventory which were purchased or produced first are consumed or sold first, and	17	The FIFO formula assumes that the items of inventory which were purchased or produced first are consumed or sold first, and consequently the items remaining in inventory at the end of the period are those most recently purchased or produced. Under the weighted average cost formula, the cost of each item is determined from the weighted average of the cost of similar items at the beginning of a period and the cost of similar items purchased or produced during the period. The	**ICDS=** on lines of **AS**

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	consequently the items remaining in inventory at the end of the period are those most recently purchased or produced. Under the weighted average cost formula, the cost of each item is determined from the weighted average of the cost of similar items at the beginning of a period and the cost of similar items purchased or produced during the period. The average may be calculated on a periodic basis, or as each additional shipment is received, depending upon the circumstances of the enterprise.		average shall be calculated on a periodic basis, or as each additional shipment is received, depending upon the circumstances.	
	Techniques for the Measurement of Cost			
18	Techniques for the measurement of the cost of inventories, such as the standard cost method or the retail method, may be used for convenience if the results approximate the actual cost. Standard costs take into account normal levels of consumption of materials and supplies, labour, efficiency and capacity utilisation. They are regularly reviewed and, if necessary, revised in the light of current conditions.		**Retail Method**	**AS**= Clarifi-catory/ Educa-tive in nature
19	The retail method is often used in the retail trade for measuring inventories of large numbers of rapidly changing items that have similar margins and for which it is impracticable to use other costing methods. The cost of the inventory is determined by reducing from the sales value of the inventory the appropriate percentage gross margin. The percentage used takes into consideration inventory which has been marked down to below its original selling price.	18	Where it is impracticable to use the costing methods referred to in paragraph 16, the retail method can be used in the retail trade for measuring inventories of large number of rapidly changing items that have similar margins. The cost of the inventory is determined by reducing from the sales value of the inventory, the appropriate percentage gross margin. The percentage used takes into consideration inventory, which has been marked down to below its	**ICDS=** on lines of **AS**

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	An average percentage for each retail department is often used.		original selling price.	
	Net Realisable Value		**Net Realisable Value**	
20	The cost of inventories may not be recoverable if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may also not be recoverable if the estimated costs of completion or the estimated costs necessary to make the sale have increased. The practice of writing down inventories below cost to net realisable value is consistent with the view that assets should not be carried in excess of amounts expected to be realised from their sale or use.			**AS**= Clarifi-catory/ Educa-tive in nature
21	Inventories are usually written down to net realisable value on an item-by-item basis. In some circumstances, however, it may be appropriate to group similar or related items. This may be the case with items of inventory relating to the same product line that have similar purposes or end uses and are produced and marketed in the same geographical area and cannot be practicably evaluated separately from other items in that product line. It is not appropriate to write down inventories based on a classification of inventory, for example, finished goods, or all the inventories in a particular business segment.	19	Inventories shall be written down to net realisable value on an item-by-item basis. Where 'items of inventory' relating to the same product line having similar purposes or end uses and are produced and marketed in the same geographical area and cannot be practicably evaluated separately from other items in that product line, such inventories shall be grouped together and written down to net realisable value on an aggregate basis.	**ICDS=** on lines of **AS**
22	Estimates of net realisable value are based on the most reliable evidence available at the time the	20	Net realisable value shall be based on the most reliable evidence available at the time of valuation.	**ICDS=** on lines of **AS**

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	estimates are made as to the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the balance sheet date to the extent that such events confirm the conditions existing at the balance sheet date.		The estimates of net realisable value shall also take into consideration the purpose for which the inventory is held. The estimates shall take into consideration fluctuations of price or cost directly relating to events occurring after the end of previous year to the extent that such event confirm the conditions existing on the last day of the previous year.	
23	Estimates of net realisable value also take into consideration the purpose for which the inventory is held. For example, the net realisable value of the quantity of inventory held to satisfy firm sales or service contracts is based on the contract price. If the sales contracts are for less than the inventory quantities held, the net realisable value of the excess inventory is based on general selling prices. Contingent losses on firm sales contracts in excess of inventory quantities held and contingent losses on firm purchase contracts are dealt with in accordance with the principles enunciated in Accounting Standard (AS) 4, Contingencies and Events Occurring After the Balance Sheet Date.			**AS**= Clarifi-catory/ Educa-tive in nature
24	Materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. However, when there has been a decline in the price of materials and it is estimated that the cost of the finished products will exceed net realisable value,	21	Materials and other supplies held for use in the production of inventories shall not be written down below the cost, where the finished products in which they shall be incorporated are expected to be sold at or above the cost. Where there has been a decline in the price of materials and it is estimated that the cost of finished products will exceed the net	**ICDS=** on lines of **AS**

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	the materials are written down to net realisable value. In such circumstances, the replacement cost of the materials may be the best available measure of their net realisable value.		realisable value, the value of materials shall be written down to net realisable value which shall be the replacement cost of such materials.	
25	An assessment is made of net realisable value as at each balance sheet date.			
			Value of Opening Inventory	
		22	The value of the inventory as on the beginning of the previous year shall be	**ICDS=** on lines of **AS** *[P 25]*
			(i) the cost of inventory available, if any, on the day of the commencement of the business when the business has commenced during the previous year; and	
			(ii) the value of the inventory as on the close of the immediately preceding previous year, in any other case.	
			Change of Method of Valuation of Inventory	
		23	The method of valuation of inventories once adopted by a person in any previous year shall not be changed without reasonable cause.	
			Valuation of Inventory in Case of Certain Dissolutions	
		24	In case of dissolution of a partnership firm or association of person or body of individuals, notwithstanding whether business is discontinued or not, the inventory on the date of dissolution shall be valued at the net realisable value.	

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
			Transitional Provisions	
		25	Interest and other borrowing costs, which do not meet the criteria for recognition of interest as a component of the cost as per para 11, but included in the cost of the opening inventory as on the 1st day of April, 2015, shall be taken into account for determining cost of such inventory for valuation as on the close of the previous year beginning on or after 1st day of April, 2015 if such inventory continue to remain part of inventory as on the close of the previous year beginning on or after 1st day of April, 2015.	**Not relevant in the context of AS**
	Disclosure		**Disclosure**	
26	The financial statements should disclose:	26	The following aspects shall be disclosed, **namely:—**	**ICDS=** same as in **AS**
	(a) the accounting policies adopted in measuring inventories, including the cost formula used; and		(a) the accounting policies adopted in measuring inventories including the cost formulae used; and	
	(b) the total carrying amount of inventories and its classification appropriate to the enterprise.		(b) the total carrying amount of inventories and its classification appropriate to a person.	
27	Information about the carrying amounts held in different classifications of inventories and the extent of the changes in these assets is useful to financial statement users. Common classifications of inventories are raw materials and components, work in progress, finished goods, stores and spares, and loose tools.			**AS**= Clarificatory/ Educative in nature

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	[2]	[3]	[4]	[5]
	AS 7 Construction Contracts	**C.**	**ICDS III** *relating to* **construction contracts**	
	Objective		**Preamble**	
	The objective of this Standard is to prescribe the accounting treatment of revenue and costs associated with construction contracts. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. Therefore, the primary issue in accounting for construction contracts is the allocation of contract revenue and contract costs to the accounting periods in which construction work is performed. This Standard uses the recognition criteria established in the Framework for the Preparation and Presentation of Financial Statements to determine when contract revenue and contract costs should be recognised as revenue and expenses in the statement of profit and loss. It also provides practical guidance on the application of these criteria.		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 accounts. 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	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
	Scope		**Scope**	
1	This Standard should be applied in accounting for construction contracts in the financial statements of contractors.	1	This Income Computation and Disclosure Standard should be applied in determination of income for a construction contract of a contractor.	**ICDS=** on lines of **AS**
	Definitions		**Definitions**	
2	The following terms are used in this Standard with the meanings specified:	2	(1) The following terms are used in this Income Computation and Disclosure Standard with the meanings specified:	**ICDS=** on lines of **AS**
	2.1 A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or		(a) "Construction contract" is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or	**ICDS=** on lines of **AS**

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	interdependent in terms of their design, technology and function or their ultimate purpose or use.		interdependent in terms of their design, technology and function or their ultimate purpose or use and includes :	
			(i) contract for the rendering of services which are directly related to the construction of the asset, for example, those for the services of project managers and architects; (ii) contract for destruction or restoration of assets, and the restoration of the environment following the demolition of assets.	**ICDS=** Same as in **AS** **Para 4 (a)** and **(b)** of AS 7
	2.2 A fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.		(b) "**Fixed price contract**" is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which may be subject to cost escalation clauses.	**ICDS=** on lines of **AS**
	2.3 A cost plus contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs, plus percentage of these costs or a fixed fee.		(c) "**Cost plus contract**" is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs, plus a mark up on these costs or a fixed fee.	**ICDS=** Same as in **AS**
			(d) "**Retentions**" are amounts of progress billings which are not paid until the satisfaction of conditions specified in the contract for the payment of such amounts or until defects have been rectified.	**ICDS =** Same as in **AS** **Para 40**
			(e) "Progress billings" are amounts billed for work performed on a contract whether or not they have been paid by the customer.	
			(f) "Advances" are amounts received by the	

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
			contractor before the related work is performed.	
			(2) Words and expressions used and not defined in this Income Computation and Disclosure Standard but defined in the Act shall have the meaning respectively assigned to them in the Act.	
3	A construction contract may be negotiated for the construction of a single asset such as a bridge, building, dam, pipeline, road, ship or tunnel. A construction contract may also deal with the construction of a number of assets which are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use~~; examples of such contracts include those for the construction of refineries and other complex pieces of plant or equipment.~~	3	A construction contract may be negotiated for the construction of a single asset. A construction contract may also deal with the construction of a number of assets which are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.	**ICDS=** on lines of **AS**
4	For the purposes of this Standard, construction contracts include:			**Covered** in P 2(a) (i) and (ii) of **ICDS**
	(a) contracts for the rendering of services which are directly related to the construction of the asset, for example, those for the services of project managers and architects; and			
	(b) contracts for destruction or restoration of assets, and the restoration of the environment following the demolition of assets.			
5	Construction contracts are formulated in a number of ways which, for the purposes of this Standard, are classified as fixed price contracts and cost plus	4	Construction contracts are formulated in a number of ways which, for the purposes of this Income Computation and Disclosure Standard, are classified	**ICDS=** on lines of **AS**

	ICAI		**Notified by the CBDT**	Remarks-
Sr/ Para No.	**A**ccounting **S**tandards *[presumably (base) corresponding to which ICDSs Issued by CBDT]* *[for application in the preparation of General Purpose Financial Statements and other Financial Reporting, which are subject to the attest function of the members of the ICAI]*	Sr/ Para No.	Income Computation and Disclosure Standards – As per Notification No. SO/892E dated 31st March, 2015 *[for computation of an assessee's 'profit and gains of business or professon'* or *'income from other sources' – u/s 145 of the Income-tax Act, 1961*]	**ICDSs vs Actng Stands**
	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	contracts. Some construction contracts may contain characteristics of both a fixed price contract and a cost plus contract, for example, in the case of a cost plus contract with an agreed maximum price. In such circumstances, a contractor needs to consider all the conditions in paragraphs 22 and 23 in order to determine when to recognise contract revenue and expenses.		as fixed price contracts and cost plus contracts. Some construction contracts may contain characteristics of both a fixed price contract and a cost plus contract, for example, in the case of a cost plus contract with an agreed maximum price.	
	Combining and Segmenting Construction Contracts		**Combining and Segmenting Construction Contracts**	
6	The requirements of this Standard are usually applied separately to each construction contract. However, in certain circumstances, it is necessary to apply the Standard to the separately identifiable components of a single contract or to a group of contracts together in order to reflect the substance of a contract or a group of contracts.	5	The requirements of this Income Computation and Disclosure Standard shall be applied separately to each construction contract except as provided for in paragraphs 6, 7 and 8 herein. For reflecting the substance of a contract or a group of contracts, where it is necessary, the Income Computation and Disclosure Standard should be applied to the separately identifiable components of a single contract or to a group of contracts together.	**ICDS=** on lines of **AS**
7	When a contract covers a number of assets, the construction of each asset should be treated as a separate construction contract when:	6	Where a contract covers a number of assets, the construction of each asset should be treated as a separate construction contract when:	**ICDS=** Same as in **AS**
	(a) separate proposals have been submitted for each asset;		(a) separate proposals have been submitted for each asset;	
	(b) each asset has been subject to separate negotiation and the contractor and customer have been able to accept or reject that part of the contract		(b) each asset has been subject to separate negotiation and the contractor and customer have been able to accept or reject that part of the contract	

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	relating to each asset; and		relating to each asset; and	
	(c) the costs and revenues of each asset can be identified.		(c) the costs and revenues of each asset can be identified	
8	A group of contracts, whether with a single customer or with several customers, should be treated as a single construction contract when:	7	A group of contracts, whether with a single customer or with several customers, should be treated as a single construction contract when:	**ICDS=** Same as in **AS**
	(a) the group of contracts is negotiated as a single package;		(a) the group of contracts is negotiated as a single package;	
	(b) the contracts are so closely interrelated that they are, in effect, part of a single project with an overall profit margin; and		(b) the contracts are so closely interrelated that they are, in effect, part of a single project with an overall profit margin; and	
	(c) the contracts are performed concurrently or in a continuous sequence.		(c) the contracts are performed concurrently or in a continuous sequence.	
9	A contract may provide for the construction of an additional asset at the option of the customer or may be amended to include the construction of an additional asset. The construction of the additional asset should be treated as a separate construction contract when:	8	Where a contract provides for the construction of an additional asset at the option of the customer or is amended to include the construction of an additional asset, the construction of the additional asset should be treated as a separate construction contract when:	**ICDS=** Same as in **AS** [almost]
	(a) the asset differs significantly in design, technology or function from the asset or assets covered by the original contract; or		(a) the asset differs significantly in design, technology or function from the asset or assets covered by the original contract; or	
	(b) the price of the asset is negotiated without regard to the original contract price.		(b) the price of the asset is negotiated without having regard to the original contract price.	
	Contract Revenue		**Contract Revenue**	
		9	Contract revenue shall be recognised when there is reasonable certainty of its ultimate collection.	

Income Computation and Disclosure Standards *vis-à-vis* Accounting Standards

	ICAI		Notified by the CBDT	Remarks-
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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
10	Contract revenue should comprise:	10	Contract revenue shall comprise of:	**ICDS=** [almost] Same as in **AS**
	(a) the initial amount of revenue agreed in the contract; and		(a) the initial amount of revenue agreed in the contract, **including retentions**; and	
	(b) variations in contract work, claims and incentive payments:		(b) variations in contract work, claims and incentive payments:	
	(i) to the extent that it is probable that they will result in revenue; and		(i) to the extent that it is probable that they will result in revenue; and	
	(ii) they are capable of being reliably measured.		(ii) they are capable of being reliably measured.	
		11	Where contract revenue already recognised as income is subsequently written off in the books of accounts as uncollectible, the same shall be recognised as an expense and not as an adjustment of the amount of contract revenue.	**ICDS=** on the lines of **AS** *[P 27]*
11	Contract revenue is measured at the consideration received or receivable. The measurement of contract revenue is affected by a variety of uncertainties that depend on the outcome of future events. The estimates often need to be revised as events occur and uncertainties are resolved. Therefore, the amount of contract revenue may increase or decrease from one period to the next. For example:			**AS**= Clarifi-catory/ Educa-tive in nature
	(a) a contractor and a customer may agree to variations or claims that increase or decrease contract revenue in a period subsequent to that in which the contract was initially agreed;			
	(b) the amount of revenue agreed in a fixed price contract may increase as a result of cost escalation clauses;			

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	(c) the amount of contract revenue may decrease as a result of penalties arising from delays caused by the contractor in the completion of the contract; or			
	(d) when a fixed price contract involves a fixed price per unit of output, contract revenue increases as the number of units is increased.			
12	A variation is an instruction by the customer for a change in the scope of the work to be performed under the contract. A variation may lead to an increase or a decrease in contract revenue. Examples of variations are changes in the specifications or design of the asset and changes in the duration of the contract. A variation is included in contract revenue when:			**AS**= Clarifi-catory/ Educa-tive in nature
	(a) it is probable that the customer will approve the variation and the amount of revenue arising from the variation; and			
	(b) the amount of revenue can be reliably measured.			
13	A claim is an amount that the contractor seeks to collect from the customer or another party as reimbursement for costs not included in the contract price. A claim may arise from, for example, customer caused delays, errors in specifications or design, and disputed variations in contract work. The measurement of the amounts of revenue arising from claims is subject to a high level of uncertainty and often depends on the outcome of negotiations. Therefore, claims are only included in contract revenue when:			**AS**= Clarifi-catory/ Educa-tive in nature
	(a) negotiations have reached an advanced stage such that it is probable that the customer will accept the claim; and			

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	(b) the amount that it is probable will be accepted by the customer can be measured reliably.			
14	Incentive payments are additional amounts payable to the contractor if specified performance standards are met or exceeded. For example, a contract may allow for an incentive payment to the contractor for early completion of the contract. Incentive payments are included in contract revenue when:			**AS**= Clarificatory/ Educative in nature
	(a) the contract is sufficiently advanced that it is probable that the specified performance standards will be met or exceeded; and			
	(b) the amount of the incentive payment can be measured reliably.			
	Contact Costs		**Contract Costs**	
15	Contract costs should comprise :	12	Contract costs shall comprise of :	**ICDS** on the lines of **AS**
	(a) costs that relate directly to the specific contract;		(a) costs that relate directly to the specific contract;	
	(b) costs that are attributable to contract activity in general and can be allocated to the contract; and		(b) costs that are attributable to contract activity in general and can be allocated to the contract;	
	(c) such other costs as are specifically chargeable to the customer under the terms of the contract.		(c) such other costs as are specifically chargeable to the customer under the terms of the contract; and	
			(d) allocated borrowing costs in accordance with the Income Computation and Disclosure Standard on Borrowing Costs.	
16	Costs that relate directly to a specific contract include:			**AS**= Clarificatory/ Educative/ Illustrative in nature
	(a) site labour costs, including site supervision;			
	(b) costs of materials used in construction;			
	(c) depreciation of plant and equipment used on the contract;			

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	(d) costs of moving plant, equipment and materials to and from the contract site;			
	(e) costs of hiring plant and equipment;			
	(f) costs of design and technical assistance that is directly related to the contract;			
	(g) the estimated costs of rectification and guarantee work, including expected warranty costs; and			
	(h) claims from third parties.			
	These costs may be reduced by any incidental income that is not included in contract revenue, for example income from the sale of surplus materials and the disposal of plant and equipment at the end of the contract.		These costs shall be reduced by any incidental income, not being in the nature of interest, dividends or capital gains, that is not included in contract revenue.	**ICDS=** on lines of **AS**
17	Costs that may be attributable to contract activity in general and can be allocated to specific contracts include:			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
	(a) insurance;			
	(b) costs of design and technical assistance that is not directly related to a specific contract; and			
	(c) construction overheads.			
	Such costs are allocated using methods that are systematic and rational and are applied consistently to all costs having similar characteristics. The allocation is based on the normal level of construction activity. Construction overheads include costs such as the preparation and processing of construction personnel payroll. Costs that may be attributable to contract activity in general and can be allocated to specific contracts also include borrowing costs as per Accounting Standard (AS) 16, Borrowing Costs.			
18	Costs that are specifically chargeable to the customer			**AS**= Clarifi-

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	under the terms of the contract may include some general administration costs and development costs for which reimbursement is specified in the terms of the contract.			catory/ Educa-tive/ Illustra-tive in nature
19	Costs that **cannot be attributed** to contract activity or cannot be allocated to a contract are excluded from the costs of a construction contract. Such costs include:			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
	(a) general administration costs for which reimbursement is not specified in the contract;			
	(b) selling costs;			
	(c) research and development costs for which reimbursement is not specified in the contract; and			
	(d) depreciation of idle plant and equipment that is not used on a particular contract.			
		13	Costs that cannot be attributed to any contract activity or cannot be allocated to a contract shall be excluded from the costs of a construction contract.	**ICDS=** on lines of **AS**
20	Contract costs include the costs attributable to a contract for the period from the date of securing the contract to the final completion of the contract. However, costs that relate directly to a contract and which are incurred in securing the contract are also included as part of the contract costs if	14	Contract costs include the costs attributable to a contract for the period from the date of securing the contract to the final completion of the contract. Costs that are incurred in securing the contract are also included as part of the contract costs, provided	**ICDS=** on lines of **AS**
	they can be separately identified and measured reliably and		(a) they can be separately identified; and	
	it is probable that the contract will be obtained.		(b) it is probable that the contract shall be obtained.	
	When costs incurred in securing a contract are recognised as an expense in the period in which they are incurred, they are not included in contract costs when the contract is obtained in a subsequent period.		When costs incurred in securing a contract are recognised as an expense in the period in which they are incurred, they are not included in contract costs when the contract is obtained in a subsequent period.	

	ICAI		Notified by the CBDT	Remarks-
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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
		15	Contract costs that relate to future activity on the contract are recognised as an asset. Such costs represent an amount due from the customer and are classified as contract work in progress.	**ICDS=** on lines of **AS** *[P 19]*
	Recognition of Contract Revenue and Expenses		**Recognition of Contract Revenue and Expenses**	
21	When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract should be recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date. ~~An expected loss on the construction contract should be recognised as an expense immediately in accordance with paragraph 35.~~	16	Contract revenue and contract costs associated with the construction contract should be recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date.	**ICDS=** on lines of **AS**
22	In the case of a fixed price contract, the outcome of a construction contract can be estimated reliably when all the following conditions are satisfied:			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
	(a) total contract revenue can be measured reliably;			
	(b) it is probable that the economic benefits associated with the contract will flow to the enterprise;			
	(c) both the contract costs to complete the contract and the stage of contract completion at the reporting date can be measured reliably; and			
	(d) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.			
23	In the case of a cost plus contract, the outcome of a			**AS**= Clarifi-

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	construction contract can be estimated reliably when all the following conditions are satisfied:			catory/ Educa-tive/ Illustra-tive in nature
	(a) it is probable that the economic benefits associated with the contract will flow to the enterprise; and			
	(b) the contract costs attributable to the contract, whether or not specifically reimbursable, can be clearly identified and measured reliably.			
24	The recognition of revenue and expenses by reference to the stage of completion of a contract is ~~**often**~~ referred to as the percentage of completion method. Under this method, contract revenue is matched with the contract costs incurred in reaching the stage of completion, resulting in the reporting of revenue, expenses and profit which can be attributed to the proportion of work completed. ~~This method provides useful information on the extent of contract activity and performance during a period~~.	17	The recognition of revenue and expenses by reference to the stage of completion of a contract is referred to as the percentage of completion method. Under this method, contract revenue is matched with the contract costs incurred in reaching the stage of completion, resulting in the reporting of revenue, expenses and profit which can be attributed to the proportion of work completed.	**ICDS=** on lines of **AS**
25	Under the percentage of completion method, contract revenue is recognised as revenue in the statement of profit and loss in the accounting periods in which the work is performed. Contract costs are usually recognised as an expense in the statement of profit and loss in the accounting periods in which the work to which they relate is performed. However, any expected excess of total contract costs over total contract revenue for the contract is recognised as an expense immediately in accordance with paragraph 35.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
26	A contractor may have incurred contract costs that relate			**AS**= Clarifi-

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	to future activity on the contract. Such contract costs are recognised as an asset provided it is probable that they will be recovered. Such costs represent an amount due from the customer and are often classified as contract work in progress.			catory/ Educa-tive/ Illustra-tive in nature
27	When an uncertainty arises about the collectability of an amount already included in contract revenue, and already recognised in the statement of profit and loss, the uncollectable amount or the amount in respect of which recovery has ceased to be probable is recognised as an expense rather than as an adjustment of the amount of contract revenue.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
28	An enterprise is generally able to make reliable estimates after it has agreed to a contract which establishes:			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
	(a) each party's enforceable rights regarding the asset to be constructed;			
	(b) the consideration to be exchanged; and			
	(c) the manner and terms of settlement.			
	It is also usually necessary for the enterprise to have an effective internal financial budgeting and reporting system. The enterprise reviews and, when necessary, revises the estimates of contract revenue and contract costs as the contract progresses. The need for such revisions does not necessarily indicate that the outcome of the contract cannot be estimated reliably.			
29	The stage of completion of a contract may be determined in a variety of ways. The enterprise uses the method that measures reliably the work performed. Depending on the nature of the contract,	18	The stage of completion of a contract shall be determined with reference to:	**ICDS=** on lines of **AS**, ***except*** that refere to

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	the methods may include:			**methods** in AS are inclusion, the same in **ICDS** is exhaustive
	(a) the proportion that contract costs incurred for work performed upto the reporting date bear to the estimated total contract costs; or		(a) the proportion that contract costs incurred for work performed upto the reporting date bear to the estimated total contract costs; or	
	(b) surveys of work performed; or		(b) surveys of work performed; or	
	(c) completion of a physical proportion of the contract work.		(c) completion of a physical proportion of the contract work.	
	Progress payments and advances received from customers may not necessarily reflect the work performed.		Progress payments and advances received from customers are not determinative of the stage of completion of a contract.	
30	When the stage of completion is determined by reference to the contract costs incurred upto the reporting date, only those contract costs that reflect work performed are included in costs incurred upto the reporting date. Examples of contract costs which are excluded are:	19	When the stage of completion is determined by reference to the contract costs incurred upto the reporting date, only those contract costs that reflect work performed are included in costs incurred upto the reporting date. Contract costs which are excluded are:	**ICDS=** on lines of **AS**, ***except*** that refere to **exclusions** in AS are inclusion, the same in **ICDS** is exhaustive
	(a) contract costs that relate to future activity on the contract, such as costs of materials that have been delivered to a contract site or set aside for use in a contract but not yet installed, used or applied during contract performance, unless the materials have been made specially for the contract; and		(a) contract costs that relate to future activity on the contract; and	
	(b) payments made to subcontractors in advance of work performed under the subcontract.		(b) payments made to subcontractors in advance of work performed under the subcontract.	
31	When the outcome of a construction contract cannot be estimated reliably:	20	During the early stages of a contract, where the outcome of the contract cannot be estimated reliably contract revenue is recognised only to the extent	**ICDS=** on lines of **AS** *Ref to 25%*

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	(a) revenue should be recognised only to the extent of contract costs incurred of which recovery is probable; and (b) contract costs should be recognised as an expense in the period in which they are incurred. An expected loss on the construction contract should be recognised as an expense immediately in accordance with paragraph 35.		of costs incurred. The early stage of a contract shall not extend beyond 25% of the stage of completion.	*appears to relate with the Illutration in the AS*
32	During the early stages of a contract it is often the case that the outcome of the contract cannot be estimated reliably. Nevertheless, it may be probable that the enterprise will recover the contract costs incurred. Therefore, contract revenue is recognised only to the extent of costs incurred that are expected to be recovered. As the outcome of the contract cannot be estimated reliably, no profit is recognised. However, even though the outcome of the contract cannot be estimated reliably, it may be probable that total contract costs will exceed total contract revenue. In such cases, any expected excess of total contract costs over total contract revenue for the contract is recognised as an expense immediately in accordance with paragraph 35.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
33	Contract costs recovery of which is not probable are recognised as an expense immediately. Examples of circumstances in which the recoverability of contract costs incurred may not be probable and in which contract costs may, therefore, need to be recognised as an expense immediately include contracts:			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature

	ICAI		**Notified by the CBDT**	Remarks-
Sr/ Para No.	**A**ccounting **S**tandards *[presumably (base) corresponding to which ICDSs Issued by CBDT]* *[for application in the preparation of General Purpose Financial Statements and other Financial Reporting, which are subject to the attest function of the members of the ICAI]*	Sr/ Para No.	Income Computation and Disclosure Standards – As per Notification No. SO/892E dated 31st March, 2015 *[for computation of an assessee's 'profit and gains of business or professon'* or *'income from other sources' – u/s 145 of the Income-tax Act, 1961*]	**ICDSs vs Actng Stands**
	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	(a) which are not fully enforceable, that is, their validity is seriously in question;			
	(b) the completion of which is subject to the outcome of pending litigation or legislation;			
	(c) relating to properties that are likely to be condemned or expropriated;			
	(d) where the customer is unable to meet its obligations; or			
	(e) where the contractor is unable to complete the contract or otherwise meet its obligations under the contract.			
34	When the uncertainties that prevented the outcome of the contract being estimated reliably no longer exist, revenue and expenses associated with the construction contract should be recognised in accordance with paragraph 21 rather than in accordance with paragraph 31.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
35	When it is probable that total contract costs will exceed total contract revenue, the expected loss should be recognised as an expense immediately.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
36	The amount of such a loss is determined irrespective of:			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
	(a) whether or not work has commenced on the contract;			
	(b) the stage of completion of contract activity; or			
	(c) the amount of profits expected to arise on other contracts which are not treated as a single construction contract in accordance with paragraph 8.			
	Change in Estimates		**Change in Estimates**	
37	The percentage of completion method is applied on a	21	The percentage of completion method is applied on a	**ICDS=** on

	ICAI		**Notified by the CBDT**	Remarks-
Sr/ Para No.	**A**ccounting **S**tandards *[presumably (base) corresponding to which ICDSs Issued by CBDT]* *[for application in the preparation of General Purpose Financial Statements and other Financial Reporting, which are subject to the attest function of the members of the ICAI]*	Sr/ Para No.	Income Computation and Disclosure Standards – As per Notification No. SO/892E dated 31st March, 2015 *[for computation of an assessee's 'profit and gains of business or professon'* or *'income from other sources' – u/s 145 of the Income-tax Act, 1961*]	**ICDSs vs Actng Stands**
	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	cumulative basis in each accounting period to the current estimates of contract revenue and contract costs. Therefore, the effect of a change in the estimate of contract revenue or contract costs, or the effect of a change in the estimate of the outcome of a contract, is accounted for as a change in accounting estimate (see Accounting Standard (AS) 5, Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies). The changed estimates are used in determination of the amount of revenue and expenses recognised in the statement of profit and loss in the period in which the change is made and in subsequent periods.		cumulative basis in each **previous year** to the current estimates of contract revenue and contract costs. Where there is change in estimates, the changed estimates shall be used in determination of the amount of revenue and expenses in the period in which the change is made and in subsequent periods	lines of **AS**
			Transitional Provisions	
		22	Contract revenue and contract costs associated with the construction contract, which commenced on or before the 31st day of March, 2015 but not completed by the said date, shall be recognised as revenue and costs respectively in accordance with the provisions of this standard. The amount of contract revenue, contract costs or expected loss, if any, recognised for the said contract for any previous year commencing on or before the 1st day of April, 2014 shall be taken into account for recognising revenue and costs of the said contract for the previous year commencing on the 1st day of April, 2015 and subsequent previous years.	**Not relevant in the context of AS**
	Disclosure		**Disclosure**	

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Sr/ Para No.	**A**ccounting **S**tandards *[presumably (base) corresponding to which ICDSs Issued by CBDT]* *[for application in the preparation of General Purpose Financial Statements and other Financial Reporting, which are subject to the attest function of the members of the ICAI]*	Sr/ Para No.	Income Computation and Disclosure Standards – As per Notification No. SO/892E dated 31st March, 2015 *[for computation of an assessee's 'profit and gains of business or professon'* or *'income from other sources' – u/s 145 of the Income-tax Act, 1961*]	**ICDSs vs Actng Stands**
	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	[2]	[3]	[4]	[5]
38	An **enterprise** should disclose:	23	A **person** shall disclose:	
	(a) the amount of contract revenue recognised as revenue in the period;		(a) the amount of contract revenue recognised as revenue in the period; and	**ICDS=** on lines of **AS**
	(b) the methods used to determine the contract revenue recognised in the period; and			Not taken to **ICDS**
	(c) the methods used to determine the stage of completion of contracts in progress.		(b) the methods used to determine the stage of completion of contracts in progress.	**ICDS=** on lines of **AS**
39	An **enterprise** should disclose the following for contracts in progress at the reporting date:	24	A **person** shall disclose the following for contracts in progress at the reporting date, **namely:—**	**ICDS=** on lines of **AS**
	(a) the aggregate amount of costs incurred and recognised profits (less recognised losses) upto the reporting date;		(a) amount of costs incurred and recognised profits (less recognised losses) upto the reporting date;	
	(b) the amount of advances received; and		(b) the amount of advances received; and	
	(c) the amount of retentions.		(c) the amount of retentions.	
40	Retentions are amounts of progress billings which are not paid until the satisfaction of conditions specified in the contract for the payment of such amounts or until defects have been rectified. Progress billings are amounts billed for work performed on a contract whether or not they have been paid by the customer. Advances are amounts received by the contractor before the related work is performed.			Covered above in **ICDS** *[P 2(d)]*
41	An enterprise should present:			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
	(a) the gross amount due from customers for contract work as an asset; and			
	(b) the gross amount due to customers for contract work as a liability.			

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
42	The gross amount due from customers for contract work is the net amount of:			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
	(a) costs incurred plus recognised profits; less			
	(b) the sum of recognised losses and progress billings for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings.			
43	The gross amount due to customers for contract work is the net amount of:			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
	(a) the sum of recognised losses and progress billings; less			
	(b) costs incurred plus recognised profits for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).			
44	An enterprise discloses any contingencies in accordance with Accounting Standard (AS) 4, Contingencies and Events Occurring After the Balance Sheet Date. Contingencies may arise from such items as warranty costs, penalties or possible losses.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature

Income Computation and Disclosure Standards *vis-à-vis* Accounting Standards

	ICAI		Notified by the CBDT	Remarks-
Sr/ Para No.	**A**ccounting **S**tandards *[presumably (base) corresponding to which ICDSs Issued by CBDT]* *[for application in the preparation of General Purpose Financial Statements and other Financial Reporting, which are subject to the attest function of the members of the ICAI]*	Sr/ Para No.	Income Computation and Disclosure Standards – As per Notification No. SO/892E dated 31st March, 2015 *[for computation of an assessee's 'profit and gains of business or professon'* or *'income from other sources' – u/s 145 of the Income-tax Act, 1961*]	**ICDSs vs Actng Stands**
	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	AS 9 Revenue Recognition	**D.**	**ICDS IV** *relating to* **revenue recognition**	
			Preamble	
			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 accounts. 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.	
	Introduction		**Scope**	
1	This Standard deals with the bases for recognition of revenue in the statement of profit and loss of an enterprise. The Standard is concerned with the recognition of revenue arising in the course of the ordinary activities of the enterprise from	1	(1) This Income Computation and Disclosure Standard deals with the bases for recognition of revenue arising in the course of the ordinary activities of a person from	**ICDS=** on lines of **AS**
	— the sale of goods,		(i) the sale of goods;	**ICDS=** same as in **AS**
	— the rendering of services, and		(ii) the rendering of services;	
	— the use by others of enterprise resources yielding interest, royalties and dividends.		(iii) the use by others of the person's resources yielding interest, royalties or dividends.	
2	This Standard does not deal with the following aspects of revenue recognition to which special considerations apply: (i) Revenue arising from construction contracts;		(2) This Income Computation and Disclosure Standard does not deal with the aspects of revenue recognition which are dealt with by other Income Computation and Disclosure Standards.	**ICDS=** on lines of **AS**

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Sr/ Para No.	**A**ccounting **S**tandards *[presumably (base) corresponding to which ICDSs Issued by CBDT]* *[for application in the preparation of General Purpose Financial Statements and other Financial Reporting, which are subject to the attest function of the members of the ICAI]*	Sr/ Para No.	Income Computation and Disclosure Standards – As per Notification No. SO/892E dated 31st March, 2015 *[for computation of an assessee's 'profit and gains of business or professon'* or *'income from other sources' – u/s 145 of the Income-tax Act, 1961*]	**ICDSs vs Actng Stands**
	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	(ii) Revenue arising from hire-purchase, lease agreements; (iii) Revenue arising from government grants and other similar subsidies; (iv) Revenue of insurance companies arising from insurance contracts.			
3	Examples of items not included within the definition of "revenue" for the purpose of this Standard are:			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
	(i) Realised gains resulting from the disposal of, and unrealised gains resulting from the holding of, non-current assets e.g. appreciation in the value of fixed assets;			
	(ii) Unrealised holding gains resulting from the change in value of current assets, and the natural increases in herds and agricultural and forest products;			
	(iii) Realised or unrealised gains resulting from changes in foreign exchange rates and adjustments arising on the translation of foreign currency financial statements;			
	(iv) Realised gains resulting from the discharge of an obligation at less than its carrying amount;			
	(iii) Realised or unrealised gains resulting from changes in foreign exchange rates and adjustments arising on the translation of foreign currency financial statements;			
	Definitions		**Definitions**	
4	The following terms are used in this Standard with the meanings specified: 4.1 Revenue is the gross inflow of cash, receivables or other consideration arising in the course of the	2	(1) The following term is used in this Income Computation and Disclosure Standard with the meanings specified: (a) "Revenue" is the gross inflow of cash, receivables	**ICDS=** on lines of **AS**

	ICAI		Notified by the CBDT	Remarks-
Sr/ Para No.	**A**ccounting **S**tandards *[presumably (base) corresponding to which ICDSs Issued by CBDT]* *[for application in the preparation of General Purpose Financial Statements and other Financial Reporting, which are subject to the attest function of the members of the ICAI]*	Sr/ Para No.	Income Computation and Disclosure Standards – As per Notification No. SO/892E dated 31st March, 2015 *[for computation of an assessee's 'profit and gains of business or professon'* or *'income from other sources' – u/s 145 of the Income-tax Act, 1961*]	**ICDSs vs Actng Stands**
	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	[2]	[3]	[4]	[5]
	ordinary activities of **an enterprise** from the sale of goods, from the rendering of services, and from the use by others of enterprise resources yielding interest, royalties and dividends. Revenue is measured by the charges made to customers or clients for goods supplied and services rendered to them and by the charges and rewards arising from the use of resources by them. In an agency relationship, the revenue is the amount of commission and not the gross inflow of cash, receivables or other consideration.		or other consideration arising in the course of the ordinary activities of **a person** from the sale of goods, from the rendering of services, or from the use by others of the person's resources yielding interest, royalties or dividends. **In an agency relationship, the revenue is the amount of commission and not the gross inflow of cash, receivables or other consideration.**	
			(2) Words and expressions used and not defined in this Income Computation and Disclosure Standard but defined in the Act shall have the meanings assigned to them in that Act.	
	4.2 Completed service contract method is a method of accounting which recognises revenue in the statement of profit and loss only when the rendering of services under a contract is completed or substantially completed.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
	4.3 Proportionate completion method is a method of accounting which recognises revenue in the statement of profit and loss proportionately with the degree of completion of services under a contract.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
	Explanation			
5	Revenue recognition is mainly concerned with the timing of recognition of revenue in the statement of profit and loss of an enterprise. The amount of revenue arising on a transaction is usually determined by agreement between the parties involved in the transaction. When uncertainties			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature

	ICAI		Notified by the CBDT	Remarks-
Sr/ Para No.	**A**ccounting **S**tandards *[presumably (base) corresponding to which ICDSs Issued by CBDT]* *[for application in the preparation of General Purpose Financial Statements and other Financial Reporting, which are subject to the attest function of the members of the ICAI]*	Sr/ Para No.	Income Computation and Disclosure Standards – As per Notification No. SO/892E dated 31st March, 2015 *[for computation of an assessee's 'profit and gains of business or professon'* or *'income from other sources' – u/s 145 of the Income-tax Act, 1961*]	**ICDSs vs Actng Stands**
	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	exist regarding the determination of the amount, or its associated costs, these uncertainties may influence the timing of revenue recognition.			
	Sale of Goods		**Sale of Goods**	
6	6.1 A key criterion for determining when to recognise revenue from a transaction involving the sale of goods is that the seller has transferred the property in the goods to the buyer for a consideration. The transfer of property in goods, in most cases, results in or coincides with the transfer of significant risks and rewards of ownership to the buyer. However, there may be situations where transfer of property in goods does not coincide with the transfer of significant risks and rewards of ownership. Revenue in such situations is recognised at the time of transfer of significant risks and rewards of ownership to the buyer. Such cases may arise where delivery has been delayed through the fault of either the buyer or the seller and the goods are at the risk of the party at fault as regards any loss which might not have occurred but for such fault. Further, sometimes the parties may agree that the risk will pass at a time different from the time when ownership passes.	3	In a transaction involving the sale of goods, the revenue shall be recognised when the seller of goods has transferred to the buyer the property in the goods for a price or all significant risks and rewards of ownership have been transferred to the buyer and the seller retains no effective control of the goods transferred to a degree usually associated with ownership. <u>**In a situation, where transfer of property in goods does not coincide with the transfer of significant risks and rewards of ownership, revenue in such a situation shall be recognised at the time of transfer of significant risks and rewards of ownership to the buyer.**</u>	**ICDS=** on lines of **AS** *[the **bold** <u>underlined</u> portion in ICDS was not in the draft version]*
	6.2 At certain stages in specific industries, such as when agricultural crops have been harvested or mineral ores have been extracted, performance may be substantially complete prior to the execution of the transaction generating revenue. In such cases when sale is assured under a forward contract or a government guarantee or where market exists and there is a negligible risk of failure			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	to sell, the goods involved are often valued at net realisable value. Such amounts, while not revenue as defined in this Standard, are sometimes recognised in the statement of profit and loss and appropriately described.			
		4	Revenue shall be recognised when there is reasonable certainty of its ultimate collection.	**ICDS=** on lines of **AS** *[P 9.2]*
		5	Where the ability to assess the ultimate collection with reasonable certainty is lacking at the time of raising any claim for escalation of price and export incentives, revenue recognition in respect of such claim shall be postponed to the extent of uncertainty involved	
7	**Rendering of Services**		**Rendering of Services**	
	7.1 Revenue from service transactions is usually recognised as the service is performed, either by the proportionate completion method or by the completed service contract method.	6	Revenue from service transactions shall be recognised by the percentage completion method. Under this method, revenue from service transactions is matched with the service transactions costs incurred in reaching the stage of completion, resulting in the determination of revenue, expenses and profit which can be attributed to the proportion of work completed. Income Computation and Disclosure Standard on construction contract also requires the recognition of revenue on this basis. The requirements of that Standard shall mutatis mutandis apply to the recognition of revenue and the associated expenses for a service transaction.	
	(i) Proportionate completion method—Performance consists of the execution of more than one act. Revenue is			**AS**= Clarifi-catory/ Educa-

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	recognised proportionately by reference to the performance of each act. The revenue recognised under this method would be determined on the basis of contract value, associated costs, number of acts or other suitable basis. For practical purposes, when services are provided by an indeterminate number of acts over a specific period of time, revenue is recognised on a straight line basis over the specific period unless there is evidence that some other method better represents the pattern of performance.			tive/ Illustra-tive in nature
	(ii) Completed service contract method—Performance consists of the execution of a single act. Alternatively, services are performed in more than a single act, and the services yet to be performed are so significant in relation to the transaction taken as a whole that performance cannot be deemed to have been completed until the execution of those acts. The completed service contract method is relevant to these patterns of performance and accordingly revenue is recognised when the sole or final act takes place and the service becomes chargeable.			
8	**The Use by Others of Enterprise Resources Yielding Interest, Royalties and Dividends**		**The Use of Resources by Others Yielding Interest, Royalties or Dividends**	**Re-phrased**
	8.1 The use by others of such enterprise resources gives rise to:			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
	(i) interest—charges for the use of cash resources or amounts due to the enterprise;			
	(ii) royalties—charges for the use of such assets as know-how, patents, trade marks and copyrights;			
	(iii) dividends—rewards from the holding of			

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	investments in shares.			
	8.2 Interest accrues, in most circumstances, on the time basis determined by the amount outstanding and the rate applicable. Usually, discount or premium on debt securities held is treated as though it were accruing over the period to maturity.	7	Interest shall accrue on the time basis determined by the amount outstanding and the rate applicable. Discount or premium on debt securities held is treated as though it were accruing over the period to maturity.	**ICDS=** on lines of **AS**
	8.3 Royalties accrue in accordance with the terms of the relevant agreement and are usually recognised on that basis unless, having regard to the substance of the transactions, it is more appropriate to recognise revenue on some other systematic and rational basis.	8	Royalties shall accrue in accordance with the terms of the relevant agreement and shall be recognised on that basis unless, having regard to the substance of the transaction, it is more appropriate to recognise revenue on some other systematic and rational basis.	**ICDS=** on lines of **AS**
	8.4 Dividends from investments in shares are not recognised in the statement of profit and loss until a right to receive payment is established.	9	Dividends are recognised in accordance with the provisions of the Act.	For '*until a right to receive payment is established'* in **AS**, *'in accordance with the provisions of the Act'* has been brought in **ICDS**
	8.5 When interest, royalties and dividends from foreign countries require exchange permission and uncertainty in remittance is anticipated, revenue recognition may need to be postponed.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
9	**Effect of Uncertainties on Revenue Recognition**			

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	[2]	[3]	[4]	[5]
	9.1 Recognition of revenue requires that revenue is measurable and that at the time of sale or the rendering of the service it would not be unreasonable to expect ultimate collection.			
	9.2 Where the ability to assess the ultimate collection with reasonable certainty is lacking at the time of raising any claim, e.g., for escalation of price, export incentives, interest etc., revenue recognition is postponed to the extent of uncertainty involved. In such cases, it may be appropriate to recognise revenue only when it is reasonably certain that the ultimate collection will be made. Where there is no uncertainty as to ultimate collection, revenue is recognised at the time of sale or rendering of service even though payments are made by instalments.			Covered supra in Para 4, 5 of **ICDS**
	9.3 When the uncertainty relating to collectability arises subsequent to the time of sale or the rendering of the service, it is more appropriate to make a separate provision to reflect the uncertainty rather than to adjust the amount of revenue originally recorded.			
	9.4 An essential criterion for the recognition of revenue is that the consideration receivable for the sale of goods, the rendering of services or from the use by others of enterprise resources is reasonably determinable. When such consideration is not determinable within reasonable limits, the recognition of revenue is postponed.			
	9.5 When recognition of revenue is postponed due to the effect of uncertainties, it is considered as revenue of the period in which it is properly recognised.			
	Main Principles			

	ICAI		Notified by the CBDT	Remarks-
Sr/ Para No.	**A**ccounting **S**tandards *[presumably (base) corresponding to which ICDSs Issued by CBDT]* *[for application in the preparation of General Purpose Financial Statements and other Financial Reporting, which are subject to the attest function of the members of the ICAI]*	Sr/ Para No.	Income Computation and Disclosure Standards – As per Notification No. SO/892E dated 31st March, 2015 *[for computation of an assessee's 'profit and gains of business or professon'* or *'income from other sources' – u/s 145 of the Income-tax Act, 1961*]	**ICDSs vs Actng Stands**
	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
10	Revenue from sales or service transactions should be recognised when the requirements as to performance set out in paragraphs 11 and 12 are satisfied, provided that at the time of performance it is not unreasonable to expect ultimate collection. If at the time of raising of any claim it is unreasonable to expect ultimate collection, revenue recognition should be postponed.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
	Explanation : The amount of revenue from sales transactions (turnover) should be disclosed in the following manner on the face of the statement of profit or loss : Turnover (Gross) XX Less: Excise Duty XX Turnover (Net) XX The amount of excise duty to be deducted from the turnover should be the total excise duty for the year except the excise duty related to the difference between the closing start and opening stock. The excise duty related to the difference between the closing stock and opening stock should be recognised separately in the statement of profit or loss, with an explanatory note in the notes to accounts to explain the nature of the two amounts of excise duty.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
11	In a transaction involving the sale of goods, performance should be regarded as being achieved when the following conditions have been fulfilled:			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
	(i) the seller of goods has transferred to the buyer the property in the goods for a price or all significant risks and rewards of ownership have been transferred to the buyer			

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	and the seller retains no effective control of the goods transferred to a degree usually associated with ownership; and			
	(ii) no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of the goods.			
12	In a transaction involving the rendering of services, performance should be measured either under the completed service contract method or under the proportionate completion method, whichever relates the revenue to the work accomplished. Such performance should be regarded as being achieved when no significant uncertainty exists regarding the amount of the consideration that will be derived from rendering the service.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
13	13. Revenue arising from the use by others of enterprise resources yielding interest, royalties and dividends should only be recognised when no significant uncertainty as to measurability or collectability exists. These revenues are recognised on the following bases:			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
	(i) Interest : on a time proportion basis taking into account the amount outstanding and the rate applicable.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
	(ii) Royalties : on an accrual basis in accordance with the terms of the relevant agreement.			
	(iii) Dividends from : when the owner's right to receive payment investments inshares is established.			
			Transitional Provisions	
		10	The transitional provisions of Income Computation and Disclosure Standard on construction contract	**Not relevant in the context of**

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	[2]	[3]	[4]	[5]
			shall mutatis mutandis apply to the recognition of revenue and the associated costs for a service transaction undertaken on or before the 31st day of March, 2015 but not completed by the said date.	AS
		11	Revenue for a transaction, **other than a service transaction referred to in Para 10**, undertaken on or before the 31st day of March, 2015 but not completed by the said date shall be recognised in accordance with the provisions of this standard for the previous year commencing on the 1st day of April, 2015 and subsequent previous year. The amount of revenue, if any, recognised for the said transaction for any previous year commencing on or before the 1st day of April, 2014 shall be taken into account for recognising revenue for the said transaction for the previous year commencing on the 1st day of April, 2015 and subsequent previous years	
	Disclosure		**Disclosure**	
14	In addition to the disclosures required by Accounting Standard 1 on 'Disclosure of Accounting Policies' (AS 1), an enterprise should also disclose the circumstances in which revenue recognition has been postponed pending the resolution of significant uncertainties.	12	Following disclosures shall be made in respect of revenue recognition, **namely:—**	**Disclosure required in ICDS** **Does not appear to be in conso- nance [in full] with those in AS**
			(a) in a transaction involving sale of good, total amount not recognised as revenue during the previous year **due to lack of reasonably** certainty of its ultimate collection along with nature of	

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
			uncertainty;	
			(b) the amount of revenue from service transactions recognised as revenue during the previous year;	
			(c) the method used to determine the stage of completion of service transactions in progress; and	
			(d) for service transactions in progress at the end of previous year:	
			(i) amount of costs incurred and recognised profits (less recognised losses) upto end of previous year;	
			(ii) the amount of advances received; and	
			(iii) the amount of rententions	

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	AS 10 **Fixed Assets**	**E.**	**ICDS V** *relating to* **tangible fixed assets**	
			Preamble	
			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 accounts. 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.	
	Introductoin		**Scope**	
1	Financial Statements disclose certain information relating to fixed assets. In many enterprises these assets are grouped into various categories, such as land, buildings, plant and machinery, vehicles, furniture and fittings, goodwill, patents, trade marks and designs. This standard deals with accounting for such fixed assets except as described in paragraphs 2 to 5 below.	1	This Income Computation and Disclosure Standard deals with the treatment of tangible fixed assets.	**ICDS=** on lines of **AS**
2	This standard does not deal with the specialised aspects of accounting for fixed assets that arise under a comprehensive system reflecting the effects of changing prices but applies to financial statements prepared on historical cost basis.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
3	This standard does not deal with accounting for the following items to which special considerations apply:			**AS**= Clarifi-

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	(i) forests, plantations and similar regenerative natural resources;			catory/ Educa-tive/ Illustra-tive in nature
	(ii) wasting assets including mineral rights, expenditure on the exploration for and extraction of minerals, oil, natural gas and similar non-regenerative resources;			
	(iii) expenditure on real estate development; and			
	(iv) livestock.			
	Expenditure on individual items of fixed assets used to develop or maintain the activities covered in (i) to (iv) above, but separable from those activities, are to be accounted for in accordance with this Standard.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
4	This standard does not cover the allocation of the depreciable amount of fixed assets to future periods since this subject is dealt with in Accounting Standard 6 on 'Depreciation Accounting'.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
5	This standard does not deal with the treatment of government grants and subsidies, and assets under leasing rights. It makes only a brief reference to the capitalisation of borrowing costs and to assets acquired in an amalgamation or merger. These subjects require more extensive consideration than can be given within this Standard.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
	Definitions		**Definition**	
6	The following terms are used in this Standard with the meanings specified:	2	(1) The following terms are used in this Income Computation and Disclosure Standard with the meanings specified:	**ICDS=** on lines of **AS**
	6.I Fixed asset is an asset held with the intention of being used for the purpose of producing or providing		(a) "Tangible fixed asset" is an asset being land, building, machinery, plant or furniture held with the	**ICDS=** on lines of **AS**

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	[2]	[3]	[4]	[5]
	goods or services and is not held for sale in the normal course of business.		intention of being used for the purpose of producing or providing goods or services and is not held for sale in the normal course of business.	
	6.2 Fair market value is the price that would be agreed to in an open and unrestricted market between knowledgeable and willing parties dealing at arm's length who are fully informed and are not under any compulsion to transact.		(b) "Fair value" of an asset is the amount for which that asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.	**ICDS=** on lines of **AS**
	6.3 Gross book value of a fixed asset is its historical cost or other amount substituted for historical cost in the books of account or financial statements. When this amount is shown net of accumulated depreciation, it is termed as net book value.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
	Explanation			
7	Fixed assets often comprise a significant portion of the total assets of an enterprise, and therefore are important in the presentation of financial position. Furthermore, the determination of whether an expenditure represents an asset or an expense can have a material effect on an enterprise's reported results of operations.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
			(2) Words and expressions used and not defined in this Income Computation and Disclosure Standard but defined in the Act shall have the meanings assigned to them in that Act.	
8	**Identification of Fixed Assets**		**Identification of Tangible Fixed Assets**	
	8.1 The definition in paragraph 6.1 gives criteria for determining whether items are to be classified as	3	The definition in **clause (a) of sub-paragraph (1) of paragraph 2** provides criteria for determining	**ICDS=** on lines of **AS**

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	fixed assets. Judgement is required in applying the criteria to specific circumstances or specific types of enterprises. It may be appropriate to aggregate individually insignificant items, and to apply the criteria to the aggregate value. An enterprise may decide to expense an item which could otherwise have been included as fixed asset, because the amount of the expenditure is not material.		whether an item is to be classified as a tangible fixed asset.	
	8.2 Stand-by equipment and servicing equipment are normally capitalised. Machinery spares are usually charged to the profit and loss statement as and when consumed. However, if such spares can be used only in connection with an item of fixed asset and their use is expected to be irregular, it may be appropriate to allocate the total cost on a systematic basis over a period not exceeding the useful life of the principal item.	4	Stand-by equipment and servicing equipment are to be capitalised. Machinery spares shall be charged to the revenue as and when consumed. When such spares can be used only in connection with an item of tangible fixed asset and their use is expected to be irregular, they shall be capitalised.	**ICDS=** on lines of **AS**
	8.3 In certain circumstances, the accounting for an item of fixed asset may be improved if the total expenditure thereon is allocated to its component parts, provided they are in practice separable, and estimates are made of the useful lives of these components. For example, rather than treat an aircraft and its engines as one unit, it may be better to treat the engines as a separate unit if it is likely that their useful life is shorter than that of the aircraft as a whole.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
9	**Components of Cost**		**Components of Actual Cost**	
	9.1 The cost of an item of fixed asset comprises its	5	The actual cost of an acquired tangible fixed asset	**ICDS=** on

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[1]	**[2]**	**[3]**	**[4]**	**[5]**
	purchase price, including import duties and other non-refundable taxes or levies and any directly attributable cost of bringing the asset to its working condition for its intended use; any trade discounts and rebates are deducted in arriving at the purchase price. Examples of directly attributable costs are:		shall comprise its purchase price, import duties and other taxes, excluding those subsequently recoverable, and any directly attributable expenditure on making the asset ready for its intended use. Any trade discounts and rebates shall be deducted in arriving at the actual cost.	lines of **AS**
	(i) site preparation;			
	(ii) initial delivery and handling costs;			
	(iii) installation cost, such as special foundations for plant; and			
	(iv) professional fees, for example fees of architects and engineers.			
	The cost of a fixed asset may undergo changes subsequent to its acquisition or construction on account of	6	The cost of a tangible fixed asset may undergo changes subsequent to its acquisition or construction on account of	**ICDS=** on lines of **AS**
	exchange fluctuations		(i) price adjustment, changes in duties or similar factors; or	
	price adjustments, changes in duties or similar factors.		(ii) exchange fluctuation as specified in Income Computation and Disclosure Standard on the effects of changes in foreign exchange rates.	
	9.2 Administration and other general overhead expenses are usually excluded from the cost of fixed assets because they do not relate to a specific fixed asset. However, in some circumstances, such expenses as are specifically attributable to construction of a project or to the acquisition of a fixed asset or bringing it to its working condition, may	7	Administration and other general overhead expenses are to be excluded from the cost of tangible fixed assets if they do not relate to a specific tangible fixed asset. Expenses which are specifically attributable to construction of a project or to the acquisition of a tangible fixed asset or bringing it to its working condition, shall be included as a part of the cost of	**ICDS=** on lines of **AS**

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[1]	[2]	[3]	[4]	[5]
	be included as part of the cost of the construction project or as a part of the cost of the fixed asset.		the project or as a part of the cost of the tangible fixed asset.	
	9.3 The expenditure incurred on start-up and commissioning of the project, including the expenditure incurred on test runs and experimental production, is usually capitalised as an indirect element of the construction cost. However, the expenditure incurred after the plant has begun commercial production, i.e., production intended for sale or captive consumption, is not capitalised and is treated as revenue expenditure ~~even though the contract may stipulate that the plant will not be finally taken over until after the satisfactory completion of the guarantee period~~.	8	The expenditure incurred on start-up and commissioning of the project, including the expenditure incurred on test runs and experimental production, shall be capitalised. The expenditure incurred after the plant has begun commercial production, **that is**, production intended for sale or captive consumption, shall be treated as revenue expenditure.	**ICDS=** on lines of **AS**
	9.4 If the interval between the date a project is ready to commence commercial production and the date at which commercial production actually begins is prolonged, all expenses incurred during this period are charged to the profit and loss statement. However, the expenditure incurred during this period is also sometimes treated as deferred revenue expenditure to be amortised over a period not exceeding 3 to 5 years after the commencement of commercial production.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
10	**Self-constructed Fixed Assets**		**Self-constructed Tangible Fixed Assets**	
	10.1 In arriving at the gross book value of self-constructed fixed assets, the same principles apply as those described in paragraphs 9.1 to 9.4. Included in the gross book value are costs of construction that	9	In arriving at the actual cost of self- constructed tangible fixed assets, the same principles shall apply as those described in paragraphs 5 to 8. Cost of construction that relate directly to the specific	**ICDS=** on lines of **AS**

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	relate directly to the specific asset and costs that are attributable to the construction activity in general and can be allocated to the specific asset. Any internal profits are eliminated in arriving at such costs.		tangible fixed asset and costs that are attributable to the construction activity in general and can be allocated to the specific tangible fixed asset shall be included in actual cost. Any internal profits shall be eliminated in arriving at such costs.	
11	**Non–Monetary Consideration**		**Non-monetary Consideration**	
	11.1 When a fixed asset is acquired in exchange for another asset, its cost is usually determined by reference to the fair market value of the consideration given. It may be appropriate to consider also the fair market value of the asset acquired if this is more clearly evident. An alternative accounting treatment that is sometimes used for an exchange of assets, particularly when the assets exchanged are similar, is to record the asset acquired at the net book value of the asset given up; in each case an adjustment is made for any balancing receipt or payment of cash or other consideration.	10	When a tangible fixed asset is acquired in exchange for another asset, the **fair** value of **the** tangible fixed asset so acquired shall be its actual cost.	**ICDS=** on lines of **AS**
	11.2 When a fixed asset is acquired in exchange for shares or other securities in the enterprise, it is usually recorded at its fair market value, or the fair market value of the securities issued, whichever is more clearly evident.	11	When a tangible fixed asset is acquired in exchange for shares or other securities, the **fair** value of the tangible fixed asset so acquired shall be its actual cost.	**ICDS=** on lines of **AS**
12	**Improvements and Repairs**		**Improvements and Repairs**	
	12.1 Frequently, it is difficult to determine whether subsequent expenditure related to fixed asset represents improvements that ought to be added to the gross book value or repairs that ought to be	12	An Expenditure that increases the future benefits from the existing asset beyond its previously assessed standard of performance is added to the actual cost.	**ICDS=** on lines of **AS**

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	[2]	[3]	[4]	[5]
	charged to the profit and loss statement. Only expenditure that increases the future benefits from the existing asset beyond its previously assessed standard of performance is included in the gross book value, e.g., an increase in capacity.			
	12.2 The cost of an addition or extension to an existing asset which is of a capital nature and which becomes an integral part of the existing asset is usually added to its gross book value. Any addition or extension, which has a separate identity and is capable of being used after the existing asset is disposed of, is accounted for separately.	13	The cost of an addition or extension to an existing tangible fixed asset which is of a capital nature and which becomes an integral part of the existing tangible fixed asset is to be added to its actual cost. Any addition or extension, which has a separate identity and is capable of being used after the existing tangible fixed asset is disposed of, shall be treated as separate asset.	**ICDS=** on lines of **AS**
13	**Amount Substituted for Historical Cost**			Not, as such, dealt with in **ICDS**
	13.1 Sometimes financial statements that are otherwise prepared on a historical cost basis include part or all of fixed assets at a valuation in substitution for historical costs and depreciation is calculated accordingly. Such financial statements are to be distinguished from financial statements prepared on a basis intended to reflect comprehensively the effects of changing prices.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
	13.2 A commonly accepted and preferred method of restating fixed assets is by appraisal, normally undertaken by competent valuers. Other methods sometimes used are indexation and reference to current prices which when applied are cross checked periodically by appraisal method.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	13.3 The revalued amounts of fixed assets are presented in financial statements either by restating both the gross book value and accumulated depreciation so as to give a net book value equal to the net revalued amount or by restating the net book value by adding therein the net increase on account of revaluation. An upward revaluation does not provide a basis for crediting to the profit and loss statement the accumulated depreciation existing at the date of revaluation.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
	13.4 Different bases of valuation are sometimes used in the same financial statements to determine the book value of the separate items within each of the categories of fixed assets or for the different categories of fixed assets. In such cases, it is necessary to disclose the gross book value included on each basis.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
	13.5 Selective revaluation of assets can lead to unrepresentative amounts being reported in financial statements. Accordingly, when revaluations do not cover all the assets of a given class, it is appropriate that the selection of assets to be revalued be made on a systematic basis. For example, an enterprise may revalue a whole class of assets within a unit.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
	13.6 It is not appropriate for the revaluation of a class of assets to result in the net book value of that class being greater than the recoverable amount of the assets of that class.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
	13.7 An increase in net book value arising on revaluation of fixed assets is normally credited directly to owner's interests under the heading of revaluation reserves and is			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	regarded as not available for distribution. A decrease in net book value arising on revaluation of fixed assets is charged to profit and loss statement except that, to the extent that such a decrease is considered to be related to a previous increase on revaluation that is included in revaluation reserve, it is sometimes charged against that earlier increase. It sometimes happens that an increase to be recorded is a reversal of a previous decrease arising on revaluation which has been charged to profit and loss statement in which case the increase is credited to profit and loss statement to the extent that it offsets the previously recorded decrease.			in nature
14	**Retirements and Disposals**			Not, as such, dealt with in **ICDS**
	14.1 An item of fixed asset is eliminated from the financial statements on disposal.			**AS**= Clarificatory/ Educative/ Illustrative in nature
	14.2 Items of fixed assets that have been retired from active use and are held for disposal are stated at the lower of their net book value and net realisable value and are shown separately in the financial statements. Any expected loss is recognised immediately in the profit and loss statement.			
	14.3 In historical cost financial statements, gains or losses arising on disposal are generally recognised in the profit and loss statement.			
	14.4 On disposal of a previously revalued item of fixed asset, the difference between net disposal proceeds and the net book value is normally charged or credited to the profit			

	ICAI		Notified by the CBDT	Remarks-
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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	and loss statement except that, to the extent such a loss is related to an increase which was previously recorded as a credit to revaluation reserve and which has not been subsequently reversed or utilised, it is charged directly to that account. The amount standing in revaluation reserve following the retirement or disposal of an asset which relates to that asset may be transferred to general reserve.			
15	**Valuation of Fixed Assets in Special Cases**		**Valuation of Tangible Fixed Assets in Special Cases**	
	15.1 In the case of fixed assets acquired on hire purchase terms, although legal ownership does not vest in the enterprise, such assets are recorded at their cash value, which, if not readily available, is calculated by assuming an appropriate rate of interest. They are shown in the balance sheet with an appropriate narration to indicate that the enterprise does not have full ownership thereof.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
	15.2 Where **an enterprise** owns fixed assets jointly with others (otherwise than as a partner in a firm), the extent of its share in such assets, and the proportion in the original cost, accumulated depreciation and written down value are stated in the balance sheet. Alternatively, the pro rata cost of such jointly owned assets is grouped together with similar fully owned assets. Details of such jointly owned assets are indicated separately in the fixed assets register.	14	Where **a person** owns tangible fixed assets jointly with others, the proportion in the actual cost, accumulated depreciation and written down value is grouped together with similar fully owned tangible fixed assets. Details of such jointly owned tangible fixed assets shall be indicated separately in the tangible fixed assets register.	**ICDS=** on lines of **AS**
	15.3 Where several assets are purchased for a consolidated price, the consideration is apportioned to the various assets on a fair basis as determined by competent valuers.	15	Where several assets are purchased for a consolidated price, the consideration shall be apportioned to the various assets on a fair basis.	**ICDS=** on lines of **AS**
16	**Fixed Assets of Special Types**			Not, as such,

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
				dealt with in **ICDS**
	16.1 Goodwill, in general, is recorded in the books only when some consideration in money or money's worth has been paid for it. Whenever a business is acquired for a price (payable either in cash or in shares or otherwise) which is in excess of the value of the net assets of the business taken over, the excess is termed as 'goodwill'. Goodwill arises from business connections, trade name or reputation of an enterprise or from other intangible benefits enjoyed by an enterprise.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
	16.2 As a matter of financial prudence, goodwill is written off over a period. However, many enterprises do not write off goodwill and retain it as an asset.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
			Transitional Provisions	
		16	The actual cost of tangible fixed assets, acquisition or construction of which commenced on or before the 31st day of March, 2015 but not completed by the said date, shall be recognised in accordance with the provisions of this standard. The amount of actual cost, if any, recognised for the said assets for any previous year commencing on or before the 1st day of April, 2014 shall be taken into account for recognising actual cost of the said assets for the previous year commencing on the 1st day of April, 2015 and subsequent previous years.	**Not relevant in the context of AS**

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	[2]	[3]	[4]	[5]
			Depreciation	
		17	Depreciation on a tangible fixed asset shall be computed in accordance with the provisions of the Act.	
			Transfers	
		18	Income arising on transfer of a tangible fixed asset shall be computed in accordance with the provisions of the Act.	
17	**Disclosure**		**Disclosures**	
	17.1 Certain specific disclosures on accounting for fixed assets are already required by Accounting Standard 1 on 'Disclosure of Accounting Policies' and Accounting Standard 6 on 'Depreciation Accounting'.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
	17.2 Further disclosures that are sometimes made in financial statements include:	**19**	Following disclosure shall be made in respect of tangible fixed assets, **namely:—**	**ICDS=** on lines of **AS**
	(i) gross and net book values of fixed assets at the beginning and end of an accounting period showing additions, disposals, acquisitions and other movements;		(a) description of **asset or block** of assets;	**Disclosure required in ICDS** **Does not appear to be in conso- nance [in full] with those in AS**
	(ii) expenditure incurred on account of fixed assets in the course of construction or acquisition; and		(b) rate of depreciation;	
	(iii) revalued amounts substituted for historical costs of fixed assets, the method adopted to compute the revalued amounts, the nature of any indices used, the year of any appraisal made, and whether an external valuer was involved, in case where fixed assets are stated at revalued amounts.		(c) actual cost or written down value, as the case may be;	

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	[2]	[3]	[4]	[5]
			(d) **additions or deductions** during the year with dates; in the case of any addition of an asset, date put to use; including adjustments on account of—	
			(i) **Central Value Added Tax** credit claimed and allowed under the CENVAT Credit Rules, 2004;	
			(ii) change in rate of exchange of currency;	
			(iii) subsidy or grant or reimbursement, by whatever name called;	
			(e) depreciation allowable; and	
			(f) written down value at the end of year.	
	Main Principles			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
18	The items determined in accordance with the definition in paragraph 6.1 of this Standard should be included under fixed assets in financial statements.			
19	The gross book value of a fixed asset should be either historical cost or a revaluation computed in accordance with this Standard. The method of accounting for fixed assets included at historical cost is set out in paragraphs 20 to 26; the method of accounting of revalued assets is set out in paragraphs 27 to 32.			
20	The cost of a fixed asset should comprise its purchase price and any attributable cost of bringing the asset to its working condition for its intended use.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
21	The cost of a self-constructed fixed asset should comprise those costs that relate directly to the specific asset and those that are attributable to the construction activity in			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	general and can be allocated to the specific asset.			in nature
22	When a fixed asset is acquired in exchange or in part exchange for another asset, the cost of the asset acquired should be recorded either at fair market value or at the net book value of the asset given up, adjusted for any balancing payment or receipt of cash or other consideration. For these purposes fair market value may be determined by reference either to the asset given up or to the asset acquired, whichever is more clearly evident. Fixed asset acquired in exchange for shares or other securities in the enterprise should be recorded at its fair market value, or the fair market value of the securities issued, whichever is more clearly evident.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
23	Subsequent expenditures related to an item of fixed asset should be added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
24	Material items retired from active use and held for disposal should be stated at the lower of their net book value and net realisable value and shown separately in the financial statements.			
25	Fixed asset should be eliminated from the financial statements on disposal or when no further benefit is expected from its use and disposal.			
26	Losses arising from the retirement or gains or losses arising from disposal of fixed asset which is carried at cost should be recognised in the profit and loss statement.			
27	When a fixed asset is revalued in financial statements, an entire class of assets should be revalued, or the selection of			

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	[2]	[3]	[4]	[5]
	assets for revaluation should be made on a systematic basis. This basis should be disclosed.			
28	The revaluation in financial statements of a class of assets should not result in the net book value of that class being greater than the recoverable amount of assets of that class.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
29	When a fixed asset is revalued upwards, any accumulated depreciation existing at the date of the revaluation should not be credited to the profit and loss statement.			
30	An increase in net book value arising on revaluation of fixed assets should be credited directly to owners' interests under the head of revaluation reserve, except that, to the extent that such increase is related to and not greater than a decrease arising on revaluation previously recorded as a charge to the profit and loss statement, it may be credited to the profit and loss statement. A decrease in net book value arising on revaluation of fixed asset should be charged directly to the profit and loss statement except that to the extent that such a decrease is related to an increase which was previously recorded as a credit to revaluation reserve and which has not been subsequently reversed or utilised, it may be charged directly to that account.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
31	The provisions of paragraphs 23, 24 and 25 are also applicable to fixed assets included in financial statements at a revaluation.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
32	On disposal of a previously revalued item of fixed asset, the difference between net disposal proceeds and the net book value should be charged or credited to the profit and loss statement except that to the extent that such a loss is			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	related to an increase which was previously recorded as a credit to revaluation reserve and which has not been subsequently reversed or utilised, it may be charged directly to that account.			
33	Fixed assets acquired on hire purchase terms should be recorded at their cash value, which, if not readily available, should be calculated by assuming an appropriate rate of interest. They should be shown in the balance sheet with an appropriate narration to indicate that the enterprise does not have full ownership thereof.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
34	In the case of fixed assets owned by the enterprise jointly with others, the extent of the enterprise's share in such assets, and the proportion of the original cost, accumulated depreciation and written down value should be stated in the balance sheet. Alternatively, the pro rata cost of such jointly owned assets may be grouped together with similar fully owned assets with an appropriate disclosure thereof.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
35	Where several fixed assets are purchased for a consolidated price, the consideration should be apportioned to the various assets on a fair basis as determined by competent valuers.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
36	Goodwill should be recorded in the books only when some consideration in money or money's worth has been paid for it. Whenever a business is acquired for a price (payable in cash or in shares or otherwise) which is in excess of the value of the net assets of the business taken over, the excess should be termed as 'goodwill'.			
	Disclosure			
37	The following information should be disclosed in the			**AS**= Clarifi-

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	financial statements:			catory/ Educa-tive/ Illustra-tive in nature
	(i) gross and net book values of fixed assets at the beginning and end of an accounting period showing additions, disposals, acquisitions and other movements;			
	(ii) expenditure incurred on account of fixed assets in the course of construction or acquisition; and			
	(iii) revalued amounts substituted for historical costs of fixed assets, the method adopted to compute the revalued amounts, the nature of indices used, the year of any appraisal made, and whether an external valuer was involved, in case where fixed assets are stated at revalued amounts.			

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	[2]	[3]	[4]	[5]
	AS 11 The Effect of changes in Foreign Exchange Rates	**F.**	**ICDS VI** *relating to* **the effect of changes in foreign exchange rates**	
	Objective		**Preamble**	
	An enterprise may carry on activities involving foreign exchange in two ways. It may have transactions in foreign currencies or it may have foreign operations. In order to include foreign currency transactions and foreign operations in the financial statements of an enterprise, transactions must be expressed in the enterprise's reporting currency and the financial statements of foreign operations must be translated into the enterprise's reporting currency. The principal issues in accounting for foreign currency transactions and foreign operations are to decide which exchange rate to use and how to recognise in the financial statements the financial effect of changes in exchange rates.		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 accounts. 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.	
	Scope		**Scope**	
1	This Standard should be applied: (a) in accounting for transactions in foreign currencies; and (b) in translating the financial statements of foreign operations.	1	This Income Computation and Disclosure Standard deals with: (a) treatment of transactions in foreign currencies; (b) translating the financial statements of foreign operations; (c) treatment of foreign currency transactions in the nature of forward exchange contracts	**ICDS=** on lines of **AS**
2	This Standard also deals with accounting for foreign			

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	currency transactions in the nature of forward exchange contracts.			
3	This Standard does not specify the currency in which an enterprise presents its financial statements. However, an enterprise normally uses the currency of the country in which it is domiciled. If it uses a different currency, this Standard requires disclosure of the reason for using that currency. This Standard also requires disclosure of the reason for any change in the reporting currency.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
4	This Standard does not deal with the restatement of an enterprise's financial statements from its reporting currency into another currency for the convenience of users accustomed to that currency or for similar purposes.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
5	This Standard does not deal with the presentation in a cash flow statement of cash flows arising from transactions in a foreign currency and the translation of cash flows of a foreign operation (see AS 3, Cash Flow Statements).			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
6	This Standard does not deal with exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs (see paragraph 4(e) of AS 16, Borrowing Costs).			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
	Definitions		**Definitions**	
7	The following terms are used in this Standard with the meanings specified:	2	(1) The following terms are used in this Income Computation and Disclosure Standard with the meanings specified:	
	7.1 Average rate is the mean of the exchange rates in force during a period.		(a) "**Average rate**" is the mean of the exchange rates in force during a period.	**ICDS=** on lines of **AS**

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	7.2 Closing rate is the exchange rate at the balance sheet date.		(b) "Closing rate" is the exchange rate at the last day of the previous year.	**ICDS=** on lines of **AS**
	7.3 Exchange difference is the difference resulting from reporting the same number of units of a foreign currency in the reporting currency at different exchange rates.		(c) "Exchange difference" is the difference resulting from reporting the same number of units of a foreign currency in the reporting currency of a person at different exchange rates.	
	7.4 Exchange rate is the ratio for exchange of two currencies.		(d) "Exchange rate" is the ratio for exchange of two currencies.	
	7.5 Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.			
	7.6 Foreign currency is a currency other than the reporting currency of an enterprise.		(e) Foreign currency" is a currency other than the reporting currency of a person.	**ICDS=** on lines of **AS**
	7.7 Foreign operation is a **subsidiary**, associate, joint venture or branch of the reporting enterprise, the activities of which are based or conducted in a country other than the country of the reporting enterprise.		(f) "Foreign operations of a **person**" is a branch, by whatever name called, of that person, the activities of which are based or conducted in a country other than India.	**ICDS=** on lines of **AS**
			(g) "Foreign currency transaction" is a transaction which is denominated in or requires settlement in a foreign currency, including transactions arising when a person:**—**	**ICDS=** on lines of **AS** *[P 8]*
			(i) Buys or sells goods or services whose price is denominated in a foreign currency; or	**ICDS=**same as in **AS** *[P 8]*
			(ii) borrows or lends funds when the amounts payable or receivable are denominated in a foreign	

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
			currency; or	
			(iii) becomes a party to an unperformed forward exchange contract; or	
			(iv) otherwise acquires or disposes of assets, or incurs or settles liabilities, denominated in a foreign currency.	
	7.8 Forward exchange contract means an agreement to exchange different currencies at a forward rate.		(h) "Forward exchange contract" means an agreement to exchange different currencies at a forward rate, and includes a foreign currency option contract or another financial instrument of a similar nature;	**ICDS=** on lines of **AS**
	7.9 Forward rate is the specified exchange rate for exchange of two currencies at a specified future date.		(i) "Forward rate" is the specified exchange rate for exchange of two Currencies at a specified future date;	**ICDS=** on lines of **AS**
			(j) "Indian currency" shall have the meaning as assigned to it in section 2 of the Foreign Exchange Management Act, 1999 (42 of 1999);	'**Indian Currency'**, it appears, corresponds to 'Reporting Currency' in AS
	7.10 Integral foreign operation is a foreign operation, the activities of which are an integral part of those of the reporting **enterprise**.		(k) "Integral foreign operation" is a foreign operation, the activities of which are an integral part of the operation of the **person**;	**ICDS=** on lines of **AS**
	7.11 Monetary items are money held and assets and liabilities to be received or paid in fixed or determinable amounts of money.		(l) "Monetary items" are money held and assets to be received or liabilities to be paid in fixed or determinable amounts of money. Cash, receivables, and payables are examples of monetary items;	**ICDS=** on lines of **AS**

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	7.12 Net investment in a non-integral foreign operation is the reporting enterprise's share in the net assets of that operation.			
	7.13 Non-integral foreign operation is a foreign operation that is not an integral foreign operation.		(m) "Non-integral foreign operation" is a foreign operation that is not an integral foreign operation;	**ICDS=** on lines of **AS**
	7.14 Non-monetary items are assets and liabilities other than monetary items.		(n) "Non-monetary items" are assets and liabilities other than monetary items. Fixed assets, inventories, and investments in equity shares are examples of non-monetary items;	**ICDS=** on lines of **AS**
	7.15 Reporting currency is the currency used in presenting the financial statements.		(o) "Reporting currency" means Indian currency except for foreign operations where it shall mean currency of the country where the operations are carried out.	
			(2) Words and expressions used and not defined in this Income Computation and Disclosure Standard but defined in the Act shall have the meaning assigned to them in the Act.	
	Foreign Currency Transactions		**Foreign Currency Transactions**	
	Initial Recognition		**Initial Recognition**	
8	A foreign currency transaction is a transaction which is denominated in or requires settlement in a foreign currency, including transactions arising when an enterprise either:			**Covered under 2 (g)**
	(a) buys or sells goods or services whose price is denominated in a foreign currency;			
	(b) borrows or lends funds when the amounts payable or receivable are denominated in a foreign			

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	currency;			
	(c) becomes a party to an unperformed forward exchange contract; **or**			
	(d) otherwise acquires or disposes of assets, or incurs or settles liabilities, denominated in a foreign currency.			
9	A foreign currency transaction should be recorded, on initial recognition in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.	3	(1) A foreign currency transaction shall be recorded, on initial recognition in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.	**ICDS=** on lines of **AS**
10	For practical reasons, a rate that approximates the actual rate at the date of the transaction is often used, for example, an average rate for a week or a month might be used for all transactions in each foreign currency occurring during that period. However, if exchange rates fluctuate significantly, the use of the average rate for a period is unreliable.		(2) An average rate for a week or a month that approximates the actual rate at the date of the transaction may be used for all transaction in each foreign currency occurring during that period. If the exchange rate fluctuates significantly, the actual rate at the date of the transaction shall be used.	**ICDS=** on lines of **AS**
	Reporting at Subsequent Balance Sheet Dates		**Conversion at Last Date of Previous Year**	
11	At each balance sheet date:	4	At last day of each previous year:—	
	(a) foreign currency monetary items should be reported using the closing rate. However, in certain circumstances, the closing rate may not reflect with reasonable accuracy the amount in reporting currency that is likely to be realised from, or required to disburse, a foreign currency monetary item at the		(a) foreign currency monetary items shall be converted into reporting currency by applying the closing rate;	**ICDS=** on lines of **AS**

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	balance sheet date, e.g., where there are restrictions on remittances or where the closing rate is unrealistic and it is not possible to effect an exchange of currencies at that rate at the balance sheet date. In such circumstances, the relevant monetary item should be reported in the reporting currency at the amount which is likely to be realised from, or required to disburse, such item at the balance sheet date;			
			(b) where the closing rate does not reflect with reasonable accuracy, the amount in reporting currency that is likely to be realised from or required to disburse, a foreign currency monetary item owing to restriction on remittances or the closing rate being unrealistic and it is not possible to effect an exchange of currencies at that rate, then the relevant monetary item shall be reported in the reporting currency at the amount which is likely to be realised from or required to disburse such item at the last date of the previous year; and	**ICDS=** on lines of **AS** *[P 11(a)]*
	(b) non-monetary items which are carried in terms of historical cost denominated in a foreign currency should be reported using the exchange rate at the date of the transaction; and		(c) non-monetary items in a foreign currency shall be converted into reporting currency by using the exchange rate at the date of the transaction.	**ICDS=** on lines of **AS**
	(c) non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency should be reported using the exchange rates that existed			**AS**= Clarifi-catory/ Educa-tive/Illust in

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	when the values were determined.			nature
12	Cash, receivables, and payables are examples of monetary items. Fixed assets, inventories, and investments in equity shares are examples of non-monetary items. The carrying amount of an item is determined in accordance with the relevant Accounting Standards. For example, certain assets may be measured at fair value or other similar valuation (e.g., net realisable value) or at historical cost. Whether the carrying amount is determined based on fair value or other similar valuation or at historical cost, the amounts so determined for foreign currency items are then reported in the reporting currency in accordance with this Standard. The contingent liability denominated in foreign currency at the balance sheet date is disclosed by using the closing rate.			**AS**= Clarifi-catory/ Educa-tive/Illust in nature
	Recognition of Exchange Differences		**Recognition of Exchange Differences**	
13	Exchange differences arising on the settlement of monetary items or on reporting an enterprise's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, should be recognised as income or as expenses in the period in which they arise, with the exception of exchange differences dealt with in accordance with paragraph 15.	5	(i) In respect of monetary items, exchange differences arising on the settlement thereof or on conversion thereof at last day of the previous year shall be recognised as income or as expense in that previous year.	**ICDS=** on lines of **AS**
14	An exchange difference results when there is a change in the exchange rate between the transaction date and the date of settlement of any monetary items arising from a foreign currency transaction. When the transaction is			**AS**= Clarifi-catory/ Educa-tive/Illust in nature

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	settled within the same accounting period as that in which it occurred, all the exchange difference is recognised in that period. However, when the transaction is settled in a subsequent accounting period, the exchange difference recognised in each intervening period up to the period of settlement is determined by the change in exchange rates during that period.			
			(ii) In respect of non-monetary items, exchange differences arising on conversion thereof at the last day of the previous year shall not be recognised as income or as expense in that previous year.	**ICDS= appears** on lines of **AS** *[P 34]*
			Exceptions to Paragraphs 3, 4 and 5	
		6	Notwithstanding anything contained in paragraph 3, 4 and 5; initial recognition, conversion and recognition of exchange difference shall be subject to provisions of section 43A of the Act or Rule 115 of Income-tax Rules, 1962, as the case may be.	
	Net Investment in a Non-integral Foreign Operations			
15	Exchange differences arising on a monetary item that, in substance, forms part of an enterprise's net investment in a non-integral foreign operation should be accumulated in a foreign currency translation reserve in the enterprise's financial statements until the disposal of the net investment, at which time they should be recognised as income or as expenses in accordance with paragraph 31.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
16	An enterprise may have a monetary item that is receivable from, or payable to, a non-integral foreign operation. An			**AS**= Clarifi-catory/ Educa-

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	[2]	[3]	[4]	[5]
	item for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, an extension to, or deduction from, the enterprise's net investment in that non-integral foreign operation. Such monetary items may include long-term receivables or loans but do not include trade receivables or trade payables.			tive/ Illustra-tive in nature
	Financial Statements of Foreign Operations		**Financial Statements of Foreign Operations**	
	Classification of Foreign Operations		**Classification of Foreign Operations**	
17	The method used to translate the financial statements of a foreign operation depends on the way in which it is financed and operates in relation to the reporting enterprise. For this purpose, foreign operations are classified as either "integral foreign operations" or "non-integral foreign operations".	7	(1) The method used to translate the financial statements of a foreign operation depends on the way in which it is financed and operates in relation to a person. For this purpose, foreign operations are classified as either"integral foreign operations"or "non-integral foreign operations".	**ICDS=** on lines of **AS**
18	A foreign operation that is integral to the operations of the reporting enterprise carries on its business as if it were an extension of the reporting enterprise's operations. For example, such a foreign operation might only sell goods imported from the reporting enterprise and remit the proceeds to the reporting enterprise. In such cases, a change in the exchange rate between the reporting currency and the currency in the country of foreign operation has an almost immediate effect on the reporting enterprise's cash flow from operations. Therefore, the change in the **exchange rate affects the individual monetary items held by the foreign operation rather than the reporting enterprise's net investment** in that			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	[2]	[3]	[4]	[5]
	operation.			
19	In contrast, a non-integral foreign operation accumulates cash and other monetary items, incurs expenses, generates income and perhaps arranges borrowings, all substantially in its local currency. It may also enter into transactions in foreign currencies, including transactions in the reporting currency. When there is a change in the exchange rate between the reporting currency and the local currency, there is little or no direct effect on the present and future cash flows from operations of either the non-integral foreign operation or the reporting enterprise. The change in the exchange rate **affects the reporting enterprise's net investment in the non-integral foreign operation rather than the individual monetary and non-monetary** items held by the non-integral foreign operation.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
20	The following are indications that a foreign operation is a non-integral foreign operation rather than an integral foreign operation:		(2) The following are indications that a foreign operation is a non-integral foreign operation rather than an integral foreign operation:—	**ICDS=** same as in **AS**
	(a) while the reporting **enterprise** may control the foreign operation, the activities of the foreign operation are carried out with a significant degree of autonomy from those of the reporting enterprise;		(a) while the **person** may control the foreign operation, the activities of the foreign operation are carried out with a significant degree of autonomy from the activities of the person;	**ICDS=** same as in **AS**
	(b) transactions with the reporting enterprise are not a high proportion of the foreign operation's activities;		(b) transactions with the person are not a high proportion of the foreign operation's activities;	**ICDS=** on lines of **AS**
	(c) the activities of the foreign operation are financed mainly from its own operations or local borrowings rather than from the reporting enterprise;		(c) the activities of the foreign operation are financed mainly from its own operations or local borrowings;	

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	(d) costs of labour, material and other components of the foreign operation's products or services are primarily paid or settled in the local currency rather than in the reporting currency;		(d) costs of labour, material and other components of the foreign operation's products or services are primarily paid or settled in the local currency;	**ICDS=** on lines of **AS**
	(e) the foreign operation's sales are mainly in currencies other than the reporting currency;		(e) the foreign operation's sales are mainly in currencies other than Indian currency;	
	(f) cash flows of the reporting enterprise are insulated from the day-to-day activities of the foreign operation rather than being directly affected by the activities of the foreign operation;		(f) cash flows of the person are insulated from the day-to-day activities of the foreign operation;	
	(g) sales prices for the foreign operation's products are not primarily responsive on a short-term basis to changes in exchange rates but are determined more by local competition or local government regulation; and		(g) sales prices for the foreign operation's products or services are not primarily responsive on a short-term basis to changes in exchange rates but are determined more by local competition or local government regulation;	**ICDS=** on lines of **AS**
	(h) there is an active local sales market for the foreign operation's **products**, although there also might be significant amounts of exports.		(h) there is an active local sales market for the foreign operation's **products or services**, although there also might be significant amounts of exports.	**ICDS=** on lines of **AS**
	The appropriate classification for each operation can, in principle, be established from factual information related to the indicators listed above. In some cases, the classification of a foreign operation as either a non- integral foreign operation or an integral foreign operation of the reporting enterprise may not be clear, and judgement is necessary to determine the appropriate classification.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
	Integral Foreign Operations		**Integral Foreign Operations**	
21	The financial statements of an integral foreign	8	The financial statements of an integral foreign	**ICDS=** on

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	[2]	[3]	[4]	[5]
	operation should be translated using the principles and procedures in paragraphs 8 to 16 as if the transactions of the foreign operation had been those of the reporting enterprise itself.		operation shall be translated using the principles and procedures in paragraphs 3 to 6 as if the transactions of the foreign operation had been those of the person himself.	lines of **AS**
22	The individual items in the financial statements of the foreign operation are translated as if all its transactions had been entered into by the reporting enterprise itself. The cost and depreciation of tangible fixed assets is translated using the exchange rate at the date of purchase of the asset or, if the asset is carried at fair value or other similar valuation, using the rate that existed on the date of the valuation. The cost of inventories is translated at the exchange rates that existed when those costs were incurred. The recoverable amount or realisable value of an asset is translated using the exchange rate that existed when the recoverable amount or net realisable value was determined. For example, when the net realisable value of an item of inventory is determined in a foreign currency, that value is translated using the exchange rate at the date as at which the net realisable value is determined. The rate used is therefore usually the closing rate. An adjustment may be required to reduce the carrying amount of an asset in the financial statements of the reporting enterprise to its recoverable amount or net realisable value even when no such adjustment is necessary in the financial statements of the foreign operation. Alternatively, an adjustment in the financial statements of the foreign operation may need to be reversed in the financial statements of the reporting enterprise.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
23	For practical reasons, a rate that approximates the actual rate at the date of the transaction is often used, for example, an average rate for a week or a month might be used for all transactions in each foreign currency occurring during that period. However, if exchange rates fluctuate significantly, the use of the average rate for a period is unreliable.			Covered supra in **ICDS** *[P 3(2)]*
	Non-integral Foreign Operations		**Non-integral Foreign Operations**	
24	In translating the financial statements of a non-integral foreign operation for incorporation in its financial statements, the reporting enterprise should use the following procedures:	9	(1) In translating the financial statements of a non-integral foreign operation for a previous year, the person shall apply the following, **namely:—**	**ICDS=** on lines of **AS**
	(a) the assets and liabilities, both monetary and non-monetary, of the non-integral foreign operation should be translated at the closing rate;		(a) the assets and liabilities, both monetary and non-monetary, of the non-integral foreign operation shall be translated at the closing rate;	**ICDS=** on lines of **AS**
	(b) income and expense items of the non-integral foreign operation should be translated at exchange rates at the dates of the transactions; and		(b) income and expense items of the non- integral foreign operation shall be translated at exchange rates at the dates of the transactions; and	**ICDS=** on lines of **AS**
	(c) all resulting exchange differences should be **accumulated** in a foreign currency translation reserve until the disposal of the net investment.		(c) all resulting exchange differences shall be **recognised** as income or as expenses in that previous year.	**ICDS=** on lines of **AS**
			(2) Notwithstanding anything stated in sub-paragraph 1, translation and recognition of exchange difference in cases referred to in section 43A of the Act or Rule 115 of Income- tax Rules, 1962 shall be carried out in accordance with the provisions contained in that section or that Rule, as the case may be.	

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	[2]	[3]	[4]	[5]
25	For practical reasons, a rate that approximates the actual exchange rates, for example an average rate for the period, is often used to translate income and expense items of a foreign operation.			***AS***= *Clarifi-catory/ Educa-tive/ Illustra-tive in nature*
26	The translation of the financial statements of a non-integral foreign operation results in the recognition of exchange differences arising from:			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
	(a) translating income and expense items at the exchange rates at the dates of transactions and assets and liabilities at the closing rate;			
	(b) translating the opening net investment in the non-integral foreign operation at an exchange rate different from that at which it was previously reported; and			
	(c) other changes to equity in the non-integral foreign operation. These exchange differences are not recognised as income or expenses for the period because the changes in the exchange rates have little or no direct effect on the present and future cash flows from operations of either the non-integral foreign operation or the reporting enterprise. When a non-integral foreign operation is consolidated but is not wholly owned, accumulated exchange differences arising from translation and attributable to minority interests are allocated to, and reported as part of, the minority interest in the consolidated balance sheet.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
27	Any goodwill or capital reserve arising on the acquisition of a non- integral foreign operation is translated at the closing rate in accordance with paragraph 24.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
28	A contingent liability disclosed in the financial statements of a non- integral foreign operation is translated at the closing			

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	rate for its disclosure in the financial statements of the reporting enterprise.			
29	The incorporation of the financial statements of a non-integral foreign operation in those of the reporting enterprise follows normal consolidation procedures, such as the elimination of intra-group balances and intra-group transactions of a subsidiary (see AS 21, Consolidated Financial Statements, and AS 27, Financial Reporting of Interests in Joint Ventures). However, an exchange difference arising on an intra-group monetary item, whether short-term or long-term, cannot be eliminated against a corresponding amount arising on other intra-group balances because the monetary item represents a commitment to convert one currency into another and exposes the reporting enterprise to a gain or loss through currency fluctuations. Accordingly, in the consolidated financial statements of the reporting enterprise, such an exchange difference continues to be recognised as income or an expense or, if it arises from the circumstances described in paragraph 15, it is accumulated in a foreign currency translation reserve until the disposal of the net investment.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
30	When the financial statements of a non-integral foreign operation are drawn up to a different reporting date from that of the reporting enterprise, the non-integral foreign operation often prepares, for purposes of incorporation in the financial statements of the reporting enterprise, statements as at the same date as the reporting enterprise. When it is impracticable to do this, AS 21, Consolidated Financial Statements, allows the use of			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	[2]	[3]	[4]	[5]
	financial statements drawn up to a different reporting date provided that the difference is no greater than six months and adjustments are made for the effects of any significant transactions or other events that occur between the different reporting dates. In such a case, the assets and liabilities of the non-integral foreign operation are translated at the exchange rate at the balance sheet date of the non-integral foreign operation and adjustments are made when appropriate for significant movements in exchange rates up to the balance sheet date of the reporting enterprises in accordance with AS 21. The same approach is used in applying the equity method to associates and in applying proportionate consolidation to joint ventures in accordance with AS 23, Accounting for Investments in Associates in Consolidated Financial Statements and AS 27, Financial Reporting of Interests in Joint Ventures.			
	Disposal of a Non-integral Foreign Operation			
31	On the disposal of a non-integral foreign operation, the cumulative amount of the exchange differences which have been deferred and which relate to that operation should be recognised as income or as expenses in the same period in which the gain or loss on disposal is recognised.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
32	An enterprise may dispose of its interest in a non-integral foreign operation through sale, liquidation, repayment of share capital, or abandonment of all, or part of, that operation. The payment of a dividend forms part of a disposal only when it constitutes a return of the investment. In the case of a partial disposal, only the proportionate			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature

	ICAI		Notified by the CBDT	Remarks-
Sr/ Para No.	**A**ccounting **S**tandards *[presumably (base) corresponding to which ICDSs Issued by CBDT]* *[for application in the preparation of General Purpose Financial Statements and other Financial Reporting, which are subject to the attest function of the members of the ICAI]*	Sr/ Para No.	Income Computation and Disclosure Standards – As per Notification No. SO/892E dated 31st March, 2015 *[for computation of an assessee's 'profit and gains of business or professon'* or *'income from other sources' – u/s 145 of the Income-tax Act, 1961*]	**ICDSs vs Actng Stands**
	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	share of the related accumulated exchange differences is included in the gain or loss. A write- down of the carrying amount of a non-integral foreign operation does not constitute a partial disposal. Accordingly, no part of the deferred foreign exchange gain or loss is recognised at the time of a write-down.			
	Change in the Classification of a Foreign Operation		**Change in the Classification of a Foreign Operation**	
33	When there is a change in the classification of a foreign operation, the translation procedures applicable to the revised classification should be applied from the date of the change in the classification.	10	(1) When there is a change in the classification of a foreign operation, the translation procedures applicable to the revised classification should be applied from the date of the change in the classification.	**ICDS=** on lines of **AS**
34	The consistency principle requires that foreign operation once classified as integral or non-integral is continued to be so classified. However, a change in the way in which a foreign operation is financed and operates in relation to the reporting enterprise may lead to a change in the classification of that foreign operation. When a foreign operation that is integral to the operations of the reporting enterprise is reclassified as a non-integral foreign operation, exchange differences arising on the translation of non-monetary assets at the date of the reclassification are accumulated in a foreign currency translation reserve. When a non-integral foreign operation is reclassified as an integral foreign operation, the		(2) The consistency principle requires that foreign operation once classified as integral or non-integral is continued to be so classified. However, a change in the way in which a foreign operation is financed and operates in relation to the person may lead to a change in the classification of that foreign operation.	**ICDS=** on lines of **AS**

	ICAI		Notified by the CBDT	Remarks-
Sr/ Para No.	**A**ccounting **S**tandards *[presumably (base) corresponding to which ICDSs Issued by CBDT]* *[for application in the preparation of General Purpose Financial Statements and other Financial Reporting, which are subject to the attest function of the members of the ICAI]*	Sr/ Para No.	Income Computation and Disclosure Standards – As per Notification No. SO/892E dated 31st March, 2015 *[for computation of an assessee's 'profit and gains of business or professon'* or *'income from other sources' – u/s 145 of the Income-tax Act, 1961]*	**ICDSs vs Actng Stands**
	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	translated amounts for non-monetary items at the date of the change are treated as the historical cost for those items in the period of change and subsequent periods. Exchange differences which have been deferred are not recognised as income or expenses until the disposal of the operation.			
	All Changes in Foreign Exchange Rates			
	Tax Effects of Exchange Differences			
35	Gains and losses on foreign currency transactions and exchange differences arising on the translation of the financial statements of foreign operations may have associated tax effects which are accounted for in accordance with AS 22, Accounting for Taxes on Income.			**AS**= Clarificatory/ Educative/ Illustra-tive in nature
	Forward Exchange Contracts		**Forward Exchange Contracts**	
36	An enterprise may enter into a forward exchange contract or another financial instrument that is in substance a forward exchange contract, which is not intended for trading or speculation purposes, to establish the amount of the reporting currency required or available at the settlement date of a transaction. The premium or discount arising at the inception of such a forward exchange contract should be amortised as expense or income over the life of the contract. Exchange differences on such a contract should be recognised in the statement of profit and loss in the reporting period in which the exchange rates change. Any profit or loss arising on	11	(1) Any premium or discount arising at the inception of a forward exchange contract shall be amortised as expense or income over the life of the contract. Exchange differences on such a contract shall be recognised as income or as expense in the previous year in which the exchange rates change. Any profit or loss arising on cancellation or renewal shall be recognised as income or as expense for the previous year.	**ICDS=** on lines of **AS**

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Sr/ Para No.	**A**ccounting **S**tandards *[presumably (base) corresponding to which ICDSs Issued by CBDT]* *[for application in the preparation of General Purpose Financial Statements and other Financial Reporting, which are subject to the attest function of the members of the ICAI]*	Sr/ Para No.	Income Computation and Disclosure Standards – As per Notification No. SO/892E dated 31st March, 2015 *[for computation of an assessee's 'profit and gains of business or professon' or 'income from other sources' – u/s 145 of the Income-tax Act, 1961]*	**ICDSs vs Actng Stands**
	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	cancellation or renewal of such a forward exchange contract should be recognised as income or as expense for the period.			
37	The risks associated with changes in exchange rates may be mitigated by entering into forward exchange contracts. Any premium or discount arising at the inception of a forward exchange contract is accounted for separately from the exchange differences on the forward exchange contract. The premium or discount that arises on entering into the contract is measured by the difference between the exchange rate at the date of the inception of the forward exchange contract and the forward rate specified in the contract. Exchange difference on a forward exchange contract is the difference between (a) the foreign currency amount of the contract translated at the exchange rate at the reporting date, or the settlement date where the transaction is settled during the reporting period, and (b) the same foreign currency amount translated at the latter of the date of inception of the forward exchange contract and the last reporting date.			**AS**= Clarifi-catory/ Educa-tive/ Illustra-tive in nature
38	A gain or loss on a forward exchange contract to which paragraph 36 does not apply should be computed by multiplying the foreign currency amount of the forward exchange contract by the difference between the forward rate available at the reporting date for the remaining maturity of the contract and the contracted forward rate (or the forward rate last used to measure a gain or loss on that contract for an earlier period). The gain or loss so computed should be recognised in the statement of profit			

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	and loss for the period. The premium or discount on the forward exchange contract is not recognised separately.			
39	In recording a forward exchange contract intended for trading or speculation purposes, the premium or discount on the contract is ignored and at each balance sheet date, the value of the contract is marked to its current market value and the gain or loss on the contract is recognised.			
			(2) The provisions of sub-para (1) shall apply provided that the contract :	
			(a) is not intended for trading or speculation purposes; and	**ICDS=** on lines of **AS** *[P 36]*
			(b) is entered into to establish the amount of the reporting currency required or available at the settlement date of the transaction.	
			(3) The provisions of sub-para (1) shall not apply to the contract that is entered into to hedge the foreign currency risk of a firm commitment or a highly probable forecast transaction. For this purpose, firm commitment, shall not include assets and liabilities existing at the end of the previous year.	**ICDS=** on lines of **AS** *[FN2 after P6]*
			(4) The premium or discount that arises on the contract is measured by the difference between the exchange rate at the date of the inception of the contract and the forward rate specified in the contract. Exchange difference on the contract is the difference between:	**ICDS=** on lines of **AS** *[P 37]*
			(a) the foreign currency amount of the contract	**ICDS=** on

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
			translated at the exchange rate at the last day of the previous year, or the settlement date where the transaction is settled during the previous year; and	lines of **AS** *[P 37]*
			(b) the same foreign currency amount translated at the date of inception of the contract or the last day of the immediately preceding previous year, whichever is later.	**ICDS=** on lines of **AS** *[P 37]*
			(5) Premium, discount or exchange difference on contracts that are intended for trading or speculation purposes, or that are entered into to hedge the foreign currency risk of a firm commitment or a highly probable forecast transaction shall be recognised at the time of settlement.	**ICDS=** on lines of **AS** *[FN2 after P6, P39]*
	Disclosure			Not, as such, dealt with in ICDS
40	An enterprise should disclose:			
	(a) the amount of exchange differences included in the net profit or loss for the period; and			
	(b) net exchange differences accumulated in foreign currency translation reserve as a separate component of shareholders' funds, and a reconciliation of the amount of such exchange differences at the beginning and end of the period.			
41	When the reporting currency is different from the currency of the country in which the enterprise is domiciled, the reason for using a different currency should be disclosed. The reason for any change in the reporting currency should			

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	also be disclosed.			
42	When there is a change in the classification of a significant foreign operation, an enterprise should disclose:			
	(a) the nature of the change in classification;			
	(b) the reason for the change;			
	(c) the impact of the change in classification on shareholders' funds; and			
	(d) the impact on net profit or loss for each prior period presented had the change in classification occurred at the beginning of the earliest period presented.			
43	The effect on foreign currency monetary items or on the financial statements of a foreign operation of a change in exchange rates occurring after the balance sheet date is disclosed in accordance with AS 4, Contingencies and Events Occurring After the Balance Sheet Date.			
44	Disclosure is also encouraged of an enterprise's foreign currency risk management policy.			
	Transitional Provisions		**Transitional Provisions**	
45	On the first time application of this Standard, if a foreign branch is classified as a non-integral foreign operation in accordance with the requirements of this Standard, the accounting treatment prescribed in paragraphs 33 and 34 of the Standard in respect of change in the classification of a foreign operation should be applied.			
46	In respect of accounting periods commencing on or after 7th December, 2006 and ending on or before 31st March, 2011, at the option of the enterprise (such option to be irrevocable and to be excercised			

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	retrospectively for such accounting period, from the date this transitional provision comes into force or the first date on which the concerned foreign currency monetary item is acquired, whichever is later, and applied to all such foreign currency monetary items), exchange differences arising on reporting of long-term foreign currency monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, in so far as they relate to the acquisition of a depreciable capital asset, can be added to or deducted from the cost of the asset and shall be depreciated over the balance life of the asset, and in other cases, can be accumulated in a "Foreign Currency Monetary Item Translation Difference Account" in the enterprise's financial statements and amortized over the balance period of such long-term asset/ liability but not beyond 31st March, 2011, by recognition as income or expense in each of such periods, with the exception of exchange differences dealt with in accordance with paragraph 15. For the purposes of exercise of this option, an asset or liability shall be designated as a long-term foreign currency monetary item, if the asset or liability is expressed in a foreign currency and has a term of 12 months or more at the date of origination of the asset or liability. Any difference pertaining to accounting periods which commenced on or after 7th December, 2006, previously recognized in the profit and loss account before the exercise of the option shall be reversed in so far as it relates to the acquisition of a depreciable capital asset by addition or deduction from the cost of the asset and in other cases by transfer to			

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	"Foreign Currency Monetary Item Translation Difference Account" in both cases, by debit or credit, as the case may be, to the general reserve. If the option stated in this paragraph is exercised, disclosure shall be made of the fact of such exercise of such option and of the amount remaining to be amortized in the financial statements of the period in which such option is exercised and in every subsequent period so long as any exchange difference remains unamortized."			
46A	(1) In respect of accounting periods commencing on or after the 1st April, 2011, for an enterprise which had earlier exercised the option under paragraph 46 and at the option of any other enterprise (such option to be irrevocable and to be applied to all such foreign currency monetary items), the exchange differences arising on reporting of long- term foreign currency monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, in so far as they relate to the acquisition of a depreciable capital asset, can be added to or deducted from the cost of the asset and shall be depreciated over the balance life of the asset, and in other cases, can be accumulated in a "Foreign Currency Monetary Item Translation Difference Account" in the enterprise's financial statements and amortized over the balance period of such long term asset or liability, by recognition as income or expense in each of such periods, with the exception of exchange differences dealt with in accordance with the provisions of paragraph 15 of the said rules.			
	(2) To exercise the option referred to in sub-paragraph (1), an asset or liability shall be designated as a long-term foreign currency monetary item, if the asset or liability is expressed in a foreign			

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	currency and has a term of twelve months or more at the date of origination of the asset or the liability:			
	Provided that the option exercised by the enterprise shall disclose the fact of such option and of the amount remaining to be amortized in the financial statements of the period in which such option is exercised and in every subsequent period so long as any exchange difference remains unamortized."			
46B	Notwithstanding any treatment with regard to forward exchange contracts contained in paragraphs 36-39, where a company has exercised an option available under paragraphs 46 or 46A in respect of a long-term foreign currency monetary item, then the same treatment should be made in respect of the exchange differences related to any instrument obtained to hedge the exchange risk on that monetary item			**The Council in its meeting in June, 2015 approved insertion of Para 46B. To be effective upon notification by NACAS**
		12	(1) All foreign currency transactions undertaken on or after 1st day of April, 2015 shall be recognised in accordance with the provisions of this standard.	**Not relevant in the context of AS**
			(2) Exchange differences arising in respect of monetary items or non-monetary items, on the settlement thereof during the previous year commencing on the 1st day of April, 2015 or on conversion thereof at the last day of the previous year commencing on the 1st day of April, 2015, shall be recognised in accordance with the provisions of this standard after taking into account the amount recognised on the last day of the previous year ending on the 31st March,2015 for an item, if any, which is carried forward from said previous year.	
			(3) The financial statements of foreign operations for the previous year commencing on the 1st day of April, 2015 shall be translated using the principles and procedures specified in this standard after	

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
			taking into account the amount recognised on the last day of the previous year ending on the 31st March, 2015 for an item, if any, which is carried forward from said previous year.	
			(4) All forward exchange contracts existing on the 1st day of April, 2015 or entered on or after 1st day of April, 2015 shall be dealt with in accordance with the provisions of this standard after taking into account the income or expenses, if any, recognised in respect of said contracts for the previous year ending on or before the 31st March, 2015.	

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	AS 12 Accounting for Government Grants	**G.**	**ICDS VII** *relating to* **government grants**	
			Preamble	
			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. In 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.	
	Introducton		**Scope**	
1	This Standard deals with accounting for government grants. Government grants are sometimes called by other names such as subsidies, cash incentives, duty drawbacks, etc.	1	This Income Computation and Disclosure Standard deals with the treatment of Government grants. The Government grants are sometimes called by other names such as subsidies, cash incentives, duty drawbacks, waiver, concessions, reimbursements, etc.	**ICDS=** on lines of **AS**
2	This Standard does not deal with:	2	This Income Computation and Disclosure Standard does not deal with:—	
	(i) the special problems arising in accounting for government grants in financial statements reflecting the effects of changing prices or in supplementary information of a similar nature;			
	(ii) government assistance other than in the form of government grants;	(a)	Government assistance other than in the form of Government grants; **and**	**ICDS=** on

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	(iii) government participation in the ownership of the enterprise.	(b)	Government participation in the ownership of the enterprise.	lines of **AS**
	Definitions		**Definitions**	
3	The following terms are used in this Standard with the meanings specified:	3	(1) The following terms are used in the Income Computation and Disclosure Standard with the meanings specified:	
	3.1 Government refers to government, government agencies and similar bodies whether local, national or international. **O.N. :** **Attention is specifically drawn to paragraph 4.3 of the Preface, according to which Accounting Standards are intended to apply only to items which are material.**		(a) "Government" refers to the Central Government, State Governments, agencies and similar bodies, whether local, national or international.	**ICDS=** on lines of **AS**
	3.2. Government grants are assistance by government in cash or kind to **an enterprise** for past or future compliance with certain conditions. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the enterprise.		(b) "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.	**ICDS=** on lines of **AS**
			(2) Words and expressions used and not defined in this Income Computation and Disclosure Standard but defined in the Act shall have the meaning assigned to them in the Act.	
	Explanation			

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
4	The receipt of government grants by an enterprise is significant for preparation of the financial statements for two reasons. Firstly, if a government grant has been received, an appropriate method of accounting therefor is necessary. Secondly, it is desirable to give an indication of the extent to which the enterprise has benefited from such grant during the reporting period. This facilitates comparison of an enterprise's financial statements with those of prior periods and with those of other enterprises.			
	Accounting Treatment of Government Grants			
5	Capital Approach versus Income Approach			
	5.1 Two broad approaches may be followed for the accounting treatment of government grants: the 'capital approach', under which a grant is treated as part of shareholders' funds, and the 'income approach', under which a grant is taken to income over one or more periods.			
	5.2 Those in support of the 'capital approach' argue as follows:			
	(i) Many government grants are in the nature of promoters' contribution, i.e., they are given with reference to the total investment in an undertaking or by way of contribution towards its total capital outlay and no repayment is ordinarily expected in the case of such grants. These should, therefore, be credited directly to shareholders' funds.			
	(ii) It is inappropriate to recognise government grants in the profit and loss statement, since they are not earned but represent an incentive provided by government without related costs.			

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	5.3 Arguments in support of the 'income approach' are as follows:			
	(i) Government grants are rarely gratuitous. The enterprise earns them through compliance with their conditions and meeting the envisaged obligations. They should therefore be taken to income and matched with the associated costs which the grant is intended to compensate.			
	(ii) As income tax and other taxes are charges against income, it is logical to deal also with government grants, which are an extension of fiscal policies, in the profit and loss statement.			
	(iii) In case grants are credited to shareholders' funds, no correlation is done between the accounting treatment of the grant and the accounting treatment of the expenditure to which the grant relates.			
	5.4 It is generally considered appropriate that accounting for government grant should be based on the nature of the relevant grant. Grants which have the characteristics similar to those of promoters' contribution should be treated as part of shareholders' funds. Income approach may be more appropriate in the case of other grants.			
	5.5 It is fundamental to the 'income approach' that government grants be recognised in the profit and loss statement on a systematic and rational basis over the periods necessary to match them with the related costs. Income recognition of government grants on a receipts basis is not in accordance with the accrual accounting assumption (see Accounting Standard (AS) 1, Disclosure of Accounting Policies).			

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	5.6 In most cases, the periods over which an enterprise recognises the costs or expenses related to a government grant are readily ascertainable and thus grants in recognition of specific expenses are taken to income in the same period as the relevant expenses.			
6	**Recognition of Government Grants**		**Recognition of Government Grants**	
	6.1 Government grants available to the enterprise are considered for inclusion in accounts: (i) where there is reasonable assurance that the enterprise will comply with the conditions attached to them; and (ii) where such benefits have been earned by the enterprise and it is reasonably certain that the ultimate collection will be made. Mere receipt of a grant is not necessarily a conclusive evidence that conditions attaching to the grant have been or will be fulfilled.	4	(1) Government grants should not be recognised until there is reasonable assurance that (i) the person shall comply with the conditions attached to them, and (ii) the grants shall be received.	**ICDS=** on lines of **AS** **ICDS=** on lines of **AS** *[P 13]*
			(2) Recognition of Government grant shall not be postponed beyond the date of actual receipt.	**ICDS= appears** on lines of **AS** *[P* 5.6, P 18
	6.2 An appropriate amount in respect of such earned benefits, estimated on a prudent basis, is credited to income for the year even though the actual amount of such benefits may be finally settled and received after the end of the relevant accounting period.			
	6.3 A contingency related to a government grant, arising			

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	[2]	[3]	[4]	[5]
	after the grant has been recognised, is treated in accordance with Accounting Standard (AS) 4, Contingencies and Events Occurring After the Balance Sheet Date.			
	6.4 In certain circumstances, a government grant is awarded for the purpose of giving immediate financial support to an enterprise rather than as an incentive to undertake specific expenditure. Such grants may be confined to an individual enterprise and may not be available to a whole class of enterprises. These circumstances may warrant taking the grant to income in the period in which the enterprise qualifies to receive it, as an extraordinary item if appropriate (see Accounting Standard (AS) 5, Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies).			
	6.5 Government grants may become receivable by an enterprise as compensation for expenses or losses incurred in a previous accounting period. Such a grant is recognised in the income statement of the period in which it becomes receivable, as an extraordinary item if appropriate (see Accounting Standard (AS) 5, Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies).			
7	**Non-monetary Government Grants**			
			Treatment of Government Grants	
		5	Where the Government grant relates to a depreciable fixed asset or assets of a person, the grant shall be deducted from the actual cost of the asset or assets concerned or from the written down value of block of assets to which concerned	**ICDS=** on lines of **AS** *[P 8.4, 14]*

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	[2]	[3]	[4]	[5]
			asset or assets belonged to.	
		6	Where the Government grant relates to a non-depreciable asset or assets of a person requiring fulfillment of certain obligations, the grant shall be recognised as income over the same period over which the cost of meeting such obligations is charged to income.	
		7	Where the Government grant is of such a nature that it cannot be directly relatable to the asset acquired, so much of the amount which bears to the total Government grant, the same proportion as such asset bears to all the assets in respect of or with reference to which the Government grant is so received, shall be deducted from the actual cost of the asset or shall be reduced from the written down value of block of assets to which the asset or assets belonged to.	
		8	The Government grant that is receivable as compensation for expenses or losses incurred in a previous financial year or for the purpose of giving immediate financial support to the person with no further related costs, shall be recognised as income of the period in which it is receivable.	**ICDS=** on lines of **AS** *[P 18]*
		9	The Government grants other than covered by paragraph 5, 6, 7, and 8 shall be recognised as income over the periods necessary to match them with the related costs which they are intended to	**ICDS=** on lines of **AS** *[P 15]*

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
			compensate.	
	7.1 Government grants may take the form of non-monetary assets, such as land or other resources, given at concessional rates. In these circumstances, it is usual to account for such assets at their acquisition cost. Non-monetary assets given free of cost are recorded at a nominal value.	10	The Government grants in the form of non-monetary assets, given at a concessional rate, shall be accounted for on the basis of their acquisition cost.	**ICDS=** on lines of **AS**
8	**Presentation of Grants Related to Specific Fixed Assets**			
	8.1 Grants related to specific fixed assets are government grants whose primary condition is that an enterprise qualifying for them should purchase, construct or otherwise acquire such assets. Other conditions may also be attached restricting the type or location of the assets or the periods during which they are to be acquired or held.			
	8.2 Two methods of presentation in financial statements of grants (or the appropriate portions of grants) related to specific fixed assets are regarded as acceptable alternatives.			
	8.3 Under one method, the grant is shown as a deduction from the gross value of the asset concerned in arriving at its book value. The grant is thus recognised in the profit and loss statement over the useful life of a depreciable asset by way of a reduced depreciation charge. Where the grant equals the whole, or virtually the whole, of the cost of the asset, the asset is shown in the balance sheet at a nominal value.			
	8.4 Under the other method, grants related to			

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	depreciable assets are treated as deferred income which is recognised in the profit and loss statement on a systematic and rational basis over the useful life of the asset. Such allocation to income is usually made over the periods and in the proportions in which depreciation on related assets is charged. Grants related to non-depreciable assets are credited to capital reserve under this method, as there is usually no charge to income in respect of such assets. However, if a grant related to a non-depreciable asset requires the fulfillment of certain obligations, the grant is credited to income over the same period over which the cost of meeting such obligations is charged to income. The deferred income is suitably disclosed in the balance sheet pending its apportionment to profit and loss account. For example, in the case of a company, it is shown after 'Reserves and Surplus' but before 'Secured Loans' with a suitable description, e.g., 'Deferred government grants'.			
	8.5 The purchase of assets and the receipt of related grants can cause major movements in the cash flow of an enterprise. For this reason and in order to show the gross investment in assets, such movements are often disclosed as separate items in the statement of changes in financial position regardless of whether or not the grant is deducted from the related asset for the purpose of balance sheet presentation.			
9	**Presentation of Grants Related to Revenue**			
	9.1 Grants related to revenue are sometimes presented as a credit in the profit and loss statement, either separately or under a general heading such as 'Other			

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	Income'. Alternatively, they are deducted in reporting the related expense.			
	9.2 Supporters of the first method claim that it is inappropriate to net income and expense items and that separation of the grant from the expense facilitates comparison with other expenses not affected by a grant. For the second method, it is argued that the expense might well not have been incurred by the enterprise if the grant had not been available and presentation of the expense without offsetting the grant may therefore be misleading.			
10	**Presentation of Grants of the nature of Promoters' contribution**			
	10.1 Where the government grants are of the nature of promoters' contribution, i.e., they are given with reference to the total investment in an undertaking or by way of contribution towards its total capital outlay (for example, central investment subsidy scheme) and no repayment is ordinarily expected in respect thereof, the grants are treated as capital reserve which can be neither distributed as dividend nor considered as deferred income.			
11	**Refund of Government Grants**		**Refund of Government Grants**	
	11.1 Government grants sometimes become refundable because certain conditions are not fulfilled. A government grant that becomes refundable is treated as an extraordinary item (see Accounting Standard (AS) 5, Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies).			
	11.2 The amount refundable in respect of a	11	The amount refundable in respect of a Government	**ICDS=** on

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	[2]	[3]	[4]	[5]
	government grant related to revenue is applied first against any unamortised deferred credit remaining in respect of the grant. To the extent that the amount refundable exceeds any such deferred credit, or where no deferred credit exists, the amount is charged immediately to profit and loss statement.		grant referred to in paragraphs 6, 8 and 9 shall be applied first against any unamortised deferred credit remaining in respect of the Government grant. To the extent that the amount refundable exceeds any such deferred credit, or where no deferred credit exists, the amount shall be charged to profit and loss statement.	lines of **AS**
	11.2 The amount refundable in respect of a government grant related to revenue is applied first against any unamortised deferred credit remaining in respect of the grant. To the extent that the amount refundable exceeds any such deferred credit, or where no deferred credit exists, the amount is charged immediately to profit and loss statement.			
	11.3 The amount refundable in respect of a government grant related to a specific fixed asset is recorded by increasing the book value of the asset or by reducing the capital reserve or the deferred income balance, as appropriate, by the amount refundable. In the first alternative, i.e., where the book value of the asset is increased, depreciation on the revised book value is provided prospectively over the residual useful life of the asset.	12	The amount refundable in respect of a Government grant related to a **depreciable** fixed asset or assets shall be recorded by increasing the actual cost or written down value of block of assets by the amount refundable. Where the actual cost of the asset is increased, depreciation on the revised actual cost or written down value shall be provided prospectively at the prescribed rate.	**ICDS=** on lines of **AS** *[P 11.3]*
	11.4 Where a grant which is in the nature of promoters' contribution becomes refundable, in part or in full, to the government on non-fulfillment of some specified conditions, the relevant amount recoverable by the government is reduced from the capital reserve.			

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
			Transitional Provisions	
		13	All the Government grants which meet the recognition criteria of para 4 on or after 1st day of April, 2015 shall be recognised for the previous year commencing on or after 1st day of April, 2015 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 31st day of March, 2015.	**Not relevant in the context of AS**
12	**Disclosure**		**Disclosures**	
	12.1 The following disclosures **are appropriate**:	14	Following disclosure **shall be made** in respect of Government grants, **namely:—**	
	(i) the accounting policy adopted for government grants, including the methods of presentation in the financial statements;			
	(ii) the nature and extent of government grants recognised in the financial statements, including grants of non-monetary assets given at a concessional rate or free of cost.			
			(a) nature and extent of Government **grants recognised** during the previous year **by way of deduction** from the actual cost of the asset or assets or from the written down value of block of assets during the previous year;	**ICDS= appears**on lines of **AS** *[P 14, 23]*
			(b) nature and extent of Government **grants recognised** during the previous year **as income**;	
			(c) nature and extent of Government **grants not**	

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	[2]	[3]	[4]	[5]
			recognised during the previous year by way of deduction from the actual cost of the asset or assets or from the written down value of block of assets and reasons thereof; **and**	
			(d) nature and extent of Government grants not recognised during the previous year as income and reasons thereof.	
13	**Main Principles**			
	Government grants should not be recognised until there is reasonable assurance that			
	(i) the enterprise will comply with the conditions attached to them, and			
	(ii) the grants will be received.			
14	Government grants related to specific fixed assets should be presented in the balance sheet by showing the grant as a deduction from the gross value of the assets concerned in arriving at their book value. Where the grant related to a specific fixed asset equals the whole, or virtually the whole, of the cost of the asset, the asset should be shown in the balance sheet at a nominal value. Alternatively, government grants related to depreciable fixed assets may be treated as deferred income which should be recognised in the profit and loss statement on a systematic and rational basis over the useful life of the asset, i.e., such grants should be allocated to income over the periods and in the proportions in which depreciation on those assets is charged. Grants related to non-depreciable assets should be credited to capital reserve under this method. However,			

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	if a grant related to a non-depreciable asset requires the fulfillment of certain obligations, the grant should be credited to income over the same period over which the cost of meeting such obligations is charged to income. The deferred income balance should be separately disclosed in the financial statements.			
15	Government grants related to revenue should be recognised on a systematic basis in the profit and loss statement over the periods necessary to match them with the related costs which they are intended to compensate. Such grants should either be shown separately under 'other income' or deducted in reporting the related expense.			
16	Government grants of the nature of promoters' contribution should be credited to capital reserve and treated as a part of shareholders' funds.			
17	Government grants in the form of non-monetary assets, given at a concessional rate, should be accounted for on the basis of their acquisition cost. In case a non-monetary asset is given free of cost, it should be recorded at a nominal value.			
18	Government grants that are receivable as compensation for expenses or losses incurred in a previous accounting period or for the purpose of giving immediate financial support to the enterprise with no further related costs, should be recognised and disclosed in the profit and loss statement of the period in which they are receivable, as an extraordinary item if appropriate (see Accounting Standard (AS) 5, Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies).			

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
19	A contingency related to a government grant, arising after the grant has been recognised, should be treated in accordance with Accounting Standard (AS) 4, Contingencies and Events Occurring After the Balance Sheet Date.			
20	Government grants that become refundable should be accounted for as an extraordinary item (see Accounting Standard (AS) 5, Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies).			
21	The amount refundable in respect of a grant related to revenue should be applied first against any unamortised deferred credit remaining in respect of the grant. To the extent that the amount refundable exceeds any such deferred credit, or where no deferred credit exists, the amount should be charged to profit and loss statement. The amount refundable in respect of a grant related to a specific fixed asset should be recorded by increasing the book value of the asset or by reducing the capital reserve or the deferred income balance, as appropriate, by the amount refundable. In the first alternative, i.e., where the book value of the asset is increased, depreciation on the revised book value should be provided prospectively over the residual useful life of the asset.			
22	Government grants in the nature of promoters' contribution that become refundable should be reduced from the capital reserve.			
	Disclosure **Already covered under Para 12**			
23	The following should be disclosed:			
	(i) the accounting policy adopted for government grants,			

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	including the methods of presentation in the financial statements;			
	(ii) the nature and extent of government grants recognised in the financial statements, including grants of non-monetary assets given at a concessional rate or free of cost.			

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	[2]	[3]	[4]	[5]
	AS 13 **Accounting for Investment**	**H.**	**ICDS VIII** *relating to* **securities**	
			Preamble	
			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. In 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.	
	Introduction		**Scope**	
1	1. This Standard deals with accounting for investments in the financial statements of enterprises and related disclosure requirements.	1	This Income Computation and Disclosure Standard deals with securities held as stock-in-trade.	
2	This Standard does not deal with:	2	This Income Computation and Disclosure Standard does not deal with:	
	(a) the bases for recognition of interest, dividends and rentals earned on investments which are covered by Accounting Standard 9 on Revenue Recognition;		(a) the bases for recognition of interest and dividends on securities which are covered by the income Computation and Disclosure Standard on revenue recognition;	**ICDS=** on lines of **AS**
			(b) securities held by a person engaged in the business of insurance;	
			(c) securities held by mutual funds, venture capital funds, banks and public financial	

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
			institutions formed under a Central or a State Act or so declared under the Companies Act, 1956 (1 of 1956) **or the Companies Act, 2013 (18 of 2013).**	
	(b) operating or finance leases;			
	(c) investments of retirement benefit plans and life insurance enterprises; and			
	(d) mutual funds and venture capital funds and/or the related asset management companies, banks and public financial institutions formed under a Central or State Government Act or so declared under the Companies Act, 1956.			
	Definitions		**Definitions**	
3	The following terms are used in this Standard with the meanings assigned:	3	(1) The following terms are used in this Income Computation and Disclosure Standard with the meanings specified:	
	3.1 Investments are assets held by an enterprise for earning income by way of dividends, interest, and rentals, for capital appreciation, or for other benefits to the investing enterprise. Assets held as stock-in-trade are not 'investments'.			
	3.2 A current investment is an investment that is by its nature readily realisable and is intended to be held for not more than one year from the date on which such investment is made.			
	3.3 A long term investment is an investment other than a current investment.			
	3.4 An investment property is an investment in land or buildings that are not intended to be occupied			

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	substantially for use by, or in the operations of, the investing enterprise.			
	3.5 Fair value is the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction. Under appropriate circumstances, market value or net realisable value provides an evidence of fair value.		(a) "Fair value" is the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.	**ICDS=** on lines of **AS**
			(b) "Securities" shall have the meaning assigned to it in clause (h) of Section 2 of the Securities Contract (Regulation) Act, 1956 **(42 of 1956)**, other than Derivatives referred to in sub-clause (1a) of that clause.	
	3.6 Market value is the amount obtainable from the sale of an investment in an open market, net of expenses necessarily to be incurred on or before disposal.			
			(2) Words and expressions used and not defined in this Income Computation and Disclosure Standard but defined in the Act shall have the meaning respectively assigned to them in the Act.	
	Exlanation			
	Forms of Investments			
4	Enterprises hold investments for diverse reasons. For some enterprises, investment activity is a significant element of operations, and assessment of the performance of the enterprise may largely, or solely, depend on the reported results of this activity.			

	ICAI		Notified by the CBDT	Remarks-
Sr/ Para No.	**A**ccounting **S**tandards *[presumably (base) corresponding to which ICDSs Issued by CBDT]* *[for application in the preparation of General Purpose Financial Statements and other Financial Reporting, which are subject to the attest function of the members of the ICAI]*	Sr/ Para No.	Income Computation and Disclosure Standards – As per Notification No. SO/892E dated 31st March, 2015 *[for computation of an assessee's 'profit and gains of business or professon'* or *'income from other sources' – u/s 145 of the Income-tax Act, 1961*]	**ICDSs vs Actng Stands**
	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
5	Some investments have no physical existence and are represented merely by certificates or similar documents (e.g., shares) while others exist in a physical form (e.g., buildings). The nature of an investment may be that of a debt, other than a short or long term loan or a trade debt, representing a monetary amount owing to the holder and usually bearing interest; alternatively, it may be a stake in the results and net assets of an enterprise such as an equity share. Most investments represent financial rights, but some are tangible, such as certain investments in land or buildings.			
6	For some investments, an active market exists from which a market value can be established. For such investments, market value generally provides the best evidence of fair value. For other investments, an active market does not exist and other means are used to determine fair value.			
	Classification of Investments			
7	Enterprises present financial statements that classify fixed assets, investments and current assets into separate categories. Investments are classified as long term investments and current investments. Current investments are in the nature of current assets, although the common practice may be to include them in investments.			
8	Investments other than current investments are classified as long term investments, even though they may be readily marketable.			
	Cost of Investments			
			Recognition and Initial Measurement of Securities	

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
		4	A security on acquisition shall be recognised at actual cost.	
9	The cost of an investment includes acquisition charges such as brokerage, fees and duties.	5	The actual cost of a security shall comprise of its purchase price and include acquisition charges such as brokerage, fees, tax, duty or cess.	**ICDS=** on lines of **AS**
10	If an investment is acquired, or partly acquired, by the issue of shares or other securities, the acquisition cost is the fair value of the securities issued (which, in appropriate cases, may be indicated by the issue price as determined by statutory authorities). The fair value may not necessarily be equal to the nominal or par value of the securities issued.	6	Where a security is acquired in exchange for other securities, **the fair value of the security so acquired shall be its actual cost**.	**ICDS=** on lines of **AS**
11	If an investment is acquired in exchange, or part exchange, for another asset, the acquisition cost of the investment is determined by reference to the fair value of the asset given up. It may be appropriate to consider the fair value of the investment acquired if it is more clearly evident.	7	Where a security is acquired in exchange for another asset, the fair value of the security so acquired shall be its actual cost	**ICDS=** on lines of **AS**
12	Interest, dividends and rentals receivables in connection with an investment are generally regarded as income, being the return on the investment. However, in some circumstances, such inflows represent a recovery of cost and do not form part of income. For example, when unpaid interest has accrued before the acquisition of an interest-bearing investment and is therefore included in the price paid for the investment, the subsequent receipt of interest	8	Where unpaid interest has accrued before the acquisition of an interest-bearing security and is included in the price paid for the security, the subsequent receipt of interest is allocated between pre-acquisition and post-acquisition periods; the pre-acquisition portion of the interest is deducted from the actual cost.	**ICDS=** on lines of **AS**

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	is allocated between pre-acquisition and post-acquisition periods; the pre-acquisition portion is deducted from cost. When dividends on equity are declared from pre-acquisition profits, a similar treatment may apply. If it is difficult to make such an allocation except on an arbitrary basis, the cost of investment is normally reduced by dividends receivable only if they clearly represent a recovery of a part of the cost.			
13	When right shares offered are subscribed for, the cost of the right shares is added to the carrying amount of the original holding. If rights are not subscribed for but are sold in the market, the sale proceeds are taken to the profit and loss statement. However, where the investments are acquired on cum-right basis and the market value of investments immediately after their becoming ex-right is lower than the cost for which they were acquired, it may be appropriate to apply the sale proceeds of rights to reduce the carrying amount of such investments to the market value.			
	Carrying Amount of Investments			
	Current Investments			
			Subsequent Measurement of Securities	
14	The carrying amount for current investments is the lower of cost and fair value. In respect of investments for which an active market exists, market value generally provides the best evidence of fair value. The valuation of current investments at lower of cost and	9	At the end of any previous year, securities held as stock-in-trade shall be valued at actual cost initially recognised or net realisable value at the end of that previous year, whichever is lower.	**ICDS= appears** on lines of **AS**

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	[2]	[3]	[4]	[5]
	fair value provides a prudent method of determining the carrying amount to be stated in the balance sheet.			
15	Valuation of current investments on overall (or global) basis is not considered appropriate. Sometimes, the concern of an enterprise may be with the value of a category of related current investments and not with each individual investment, and accordingly the investments may be carried at the lower of cost and fair value computed categorywise (i.e. equity shares, reference shares, convertible debentures, etc.). However, the more prudent and appropriate method is to carry investments individually at the lower of cost and fair value.	10	For the purpose of para 9, the comparison of actual cost initially recognised and net realisable value shall be done categorywise and not for each individual security. For this purpose, securities shall be classified into the following categories, **namely:-** (a) shares; (b) debt securities; (c) convertible securities; and (d) any other securities not covered above.	**ICDS=** on lines of **AS**
16	For current investments, any reduction to fair value and any reversals of such reductions are included in the profit and loss statement.			
	Long-term Investments			
17	Long-term investments are usually carried at cost. However, when there is a decline, other than temporary, in the value of a long term investment, the carrying amount is reduced to recognise the decline. Indicators of the value of an investment are obtained by reference to its market value, the investee's assets and results and the expected cash flows from the investment. The type and extent of the investor's stake in the investee are also taken into account. Restrictions on distributions by the investee or on disposal by the investor may affect the value attributed to the investment.			

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
18	Long-term investments are usually of individual importance to the investing enterprise. The carrying amount of long-term investments is therefore determined on an individual investment basis.			
19	Where there is a decline, other than temporary, in the carrying amounts of long term investments, the resultant reduction in the carrying amount is charged to the profit and loss statement. The reduction in carrying amount is reversed when there is a rise in the value of the investment, or if the reasons for the reduction no longer exist.			
		11	The value of securities held as stock-in-trade of a business as on the beginning of the previous year shall be:	
			(a) **the cost of securities available, if any, on the day of the commencement of the business when the business has** commenced during the previous year; and	
			(b) the value of the securities of the business as on the close of the immediately preceding previous year, in any other case.	
		12	Notwithstanding anything contained in para 9, 10 and 11, at the end of any previous year, securities not listed on a recognised stock exchange; or listed but not quoted on a recognised stock exchange with regularity from time to time, shall be valued at actual cost initially recognised.	
		13	For the purposes of para 9, 10 and 11 where the	

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
			actual cost initially recognised cannot be ascertained by reference to specific identification, the cost of such security shall be determined on the basis of first-in-first-out method.	
	Investment Properties			
20	The cost of any shares in a co-operative society or a company, the holding of which is directly related to the right to hold the investment property, is added to the carrying amount of the investment property.			
	Disposal of Investments			
21	On disposal of an investment, the difference between the carrying amount and the disposal proceeds, net of expenses, is recognised in the profit and loss statement.			
22	When disposing of a part of the holding of an individual investment, the carrying amount to be allocated to that part is to be determined on the basis of the average carrying amount of the total holding of the investment.			
	Reclassification of Investments			
23	Where long-term investments are reclassified as current investments, transfers are made at the lower of cost and carrying amount at the date of transfer.			
24	Where investments are reclassified from current to long-term, transfers are made at the lower of cost and fair value at the date of transfer.			
	Disclosure			Not deal with, as such, in the ICDS
25	The following disclosures in financial statements in relation to investments are appropriate:—			

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	(a) the accounting policies for the determination of carrying amount of investments;			
	(b) the amounts included in profit and loss statement for:			
	(i) interest, dividends (showing separately dividends from subsidiary companies), and rentals on investments showing separately such income from long term and current investments. Gross income should be stated, the amount of income tax deducted at source being included under Advance Taxes Paid;			
	(ii) profits and losses on disposal of current investments and changes in carrying amount of such investments;			
	(iii) profits and losses on disposal of long term investments and changes in the carrying amount of such investments;			
	(c) significant restrictions on the right of ownership, realisability of investments or the remittance of income and proceeds of disposal;			
	(d) the aggregate amount of quoted and unquoted investments, giving the aggregate market value of quoted investments;			
	(e) other disclosures as specifically required by the relevant statute governing the enterprise.			
	Main Principles			
	Classification of Investments			
26	An enterprise should disclose current investments and long term investments distinctly in its financial statements.			
27	Further classification of current and long-term investments should be as specified in the statute governing the enterprise. In the absence of a statutory requirement, such further classification should disclose, where applicable,			

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	[2]	[3]	[4]	[5]
	investments in:			
	(a) Government or Trust securities			
	(b) Shares, debentures or bonds			
	(c) Investment properties			
	(d) Others—specifying nature.			
	Cost of Investments			
28	The cost of an investment should include acquisition charges such as brokerage, fees and duties.			
29	If an investment is acquired, or partly acquired, by the issue of shares or other securities, the acquisition cost should be the fair value of the securities issued (which in appropriate cases may be indicated by the issue price as determined by statutory authorities). The fair value may not necessarily be equal to the nominal or par value of the securities issued. If an investment is acquired in exchange for another asset, the acquisition cost of the investment should be determined by reference to the fair value of the asset given up. Alternatively, the acquisition cost of the investment may be determined with reference to the fair value of the investment acquired if it is more clearly evident.			
	Investment Properties			
30	An enterprise holding investment properties should account for them as long term investments.			
	Carrying Amount of Investments			
31	Investments classified as current investments should be carried in the financial statements at the lower of cost and fair value determined either on an individual investment			

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	[2]	[3]	[4]	[5]
	basis or by category of investment, but not on an overall (or global) basis.			
32	Investments classified as long term investments should be carried in the financial statements at cost. However, provision for diminution shall be made to recognise a decline, other than temporary, in the value of the investments, such reduction being determined and made for each investment individually.			
	Changes in Carrying Amounts of Investments			
33	Any reduction in the carrying amount and any reversals of such reductions should be charged or credited to the profit and loss statement.			
	Disposal of Investments			
34	On disposal of an investment, the difference between the carrying amount and net disposal proceeds should be charged or credited to the profit and loss statement.			
	Disclosure			
35	The following information should be disclosed in the financial statements:			
	(a) the accounting policies for determination of carrying amount of investments;			
	(b) classification of investments as specified in paragraphs 26 and 27 above;			
	(c) the amounts included in profit and loss statement for:			
	(i) interest, dividends (showing separately dividends from subsidiary companies), and rentals on investments showing separately such income from long term and current investments. Gross income should be stated, the amount of income tax deducted at source being included under			

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	Advance Taxes Paid;			
	(ii) profits and losses on disposal of current investments and changes in the carrying amount of such investments; and			
	(iii) profits and losses on disposal of long term investments and changes in the carrying amount of such investments;			
	(d) significant restrictions on the right of ownership, realisability of investments or the remittance of income and proceeds of disposal;			
	(e) the aggregate amount of quoted and unquoted investments, giving the aggregate market value of quoted investments;			
	(f) other disclosures as specifically required by the relevant statute governing the enterprise.			
	Effective Date			
36	This Accounting Standard comes into effect for financial statements covering periods commencing on or after April 1, 1995.			

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	[2]	[3]	[4]	[5]
	AS 16 Borrowing Costs	**I.**	**ICDS IX** relating to **borrowing costs**	
	Objective		**Preamble**	
	The objective of this Standard is to prescribe the accounting treatment for borrowing costs.		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. In 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.	
	Scope		**Scope**	
1	This Standard should be applied in accounting for borrowing costs.	1	(1) This Income Computation and Disclosure Standard deals with treatment of borrowing costs.	
2	This Standard does not deal with the actual or imputed cost of owners' equity, including preference share capital not classified as a liability.		(2) This Income Computation and Disclosure Standard does not deal with the actual or imputed cost of owners' equity and preference share capital.	**ICDS=** on lines of **AS**
	Definitions		**Definitions**	
3	The following terms are used in this Standard with the meanings specified:	2	(1) The following terms are used in this Income Computation and Disclosure Standard with the meanings specified:	
	3.1 Borrowing costs are interest and other costs incurred by **an enterprise** in connection with the borrowing of funds.		(a) "Borrowing costs" are interest and other costs incurred by **a person** in connection with the borrowing of funds and include:	**ICDS=** on lines of **AS**
			(i) commitment charges on borrowings;	**ICDS=** on

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
			(ii) amortised amount of discounts or premiums relating to borrowings;	lines of **AS** *[P 4]*
			(iii) amortised amount of ancillary costs incurred in connection with the arrangement of borrowings;	
			(iv) finance charges in respect of assets acquired under finance leases or under other similar arrangements.	
	3.2 A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.		(b) "Qualifying asset" means :	
	Explanation:		(i) land, building, machinery, plant or furniture, being tangible assets;	**ICDS= appears** on lines of **AS** *[P 5, 16, 18]*
	What constitutes a substantial period of time primarily depends on the facts and circumstances of each case. However, ordinarily, a **period of twelve months** is considered as substantial period of time unless a shorter or longer period can be justified on the basis of facts and circumstances of the case. In estimating the period, time which an asset takes, technologically and commercially, to get it ready for its intended use or sale is considered.		(ii) know-how, patents, copyrights, trade marks, licences, franchises or any other business or commercial rights of similar nature, being intangible assets;	
			(iii) inventories that require a period of twelve months or more to bring them to a saleable condition.	
			(2) Words and expressions used and not defined in this Income Computation and Disclosure Standard but defined in the Act shall have the meaning assigned to them in the Act.	
4	Borrowing costs may include:			**Covered supra** ***[P 2]***
	(a) interest and commitment charges on bank borrowings			

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	and other short-term and long-term borrowings;			
	(b) amortisation of discounts or premiums relating to borrowings;			
	(c) amortisation of ancillary costs incurred in connection with the arrangement of borrowings;			
	(d) finance charges in respect of assets acquired under finance leases or under other similar arrangements; and			
	(e) exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.			
	Explanation:			
	Exchange differences arising from foreign currency borrowing and considered as borrowing costs are those exchange differences which arise on the amount of principal of the foreign currency borrowings to the extent of the difference between interest on local currency borrowings and interest on foreign currency borrowings. Thus, the amount of exchange difference not exceeding the difference between interest on local currency borrowings and interest on foreign currency borrowings is considered as borrowings cost to be accounted for under this Standard and the remaining exchange difference, if any, is accounted for under AS 11, The Effect of Changes in Foreign Exchange Rates. For this purpose, the interest rate for the local currency borrowings is considered as that rate at which the enterprise would have raised the borrowings locally had the enterprise not decided to raise the foreign currency borrowings.			

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
5	Examples of qualifying assets are manufacturing plants, power generation facilities, inventories that require a substantial period of time to bring them to a saleable condition, and investment properties. Other investments, and those inventories that are routinely manufactured or otherwise produced in large quantities on a repetitive basis over a short period of time, are not qualifying assets. Assets that are ready for their intended use or sale when acquired also are not qualifying assets.			
	Recognition		**Recognition**	
6	Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset should be capitalised as part of the cost of that asset. The amount of borrowing costs eligible for capitalisation should be determined in accordance with this Standard. Other borrowing costs should be recognised as an expense in the period in which they are incurred.	3	Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalised as part of the cost of that asset. The amount of borrowing costs eligible for capitalisation shall be determined in accordance with this Income Computation and Disclosure Standard. Other borrowing costs shall be recognised in accordance with the provisions of the Act.	**ICDS=** on lines of **AS**
7	Borrowing costs are capitalised as part of the cost of a qualifying asset when it is probable that they will result in future economic benefits to the enterprise and the costs can be measured reliably. Other borrowing costs are recognised as an expense in the period in which they are incurred.	4	For the purposes of this Income Computation and Disclosure Standard, "capitalisation" in the context of inventory referred to in item (**iii) of clause (b**) **of sub-paragraph (1) of paragraph 2** means addition of borrowing cost to the cost of inventory.	**ICDS=** on lines of **AS**
	Borrowing Costs Eligible for Capitalisation		**Borrowing Costs Eligible for Capitalisation**	
8	The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset			

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	are those borrowing costs that would have been avoided if the expenditure on the qualifying asset had not been made. When an enterprise borrows funds specifically for the purpose of obtaining a particular qualifying asset, the borrowing costs that directly relate to that qualifying asset can be readily identified.			
9	It may be difficult to identify a direct relationship between particular borrowings and a qualifying asset and to determine the borrowings that could otherwise have been avoided. Such a difficulty occurs, for example, when the financing activity of an enterprise is co-ordinated centrally or when a range of debt instruments are used to borrow funds at varying rates of interest and such borrowings are not readily identifiable with a specific qualifying asset. As a result, the determination of the amount of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset is often difficult and the exercise of judgement is required.			
10	To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation on that asset should be determined as the actual borrowing costs incurred on that borrowing during the period less any income on the temporary investment of those borrowings.	5	To the extent the funds are borrowed specifically for the purposes of acquisition, **construction or production** of a qualifying asset, the amount of borrowing costs to be capitalised on that asset shall be the actual borrowing costs incurred during the period on the funds so borrowed.	**ICDS=** on lines of **AS**
11	The financing arrangements for a qualifying asset may result in an enterprise obtaining borrowed funds and incurring associated borrowing costs before some or all of the funds are used for expenditure on the qualifying asset.			

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	In such circumstances, the funds are often temporarily invested pending their expenditure on the qualifying asset. In determining the amount of borrowing costs eligible for capitalisation during a period, any income earned on the temporary investment of those borrowings is deducted from the borrowing costs incurred.			
12	To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation should be determined by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate should be the weighted average of the borrowing costs applicable to the borrowings of the enterprise that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalised during a period should not exceed the amount of borrowing costs incurred during that period.	6	To the extent the funds are borrowed generally and utilised for the purposes of acquisition, **construction or production** of a qualifying asset, the amount of borrowing costs to be capitalised shall be computed in accordance with the following formula namely :— $AX \dfrac{B}{C}$ Where A = borrowing costs incurred during the previous year except on borrowings directly relatable to specific purposes;	
			B = (i) the average of costs of qualifying asset as appearing in the balance sheet of a person on the first day and the last day of the previous year; (ii) in case the qualifying asset does not appear in the balance sheet of a person on the first day or both on the first day and the last day of previous year, half of the cost of qualifying asset;	

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
			(iii) in case the qualifying asset does not appear in the balance sheet of a person on the last day of previous year, the average of the costs of qualifying asset as appearing in the balance sheet of a person on the first day of the previous year and on the date of **put to use or** completion, **as the case may be**, other than those qualifying assets which are directly funded out of specific borrowings; or	
			C = the average of the amount of total assets as appearing in the balance sheet of a person on the first day and the last day of the previous year, other than those assets which are directly funded out of specific borrowings;	
	Excess of the Carrying Amount of the Qualifying Asset over Recoverable Amount			
13	When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or net realisable value, the carrying amount is written down or written off in accordance with the requirements of other Accounting Standards. In certain circumstances, the amount of the write-down or write-off is written back in accordance with those other Accounting Standards.			
	Commencement of Capitalisation		**Commencement of Capitalisation**	
14	The capitalisation of borrowing costs as part of the cost of a qualifying asset should commence when all the following conditions are satisfied:	7	The capitalisation of borrowing costs shall commence:	**ICDS=** on lines of **AS**

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	(a) expenditure for the acquisition, construction or production of a qualifying asset is being incurred;		(a) in a case referred to in paragraph 5, from the date on which funds were borrowed;	
	(b) borrowing costs are being incurred; and		(b) in a case referred to in paragraph 6, from the date on which funds were utilised.	
	(c) activities that are necessary to prepare the asset for its intended use or sale are in progress.			
15	Expenditure on a qualifying asset includes only such expenditure that has resulted in payments of cash, transfers of other assets or the assumption of interest-bearing liabilities. Expenditure is reduced by any progress payments received and grants received in connection with the asset (see Accounting Standard 12, Accounting for Government Grants). The average carrying amount of the asset during a period, including borrowing costs previously capitalised, is normally a reasonable approximation of the expenditure to which the capitalisation rate is applied in that period.			
16	The activities necessary to prepare the asset for its intended use or sale encompass more than the physical construction of the asset. They include technical and administrative work prior to the commencement of physical construction, such as the activities associated with obtaining permits prior to the commencement of the physical construction. However, such activities exclude the holding of an asset when no production or development that changes the asset's condition is taking place. For example, borrowing costs incurred while land is under development are capitalised during the period in which activities related to the development are being undertaken.			

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	However, borrowing costs incurred while land acquired for building purposes is held without any associated development activity do not qualify for capitalisation.			
	Suspension of Capitalisaton			
17	Capitalisation of borrowing costs should be suspended during extended periods in which active development is interrupted.			
18	Borrowing costs may be incurred during an extended period in which the activities necessary to prepare an asset for its intended use or sale are interrupted. Such costs are costs of holding partially completed assets and do not qualify for capitalisation. However, capitalisation of borrowing costs is not normally suspended during a period when substantial technical and administrative work is being carried out. Capitalisation of borrowing costs is also not suspended when a temporary delay is a necessary part of the process of getting an asset ready for its intended use or sale. For example, capitalisation continues during the extended period needed for inventories to mature or the extended period during which high water levels delay construction of a bridge, if such high water levels are common during the construction period in the geographic region involved.			
	Cessation of Capitalisation		**Cessation of Capitalisation**	
19	Capitalisation of borrowing costs should cease	8	Capitalisation of borrowing costs shall cease:	
	when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.		(a) in case of a qualifying asset referred to in **item (i) and (ii) of clause (b) of sub-paragraph (1) of paragraph 2**, when such asset is first put to use;	**ICDS =** on lines of **AS**

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
20	An asset is normally ready for its intended use or sale when its physical construction or production is complete even though routine administrative work might still continue. If minor modifications, such as the decoration of a property to the user's specification, are all that are outstanding, this indicates that substantially all the activities are complete.		(b) in case of inventory referred to in **item (iii) of clause (b) of sub-paragraph (1) of paragraph 2**, when substantially all the activities necessary to prepare such inventory for its intended sale are complete.	**ICDS =** on lines of **AS**
21	When the construction of a qualifying asset is completed in parts and a completed part is capable of being used while construction continues for the other parts, capitalisation of borrowing costs in relation to a part should cease	9	When the construction of a qualifying asset is completed in parts and a completed part is capable of being used while construction continues for the other parts, capitalisation of borrowing costs in relation to a part shall cease:—	**ICDS=** on lines of **AS**
	when substantially all the activities necessary to prepare that part for its intended use or sale are complete.		(a) in case of part of a qualifying asset referred to in **item (i) and (ii) of clause (b) of sub-paragraph (1) of paragraph 2**, when such part of a qualifying asset is first put to use;	
22	A business park comprising several buildings, each of which can be used individually, is an example of a qualifying asset for which each part is capable of being used while construction continues for the other parts. An example of a qualifying asset that needs to be complete before any part can be used is an industrial plant involving several processes which are carried out in sequence at different parts of the plant within the same site, such as a steel mill.		(b) in case of part of inventory referred to in **item (iii) of clause (b) of sub-paragraph (1) of paragraph 2**, when substantially all the activities necessary to prepare such part of inventory for its intended sale are complete.	**ICDS =** on lines of **AS**

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
			Transitional Provisions	
		10	All the borrowing costs incurred on or after 1st day of April, 2015 shall be capitalised for the previous year commencing on or after 1st day of April, 2015 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 31st day of March, 2015.	**Not relevant in the context of AS**
	Disclosure		**Disclosures**	
23	The financial statements should disclose:	11	The following disclosure shall be made in respect of borrowing costs, **namely:—**	
	(a) the accounting policy adopted for borrowing costs; and		(a) the accounting policy adopted for borrowing costs; and	**ICDS = on lines of AS**
	(b) the amount of borrowing costs capitalised during the period.		(b) the amount of borrowing costs capitalised during the previous year.	

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	AS 29 Provisions, Contingent Liabilities and Contingent Assets	**J.**	**ICDS X** relating to **provisions, contingent liabilities and contingent assets**	
	Objective		**Preamble**	
	The objective of this Standard is to ensure that appropriate recognition criteria and measurement bases are applied to provisions and contingent liabilities and that sufficient information is disclosed in the notes to the financial statements to enable users to understand their nature, timing and amount. The objective of this Standard is also to lay down appropriate accounting for contingent assets.		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. In 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.	
	Scope		**Scope**	
1	This Standard should be applied in accounting for provisions and contingent liabilities and in dealing with contingent assets, except:	1	This Income Computation and Disclosure Standard deals with provisions, contingent liabilities and contingent assets, except those:	
	(a) those resulting from financial instruments fair value;		(a) resulting from financial instruments;	**ICDS = on lines of AS**
	(b) those resulting from executory contracts, except where the contract is onerous;		(b) resulting from executory contracts	
	Explanation:			
	(i) An 'onerous contract' is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Thus, for a contract to qualify as an onerous contract, the unavoidable costs of meeting the			

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	obligation under the contract should exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it.			
	(ii) If an enterprise has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision as per this Standard.			
	(c) those arising in insurance **enterprises** from contracts with policy-holders; and		(c) arising in insurance **business** from contracts with policy holders; and	**ICDS = on lines of AS**
	(d) those covered by another Accounting Standard.		(d) covered by another Income Computation and Disclosure Standard.	
2	This Standard applies to financial instruments (including guarantees) that are not carried at fair value.	2	This Income Computation and Disclosure Standard does not deal with the recognition of revenue which is dealt with by Income Computation and Disclosure Standard – Revenue Recognition	
		2	This Income Computation and Disclosure Standard does not deal with the recognition of revenue which is dealt with by Income Computation and Disclosure Standard – Revenue Recognition	
3	Executory contracts are contracts under which neither party has performed any of its obligations or both parties have partially performed their obligations to an equal extent. This Standard does not apply to executory contracts unless they are onerous.			
4	This Standard applies to provisions, contingent liabilities and contingent assets of insurance	3	The term 'provision' is also used in the context of items such as depreciation, impairment of assets and	

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	enterprises other than those arising from contracts with policy-holders.		doubtful debts which are adjustments to the carrying amount of assets and are not addressed in this Income Computation and Disclosure Standard.	
5	Where another Accounting Standard deals with a specific type of provision, contingent liability or contingent asset, an enterprise applies that Standard instead of this Standard. For example, certain types of provisions are also addressed in Accounting Standards on:			
	(a) construction contracts (see AS 7, Construction Contracts);			
	(b) taxes on income (see AS 22, Accounting for Taxes on Income);			
	(c) leases (see AS 19, Leases). However, as AS 19 contains no specific requirements to deal with operating leases that have become onerous, this Standard applies to such cases; and			
	(d) retirement benefits (see AS 15, Accounting for Retirement Benefits in the Financial Statements of Employers)			
6	Some amounts treated as provisions may relate to the recognition of revenue, for example where an enterprise gives guarantees in exchange for a fee. This Standard does not address the recognition of revenue. AS 9, Revenue Recognition, identifies the circumstances in which revenue is recognised and provides practical guidance on the application of the recognition criteria. This Standard does not change the requirements of AS 9.			
7	This Standard defines provisions as liabilities which can be measured only by using a substantial degree of estimation.			

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	The term 'provision' is also used in the context of items such as depreciation, impairment of assets and doubtful debts: these are adjustments to the carrying amounts of assets and are not addressed in this Standard.			
8	Other Accounting Standards specify whether expenditures are treated as assets or as expenses. These issues are not addressed in this Standard. Accordingly, this Standard neither prohibits nor requires capitalisation of the costs recognised when a provision is made.			
9	This Standard applies to provisions for restructuring (including discontinuing operations). Where a restructuring meets the definition of a discontinuing operation, additional disclosures are required by AS 24, Discontinuing Operations.			
	Definitions		**Definitions**	
10	The following terms are used in this Standard with the meanings specified:	4	(1) The following terms are used in this Income Computation and Disclosure Standard with the meanings specified:	
	10.1 A provision is a liability which can be measured only by using a substantial degree of estimation.		(a) "Provision" is a liability which can be measured only by using a substantial degree of estimation.	**ICDS=** on lines of **AS**
	10.2 A liability is a present obligation of the **enterprise** arising from past events, the settlement of which is expected to result in an outflow from the enterprise of resources embodying economic benefits.		(b) "Liability" is a present obligation of the **person** arising from past events, the settlement of which is expected to result in an outflow from the person of resources embodying economic benefits.	
	10.3 An obligating event is an event that creates an obligation that results in an enterprise having no realistic alternative to settling that obligation.		(c) "Obligating event" is an event that creates an obligation that results in a person having no realistic alternative to settling that obligation.	
	10.4 A contingent liability is:		(d) "Contingent liability" is:	

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	[2]	[3]	[4]	[5]
	(a) a possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise; or		(i) a possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the person; or	**ICDS=** same as in **AS**
	(b) a present obligation that arises from past events but is not recognised because:		(ii) a present obligation that arises from past events but is not recognised because:	
	(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or		(A) it is not reasonably certainthat an outflow of resources embodying economic benefits will be required to settle the obligation; or	**ICDS=** on lines of **AS**
	(ii) a reliable estimate of the amount of the obligation cannot be made.		(B) a reliable estimate of the amount of the obligation cannot be made.	**ICDS=** on lines of **AS**
	10.5 A contingent asset is a possible asset that arises from past events the existence of which will be confirmed only by the occurrence or non- occurrence of one or more uncertain future events not wholly within the control of the enterprise.		(e) "Contingent asset" is a possible asset that arises from past events the existence of which will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the person.	
			(f) "Executory contracts" are contracts under which neither party has performed any of its obligations or both parties have partially performed their obligations to an equal extent.	
	10.6 Present obligation - an obligation is a present obligation if, based on the evidence available, its existence at the balance sheet date is considered probable, i.e., more likely than not.		(g) "Present obligation" is an obligation if, based on the evidence available, its existence at the end of the previous year is considered reasonably certain.	**ICDS=** on lines of **AS**
			(2) Words and expressions used and not defined in this Income Computation and Disclosure	

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
			Standard but defined in the Act shall have the meaning respectively assigned to them in the Act.	
	10.7 Possible obligation - an obligation is a possible obligation if, based on the evidence available, its existence at the balance sheet date is considered not probable.			
	10.8 A restructuring is a programme that is planned and controlled by management, and materially changes either:			
	(a) the scope of a business undertaken by an enterprise; or			
	(b) the manner in which that business is conducted.			
11	An obligation is a duty or responsibility to act or perform in a certain way. Obligations may be legally enforceable as a consequence of a binding contract or statutory requirement. Obligations also arise from normal business practice, custom and a desire to maintain good business relations or act in an equitable manner.			
12	Provisions can be distinguished from other liabilities such as trade payables and accruals because in the measurement of provisions substantial degree of estimation is involved with regard to the future expenditure required in settlement. By contrast:			
	(a) trade payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier; and			
	(b) accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees. Although it is sometimes necessary to estimate the amount of accruals,			

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	the degree of estimation is generally much less than that for provisions.			
13	In this Standard, the term 'contingent' is used for liabilities and assets that are not recognised because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise. In addition, the term 'contingent liability' is used for liabilities that do not meet the recognition criteria.			
	Recognition		**Recognition**	
	Provisions		**Provisions**	
14	A provision should be recognised when:	5	A provision shall be recognised when:	
	(a) an **enterprise** has a present obligation as a result of a past event;		(a) a **person** has a present obligation as a result of a past event;	**ICDS=** almost same as in **AS**
	(b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and		(b) it is reasonably certain that an outflow of resources embodying economic benefits will be required to settle the obligation; and	
	(c) a reliable estimate can be made of the amount of the obligation.		(c) a reliable estimate can be made of the amount of the obligation.	
	If these conditions are not met, no provision should be recognised.		If these conditions are not met, no provision shall be recognized.	
		6	No provision shall be recognised for costs that need to be incurred to operate in the future.	
		7	It is only those obligations arising from past events existing independently of a person's future actions, that is the future conduct of its business, that are recognised as provisions	

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
		8	Where details of a proposed new law have yet to be finalised, an obligation arises only when the legislation is enacted.	
	Present Obligatoin			
15	In almost all cases it will be clear whether a past event has given rise to a present obligation. In rare cases, for example in a lawsuit, it may be disputed either whether certain events have occurred or whether those events result in a present obligation. In such a case, an enterprise determines whether a present obligation exists at the balance sheet date by taking account of all available evidence, including, for example, the opinion of experts. The evidence considered includes any additional evidence provided by events after the balance sheet date. On the basis of such evidence:			
	(a) where it is more likely than not that a present obligation exists at the balance sheet date, the enterprise recognises a provision (if the recognition criteria are met); and			
	(b) where it is more likely that no present obligation exists at the balance sheet date, the enterprise discloses a contingent liability, unless the possibility of an outflow of resources embodying economic benefits is remote (see paragraph 68).			
	Past Event			
16	A past event that leads to a present obligation is called an obligating event. For an event to be an obligating event, it is necessary that the enterprise has no realistic alternative to settling the obligation created by the event.			

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
17	Financial statements deal with the financial position of an enterprise at the end of its reporting period and not its possible position in the future. Therefore, no provision is recognised for costs that need to be incurred to operate in the future. The only liabilities recognised in an enterprise's balance sheet are those that exist at the balance sheet date.			
18	It is only those obligations arising from past events existing independently of an enterprise's future actions (i.e. the future conduct of its business) that are recognised as provisions. Examples of such obligations are penalties or clean-up costs for unlawful environmental damage, both of which would lead to an outflow of resources embodying economic benefits in settlement regardless of the future actions of the enterprise. Similarly, an enterprise recognises a provision for the decommissioning costs of an oil installation to the extent that the enterprise is obliged to rectify damage already caused. In contrast, because of commercial pressures or legal requirements, an enterprise may intend or need to carry out expenditure to operate in a particular way in the future (for example, by fitting smoke filters in a certain type of factory). Because the enterprise can avoid the future expenditure by its future actions, for example by changing its method of operation, it has no present obligation for that future expenditure and no provision is recognised.			
19	An obligation always involves another party to whom the obligation is owed. It is not necessary, however, to know the identity of the party to whom the obligation is owed – indeed the obligation may be to the public at large.			

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
20	An event that does not give rise to an obligation immediately may do so at a later date, because of changes in the law. For example, when environmental damage is caused there may be no obligation to remedy the consequences. However, the causing of the damage will become an obligating event when a new law requires the existing damage to be rectified.			
21	Where details of a proposed new law have yet to be finalised, an obligation arises only when the legislation is virtually certain to be enacted. Differences in circumstances surrounding enactment usually make it impossible to specify a single event that would make the enactment of a law virtually certain. In many cases it will be impossible to be virtually certain of the enactment of a law until it is enacted.			
	Probable Outflow of Resources Embodying Economic Benefits			
22	For a liability to qualify for recognition there must be not only a present obligation but also the probability of an outflow of resources embodying economic benefits to settle that obligation. For the purpose of this Standard, an outflow of resources or other event is regarded as probable if the event is more likely than not to occur, i.e., the probability that the event will occur is greater than the probability that it will not. Where it is not probable that a present obligation exists, an enterprise discloses a contingent liability, unless the possibility of an outflow of resources embodying economic benefits is remote (see paragraph 68).			
23	Where there are a number of similar obligations (e.g.			

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	product warranties or similar contracts) the probability that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Although the likelihood of outflow for any one item may be small, it may well be probable that some outflow of resources will be needed to settle the class of obligations as a whole. If that is the case, a provision is recognised (if the other recognition criteria are met).			
	Reliable Estimate of the Obligation			
24	The use of estimates is an essential part of the preparation of financial statements and does not undermine their reliability. This is especially true in the case of provisions, which by their nature involve a greater degree of estimation than most other items. Except in extremely rare cases, an enterprise will be able to determine a range of possible outcomes and can therefore make an estimate of the obligation that is reliable to use in recognising a provision.			
25	In the extremely rare case where no reliable estimate can be made, a liability exists that cannot be recognised. That liability is disclosed as a contingent liability (see paragraph 68).			
	Contingent Liabilities		**Contingent Liabilities**	
26	An **enterprise** should not recognise a contingent liability.	9	A **person** shall not recognize a contingent liability.	**ICDS=** on lines of **AS**
27	A contingent liability is disclosed, as required by paragraph 68, unless the possibility of an outflow of resources embodying economic benefits is remote.			
28	Where an enterprise is jointly and severally liable for an obligation, the part of the obligation that is expected to be			

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	[2]	[3]	[4]	[5]
	met by other parties is treated as a contingent liability. The enterprise recognises a provision for the part of the obligation for which an outflow of resources embodying economic benefits is probable, except in the extremely rare circumstances where no reliable estimate can be made (see paragraph 14).			
29	Contingent liabilities may develop in a way not initially expected. Therefore, they are assessed continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in accordance with paragraph 14 in the financial statements of the period in which the change in probability occurs (except in the extremely rare circumstances where no reliable estimate can be made).			
	Contingent Assets		**Contingent Assets**	
30	An **enterprise** should not recognise a contingent asset.	10	A **person** shall not recognise a contingent asset.	**ICDS=** on lines of **AS**
31	Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the enterprise. An example is a claim that an enterprise is pursuing through legal processes, where the outcome is uncertain.			
32	Contingent assets are not recognised in financial statements since this may result in the recognition of income that may never be realised. However, when the realisation of income is virtually certain, then the related			

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	[2]	[3]	[4]	[5]
	asset is not a contingent asset and its recognition is appropriate.			
33	A contingent asset is not disclosed in the financial statements. It is usually disclosed in the report of the approving authority (Board of Directors in the case of a company, and, the corresponding approving authority in the case of any other enterprise), where an inflow of economic benefits is probable.			
34	Contingent assets are assessed continually and if it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the financial statements of the period in which the change occurs.	11	Contingent assets are assessed continually and when it becomes reasonably certain that inflow of economic benefit will arise, the asset and related income are recognised in the previous year in which the change occurs.	**ICDS=** on lines of **AS**
	Measurement		**Measurement**	
	Best Estimate		**Best Estimate**	
35	The amount recognised as a provision should be the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The amount of a provision should not be discounted to its present value.	12	The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the previous year. The amount of a provision shall not be discounted to its present value.	**ICDS=** on lines of **AS**
		13	The amount recognised as asset and related income shall be the best estimate of the value of economic benefit arising at the end of the previous year. The amount and related income shall not be discounted to its present value.	
36	The estimates of outcome and financial effect are determined by the judgment of the management of the enterprise, supplemented by experience of similar			

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[1]	**[2]**	**[3]**	**[4]**	**[5]**
	transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the balance sheet date.			
37	The provision is measured before tax; the tax consequences of the provision, and changes in it, are dealt with under AS 22, Accounting for Taxes on Income.			
38	The risks and uncertainties that inevitably surround many events and circumstances should be taken into account in reaching the best estimate of a provision.			
39	Risk describes variability of outcome. A risk adjustment may increase the amount at which a liability is measured. Caution is needed in making judgments under conditions of uncertainty, so that income or assets are not overstated and expenses or liabilities are not understated. However, uncertainty does not justify the creation of excessive provisions or a deliberate overstatement of liabilities. For example, if the projected costs of a particularly adverse outcome are estimated on a prudent basis, that outcome is not then deliberately treated as more probable than is realistically the case. Care is needed to avoid duplicating adjustments for risk and uncertainty with consequent overstatement of a provision.			
40	Disclosure of the uncertainties surrounding the amount of the expenditure is made under paragraph 67(b).			
	Future Events			
41	Future events that may affect the amount required to settle an obligation should be reflected in the amount of a provision where there is sufficient objective evidence that they will occur.			

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[1]	**[2]**	**[3]**	**[4]**	**[5]**
42	Expected future events may be particularly important in measuring provisions. For example, an enterprise may believe that the cost of cleaning up a site at the end of its life will be reduced by future changes in technology. The amount recognised reflects a reasonable expectation of technically qualified, objective observers, taking account of all available evidence as to the technology that will be available at the time of the clean-up. Thus, it is appropriate to include, for example, expected cost reductions associated with increased experience in applying existing technology or the expected cost of applying existing technology to a larger or more complex clean-up operation than has previously been carried out. However, an enterprise does not anticipate the development of a completely new technology for cleaning up unless it is supported by sufficient objective evidence.			
43	The effect of possible new legislation is taken into consideration in measuring an existing obligation when sufficient objective evidence exists that the legislation is virtually certain to be enacted. The variety of circumstances that arise in practice usually makes it impossible to specify a single event that will provide sufficient, objective evidence in every case. Evidence is required both of what legislation will demand and of whether it is virtually certain to be enacted and implemented in due course. In many cases sufficient objective evidence will not exist until the new legislation is enacted.			
	Expected Disposal of Assets			
44	Gains from the expected disposal of assets should not be			

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	taken into account in measuring a provision.			
45	Gains on the expected disposal of assets are not taken into account in measuring a provision, even if the expected disposal is closely linked to the event giving rise to the provision. Instead, an enterprise recognises gains on expected disposals of assets at the time specified by the Accounting Standard dealing with the assets concerned.			
	Reimbursements		**Reimbursements**	
46	Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement should be recognised when, and only when, it is virtually certain that reimbursement will be received if the enterprise settles the obligation. The reimbursement should be treated as a separate asset. The amount recognised for the reimbursement should not exceed the amount of the provision.	14	Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when it is reasonably certain that reimbursement will be received if the person settles the obligation. The amount recognised for the reimbursement shall not exceed the amount of the provision.	**ICDS=** on lines of **AS**
47	In the statement of profit and loss, the expense relating to a provision may be presented net of the amount recognised for a reimbursement.			
48	Sometimes, an enterprise is able to look to another party to pay part or all of the expenditure required to settle a provision (for example, through insurance contracts, indemnity clauses or suppliers' warranties). The other party may either reimburse amounts paid by the enterprise or pay the amounts directly.			
49	In most cases, the enterprise will remain liable for the whole of the amount in question so that the enterprise			

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	would have to settle the full amount if the third party failed to pay for any reason. In this situation, a provision is recognised for the full amount of the liability, and a separate asset for the expected reimbursement is recognised when it is virtually certain that reimbursement will be received if the enterprise settles the liability.			
50	In some cases, the enterprise will not be liable for the costs in question if the third party fails to pay. In such a case, the enterprise has no liability for those costs and they are not included in the provision.	15	Where a person is not liable for payment of costs in case the third party fails to pay, no provision shall be made for those costs.	**ICDS=** on lines of **AS**
51	As noted in paragraph 28, an obligation for which an enterprise is jointly and severally liable is a contingent liability to the extent that it is expected that the obligation will be settled by the other parties.	16	An obligation, for which a person is jointly and severally liable, is a contingent liability to the extent that it is expected that the obligation will be settled by the other parties.	**ICDS=** on lines of **AS**
	Changes in Provisions		**Review**	
52	Provisions should be reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision should be reversed.	17	Provisions shall be reviewed at the end of each previous year and adjusted to reflect the current best estimate. If it is no longer reasonably certain that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision should be reversed.	**ICDS=** on lines of **AS**
		18	An asset and related income recognised as provided in para 11 shall be reviewed at the end of each previous year and adjusted to reflect the current best estimate. If it is no longer reasonably certain that an inflow of economic benefits will arise, the asset and related income shall be reversed.	

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	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	[2]	[3]	[4]	[5]
	Use of Provisions		**Use of Provisions**	
53	A provision should be used only for expenditures for which the provision was originally recognised.	19	A provision shall be used only for expenditures for which the provision was originally recognised.	**ICDS=** Same as in **AS**
54	Only expenditures that relate to the original provision are adjusted against it. Adjusting expenditures against a provision that was originally recognised for another purpose would conceal the impact of two different events.			
	Application of the Recognition and Measurement Rules			
	Future Operating Losses			
55	Provisions should not be recognised for future operating losses.			
56	Future operating losses do not meet the definition of a liability in paragraph 10 and the general recognition criteria set out for provisions in paragraph 14.			
57	An expectation of future operating losses is an indication that certain assets of the operation may be impaired. An enterprise tests these assets for impairment under Accounting Standard (AS) 28, Impairment of Assets.			
	Restructuring			
58	The following are examples of events that may fall under the definition of restructuring:			
	(a) sale or termination of a line of business;			
	(b) the closure of business locations in a country or region or the relocation of business activities from one country or region to another;			
	(c) changes in management structure, for example, eliminating a layer of management; and			

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	(d) fundamental re-organisations that have a material effect on the nature and focus of the enterprise's operations.			
59	A provision for restructuring costs is recognised only when the recognition criteria for provisions set out in paragraph 14 are met.			
60	No obligation arises for the sale of an operation until the enterprise is committed to the sale, i.e., there is a binding sale agreement.			
61	An enterprise cannot be committed to the sale until a purchaser has been identified and there is a binding sale agreement. Until there is a binding sale agreement, the enterprise will be able to change its mind and indeed will have to take another course of action if a purchaser cannot be found on acceptable terms. When the sale of an operation is envisaged as part of a restructuring, the assets of the operation are reviewed for impairment under Accounting Standard (AS) 28, Impairment of Assets.			
62	A restructuring provision should include only the direct expenditures arising from the restructuring which are those that are both:			
	(a) necessarily entailed by the restructuring; and			
	(b) not associated with the ongoing activities of the enterprise.			
63	A restructuring provision does not include such costs as:			
	(a) retraining or relocating continuing staff;			
	(b) marketing; or			
	(c) investment in new systems and distribution networks.			
	These expenditures relate to the future conduct of the			

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[1]	**[2]**	**[3]**	**[4]**	**[5]**
	business and are not liabilities for restructuring at the balance sheet date. Such expenditures are recognised on the same basis as if they arose independently of a restructuring.			
64	Identifiable future operating losses up to the date of a restructuring are not included in a provision.			
65	As required by paragraph 44, gains on the expected disposal of assets are not taken into account in measuring a restructuring provision, even if the sale of assets is envisaged as part of the restructuring.			
			Transitional Provisions	
		20	All the provisions or assets and related income shall be recognised for the previous year commencing on or after 1st day of April, 2015 in accordance with the provisions of this standard after taking into account the amount recognised, if any, for the same for any previous year ending on or before 31st day of March, 2015.	**Not relevant in the context of AS**
	Disclosure		**Disclosure**	
66	For each class of provision, an enterprise should disclose:	21	(1) Following disclosure shall be made in respect of each class of provision, **namely:-**	
			(a) a brief description of the nature of the obligation;	
	(a) the carrying amount at the beginning and end of the period;		(b) the carrying amount at the beginning and end of the previous year;	**ICDS=** on lines of **AS**
	(b) additional provisions made in the period, including increases to existing provisions;		(c) additional provisions made during the previous year, including increases to existing provisions;	

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[1]	**[2]**	**[3]**	**[4]**	**[5]**
	(c) amounts used (i.e. incurred and charged against the provision) during the period; and		(d) amounts used, that is incurred and charged against the provision, during the previous year;	
	(d) unused amounts reversed during the period.		(e) unused amounts reversed during the previous year; and	
			(f) the amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.	
	Provided that a Small and Medium-sized Company and a Small and Medium-sized Enterprise (Level II and Level III non-corperate entities), as defined in Appendix 1 to this Compendium, may not comply with paragraph 66 above.			
67	An enterprise should disclose the following for each class of provision:		(2) Following disclosure shall be made in respect of each class of asset and related income recognised as provided in para 11, **namely:—**	
	(a) a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits;		(a) a brief description of the nature of the asset and related income;	**ICDS=** on lines of **AS**
			(b) the carrying amount of asset at the beginning and end of the previous year;	
			(c) additional amount of asset and related income recognised during the year, including increases to assets and related income already recognised; and	
			(d) amount of asset and related income reversed during the previous year.	
	(b) an indication of the uncertainties about those outflows. Where necessary to provide adequate information, an enterprise should disclose the major			

	ICAI		Notified by the CBDT	Remarks-
Sr/ Para No.	**A**ccounting **S**tandards *[presumably (base) corresponding to which ICDSs Issued by CBDT]* *[for application in the preparation of General Purpose Financial Statements and other Financial Reporting, which are subject to the attest function of the members of the ICAI]*	Sr/ Para No.	Income Computation and Disclosure Standards – As per Notification No. SO/892E dated 31st March, 2015 *[for computation of an assessee's 'profit and gains of business or professon'* or *'income from other sources' – u/s 145 of the Income-tax Act, 1961*]	**ICDSs vs Actng Stands**
	Accounting Standard [AS]		**Income Computation** and **Disclosure Standard** [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	assumptions made concerning future events, as addressed in paragraph 41; and			
	(c) the amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.			
	Provided that a Small and Medium-sized Company and a Small and Medium-sized Enterprise (Level II and Level III non-coperate entities), as defined in Appendix 1 to this Compendium, may not comply with paragraph 67 above.			
68	Unless the possibility of any outflow in settlement is remote, an enterprise should disclose for each class of contingent liability at the balance sheet date a brief description of the nature of the contingent liability and, where practicable:			
	(a) an estimate of its financial effect, measured under paragraphs 35-45;			
	(b) an indication of the uncertainties relating to any outflow; and			
	(c) the possibility of any reimbursement.			
69	In determining which provisions or contingent liabilities may be aggregated to form a class, it is necessary to consider whether the nature of the items is sufficiently similar for a single statement about them to fulfill the requirements of paragraphs 67 (a) and (b) and 68 (a) and (b). Thus, it may be appropriate to treat as a single class of provision amounts relating to warranties of different products, but it would not be appropriate to treat as a single class amounts relating to normal warranties and amounts that are subject to legal proceedings.			
70	Where a provision and a contingent liability arise from the			

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	Accounting Standard [AS]		**I**ncome **C**omputation and **D**isclosure **S**tandard [ICDS]	
[1]	**[2]**	**[3]**	**[4]**	**[5]**
	same set of circumstances, an enterprise makes the disclosures required by paragraphs 66-68 in a way that shows the link between the provision and the contingent liability.			
71	Where any of the information required by paragraph 68 is not disclosed because it is not practicable to do so, that fact should be stated.			
72	In extremely rare cases, disclosure of some or all of the information required by paragraphs 66-70 can be expected to prejudice seriously the position of the enterprise in a dispute with other parties on the subject matter of the provision or contingent liability. In such cases, an enterprise need not disclose the information, but should disclose the general nature of the dispute, together with the fact that, and reason why, the information has not been disclosed.			

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