

Income Computation and Disclosure Standards (ICDS)

Section (S.) 145 of the Income-tax Act, 1961 (ITA) provides that taxable income of an assessee falling under the heads "Profits and gains of business or profession" or "Income from other sources", shall be computed in accordance with either cash or mercantile system of accounting which is regularly employed by the assessee. It further provides that the Central Government (CG) may notify, from time-to-time, Income Computation & Disclosure Standards (ICDS) to be followed by any class of taxpayers or in respect of any class of income.

The CG *vide* notification² dated 31st March, 2015 has notified 10 ICDS for compliance by all assessees following mercantile system of accounting w.e.f. 1st April, 2015. These ICDS supersede following two standards³ notified in 1996:

- a. Tax Standard I – Disclosure of accounting policies
- b. Tax Standard II – Disclosure of prior period and extraordinary items and changes in accounting policies

Certain key highlights of ICDS, amendments carried out in Finance Act, 2015 at enactment stage and differences between ICDS and existing Accounting Standards (AS) are discussed hereunder:

I. Following are key highlights of notified ICDS

- ICDS shall apply for computation of income chargeable to income-tax under the head "Profits and gains of business or profession" or "Income from other sources". Accordingly, ICDS has no impact on minimum alternate tax computation for corporate assessees which will continue to be based on 'book profit' determined in accordance with currently applicable AS.
- ICDS is applicable to all taxpayers (corporates/non-corporate or resident/non-resident) irrespective of turnover or quantum of income.
- The preamble of each ICDS clarifies that (a) ICDS is applicable for computation of income and not for the purposes of maintenance of books of account; and (b) In case of conflict between the provisions of ITA and ICDS, the provisions of ITA shall prevail to that extent.
- All ICDS (except ICDS VIII relating to Securities) contain transitional provisions which, in general, provide for recognition of outstanding contracts and transactions as on 1st April, 2015 in accordance with ICDS after taking into account income/expenditure/loss already recognised in the past periods. Thus, there is no 'grandfathering' for outstanding contracts or transactions as on 31st March, 2015.

- Non-compliance of ICDS empowers Tax Authority to assess income on 'best judgment'⁴ basis. Any additions to income declared in return of income may also have potential penalty implications.
- Unlike AS, ICDS does not provide any explanations or illustrations but merely prescribes main principles to be adopted while computing income.
- Following is the list of 10 ICDS notified w.e.f. 1st April, 2015 :

ICDS	Comparable AS
Accounting policies (ICDS I)	Disclosure of Accounting Policies (AS 1)
Valuation of inventories (ICDS II)	Valuation of Inventories (AS 2)
Construction contracts (ICDS III)	Construction Contracts (AS 7)
Revenue recognition (ICDS IV)	Revenue Recognition (AS 9)
Tangible fixed assets (ICDS V)	Accounting for Fixed Assets (AS 10)
Effects of changes in foreign exchange rates (ICDS VI)	The Effects of Changes in Foreign Exchange Rates (AS 11)
Government grants (ICDS VII)	Accounting for Government Grants (AS 12)
Securities (ICDS VIII)	Accounting for Investments (AS 13)
Borrowing costs (ICDS IX)	Borrowing Costs (AS 16)
Provisions, contingent liabilities and contingent assets (ICDS X)	Provisions, Contingent Liabilities and Contingent Assets (AS 29)

- The following proposed ICDS for which drafts were circulated have not yet been notified:
 1. Events occurring after the end of previous year
 2. Prior period expense
 3. Leases
 4. Intangible Assets

II. Amendments to Finance Act, 2015 in order to align ITA with ICDS

Finance Minister presented Finance Act 2015, as part of Union Budget 2015-16, to Parliament on 28th February, 2015. Certain provisions of ICDS did not align with provisions of the ITA and thus, Finance Act 2015 was amended⁵ (amended Finance Act) and at the enactment stage in Lok Sabha following modifications to existing provisions of ITA were introduced:

- a. ICDS on Government Grants – So far as government grants related to acquisition of depreciable assets, both AS and ICDS provide for recognition of

such grants either by way of reduction from cost of depreciable asset or as income over the periods necessary to match with the related costs.

However, treatment of recognising grants for non-depreciable assets as per AS and ICDS were not in sync. There was ambiguity or conflict of ICDS with ITA when it required recognition of a grant which is related to non-depreciable asset of capital nature, as assessee's income.

The amended Finance Act proposes to amend the definition of 'income' under s.2(24) of ITA to include any assistance in the form of a subsidy or grant or cash incentive or duty drawback or waiver or concession or reimbursement (by whatever name called) by the CG or State Government or any authority or body or agency, in cash or kind, to the assessee. However, subsidy/grant/reimbursement which is taken into account for determination of 'actual cost' of depreciable assets in accordance with the provisions of Explanation 10 to s.43(1) shall not be treated as income.⁶

- b. ICDS on Borrowing costs – ICDS IX relating Borrowing costs provides for capitalisation of borrowing costs in respect of qualifying assets viz. tangible/intangible assets and inventories. ITA provides for deduction in respect of all borrowing costs except when they are incurred for acquisition of an asset 'for extension of existing business or profession'. The condition of acquisition of asset 'for extension of existing business or profession' for disallowance of borrowing costs under the ITA was in conflict with ICDS since ICDS does not have this condition.

The amended Act proposes to omit the condition of asset acquisition 'for extension of existing business or profession' for disallowance of borrowing cost to align the provisions of ITA with ICDS.

- c. ICDS on Revenue recognition and Provisions, contingent liabilities and contingent assets – Application of some ICDS like Revenue Recognition or Provisions, Contingent Liabilities and Contingent assets may have resulted in accelerated recognition of income for tax purposes though the same may not be recorded in books of account as per applicable AS. It is possible that such income may eventually be found to be irrecoverable. While the ITA provides bad debt deduction for debts which are written off as irrecoverable in accounts, it would be difficult to claim bad debt deduction for income which is irrecoverable but hitherto not recognised in the books.

In order to remove this anomaly, the amended Finance Act provides that such debt taxed as per ICDS but not recognised in the books shall be allowed as bad debt in the previous year in which it becomes irrecoverable and it shall be deemed as if

such debt has been written off as irrecoverable in the accounts of assessee for this purpose.

III. Comparison of ICDS with comparable AS

While ICDS have been broadly framed in accordance with comparable AS, following are certain deviations/carve outs in comparison with existing AS:

Readers are required to note the following before giving effect to the provisions provided in ICDS while computing income for the purpose of ITA:

1. *In case of conflict between the provisions of the ITA and ICDS, the provisions of ITA shall prevail to that extent. Issue requiring examination is whether the same position would prevail in case of conflict between SC/HC rulings and ICDS*
2. *Whether method of accounting u/s 145 can enlarge/reduce scope and ambit of income u/s.4 and 5 r.w s.2(24)? (Refer note 1)*
3. *Impact of rulings rendered pre-ICDS which are in cross roads to ICDS needs to be evaluated by readers*

Caption	AS	ICDS
AS 1 vs. ICDS I – Accounting policies		
Concept of Prudence modified	Provision is made for all known liabilities and losses on best estimate basis	Marked to market (MTM) loss or an expected loss shall not be recognised unless permitted by any other ICDS
	Anticipated profits are not recognised	ICDS silent on recognition of anticipated profits
Materiality omitted	Materiality should be considered while selecting and applying accounting policy	Concept of Materiality not recognised in ICDS
Change in accounting policy	Change in accounting policy permitted if (a) required by statute; (b) required for compliance of AS; (c) change results in more appropriate presentation of financial statements	Accounting policies shall not be changed without a "reasonable cause"

Disclosure of change in accounting policy	Required in period of change, if impact is not material in current period but material in later periods	Required in period of change and also required in first year in which change has material effect, if impact is not material in current period but material in later periods
AS 2 vs. ICDS II – Valuation of inventories		
Valuation of service inventory	No specific provision	Valuation at cost ⁸ or net realisable value (NRV), whichever is lower
Omission of standard cost method	Inventory valuation methods are (a) first-in, first-out (FIFO); (b) weighted average cost formula; (c) specific identification; (d) retail method; (e) standard cost method	Inventory valuation methods are (a) FIFO; (b) weighted average cost formula; (c) specific identification; (d) retail method
Opening inventory	No specific provision	<ul style="list-style-type: none"> • Value of opening inventory of a business shall be the same as the value of inventory at the end of the immediately preceding financial year • In case of commencement of business, Cost of inventory on the day of commencement of business will be opening inventory
Change in method of inventory valuation	Change permitted if (a) required by statute; (b) required for compliance of AS; (c) change results in more appropriate presentation of financial statements	Method of valuation once adopted shall not be changed without "reasonable cause"

Inventory valuation in case of certain dissolutions	No specific provision	In case of partnership firm, AOP or BOI ⁹ inventory on the date of dissolution shall be valued at NRV, whether or not business is discontinued
AS 7 vs. ICDS III – Construction contracts		
Recognition of contract revenue	Contract revenue to be recognised if it is possible to reliably measure the outcome of a contract	<ul style="list-style-type: none"> • The criteria of 'reliable measurement of outcome of contract' omitted • ICDS requires recognition if there is reasonable certainty of its ultimate collection
Retention money	Silent on treatment of accrual of income	Retention money to be considered as part of contract revenue and revenue to be recognised on POCM ¹⁰ basis ¹¹
Allowability of losses including probable / expected loss	Losses fully allowable irrespective of commencement, stage of completion and expected profits from other independent contracts	<ul style="list-style-type: none"> • Losses not allowable unless actually incurred and only on POCM basis • ICDS on accounting policies also does not permit recognition of foreseeable loss
Contract Work in progress recognition	Contract cost which relate to future activity shall be recognised as an asset only if recoverability is probable	Contract cost to be recognised as an asset
Early stage of contract - Non-recognition of revenue	<ul style="list-style-type: none"> • Revenue to be recognised only to the extent of recoverable costs • No profit to be recognised 	Same as AS, however ICDS objectively defines early stage as not to exceed beyond 25%

	during early stages of contract	
Pre-construction incidental income	Contract cost may be reduced by any incidental income that is not included in contract revenue	Contract cost shall be reduced by any incidental income (except interest, dividend and capital gains) that is not included in contract revenue
AS 9 vs. ICDS IV – Revenue recognition		
Postponement of revenue recognition	Revenue recognition to be postponed if significant uncertainty exists on measurability and collectability of revenue from sale of goods, rendering of services, interest, royalties and dividends	Revenue to be recognised only if there is reasonable certainty of its ultimate collection from sale of goods and rendering of services
Method of revenue recognition for service contracts	<ul style="list-style-type: none"> • Proportionate completion method or • Completed service contract method 	<ul style="list-style-type: none"> • Mandatory to recognise revenue based on POCM • ICDS requires application of ICDS III on Construction contracts for recognition of such revenue on mutatis mutandis basis.
Disclosure requirement	Disclose circumstances in which revenue recognition has been postponed pending significant uncertainties.	Disclosures for amounts not recognised as revenue due to lack of reasonable certainty of its ultimate collection along with nature of uncertainty
AS 10 vs. ICDS V – Tangible fixed assets		
Applicability	Fixed assets such as land, building, plant and machinery, vehicles, furniture and fittings, goodwill, patents, trademarks and designs	Tangible fixed assets being land, building, machinery, plant or furniture

Component of cost	'Cost' of fixed asset comprises its purchase price, non- refundable taxes and any directly attributable cost of bringing the asset to its working condition for its intended use. Trade discount and rebates will be deducted while computing cost.	It has similar definition to AS 10 but words used are 'actual cost' as compared to 'cost' in AS 10
Stand-by equipment and servicing equipment	AS acknowledges capitalisation of stand-by equipment and servicing equipment as a normal practice but does not mandate it	ICDS 'mandates' capitalisation of stand-by equipment and servicing equipment
Machinery spares	<ul style="list-style-type: none"> • It is 'usually' charged to P&L a/c on consumption. • However, if spares are used only in connection with the item of fixed asset with irregular use then it 'may' be appropriate to capitalise 	<ul style="list-style-type: none"> • It 'shall' be charged to P&L a/c on consumption • However, if spares are used only in connection with the item of fixed asset with irregular use then it 'shall' be capitalised
Asset acquired against non-monetary consideration	In case of acquisition of fixed asset in exchange for another asset, shares or other securities issued, cost of asset acquired should be recorded either at (a) fair market value of asset given up ¹² /shares or securities issued or (b) fair market value of asset acquired, whichever is more clearly evident	In case of acquisition of a tangible fixed asset in exchange for another asset, shares or other securities issued, actual cost of the tangible fixed asset shall be recorded at fair value of tangible fixed asset acquired
Assets acquired for consolidated price	Consolidated price to be apportioned to various assets on a fair basis as determined by competent valuers	Consolidated price shall be apportioned to various assets on a fair basis
Disclosure requirement	Gross and net book values at beginning and end of year showing additions, deletions and other movements, expenditure incurred in course of construction and revalued amount, if any	Description of assets/block of assets, depreciation rate and allowable depreciation, actual cost / opening WDV and closing WDV showing additions or deduction including adjustment for CENVAT, exchange

		difference and subsidy, grant or reimbursement ¹³
AS 11 vs. ICDS VI – Effects of changes in foreign exchange rates		
Revenue monetary items (like trade receivables, payables)	<ul style="list-style-type: none"> • Converted into reporting currency by applying the closing rate • Exchange difference recognised in P&L a/c 	<ul style="list-style-type: none"> • Converted into reporting currency by applying the closing rate • Exchange difference recognised as income or expense subject to provisions of Rule 115
Revenue non-monetary items (e.g. Inventory)	<p>If item is carried at historical cost – Reported at the exchange rate on the date of transaction</p> <p>If item is carried at fair value – Reported at the exchange rate that existed when the value was determined</p>	Converted into reporting currency using the exchange rate at the date of the transaction
Capital monetary items – Relating to Imported assets and domestic assets	<ul style="list-style-type: none"> • Requires recognition in P&L A/c • Option of capitalisation u/s. 211(3C) of Cos Act, 1956 as per which exchange differences arising in case of long-term foreign currency monetary items shall be either adjusted to capital asset or accumulated in FCMITDA¹⁴ (Paras 46 & 46A) 	<ul style="list-style-type: none"> • Requires recognition as income or expense subject to provisions of s.43A¹⁵ • No paras 46 and 46A exists • No distinction recognised between capital and revenue items

Foreign operations	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	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
Integral foreign operation	<ul style="list-style-type: none"> • Same principles as for own assets and liabilities • Exchange differences are recognized in P&L A/c 	<ul style="list-style-type: none"> • Subject to S. 43A and Rule 115, similar to AS 11 • No distinction recognised between capital and revenue items
Non-integral foreign operations	<ul style="list-style-type: none"> • All assets & liabilities and income & expense items are translated at closing rates • Exchange differences are accumulated in FCTR¹⁶ A/c and to be taken to P&L a/c on disposal of non-integral foreign operations 	<ul style="list-style-type: none"> • Similar to ICAI AS-11 except that, (subject to S.43A & Rule 115) resulting exchange differences are to be recognized as income or expense instead of accumulation in FCTR A/c • No distinction recognised between capital and revenue items
Forex derivatives for hedging purpose (Capital and revenue a/c)	<ul style="list-style-type: none"> • Premium/discount is amortized over life of contract • Restated on MTM basis at year end and difference is recognized in P&L • Profit/loss on cancellation or renewal is also recognized in P&L 	<ul style="list-style-type: none"> • Same as AS without distinguishing between contracts on capital account and revenue account (subject to s.43A applicable to imported assets)

Forex derivative for trading / speculation purposes / firm commitments /highly probable forecast transactions	<ul style="list-style-type: none"> • Forward contract is restated at year end on mark to market basis and difference is recognized in P&L • No amortization of premium/discount 	<ul style="list-style-type: none"> • Premium, discount or exchange difference shall be recognised at the time of settlement • No distinction recognised between contracts on capital account and revenue account
Forex derivatives not covered by ICDS VI (futures, interest rate swaps, etc)	<ul style="list-style-type: none"> • Not covered by AS 11 being a derivative contract covered by AS 30, 31 & 32 which are yet to be notified under Companies Act 2013 • Currently ICAI Guidance Note requires recognition of loss on MTM basis but gain to be ignored 	<ul style="list-style-type: none"> • Forex derivatives not covered by ICDS VI. • ICDS I on accounting policies provides that MTM loss or an expected loss shall not be recognized unless permitted under other ICDS.
AS 12 v. ICDS VII - Government grants		
Recognition of grant	<ul style="list-style-type: none"> • On reasonable assurance of compliance of attached conditions and reasonable certainty of ultimate collection • Mere receipt of grant is not sufficient 	<ul style="list-style-type: none"> • On reasonable assurance of compliance of attached conditions and reasonable certainty of ultimate collection • Recognition cannot be postponed beyond date of actual receipt
Grant in the nature of promoters contribution	To be credited to capital reserve and to be treated as shareholders' funds	<ul style="list-style-type: none"> • ICDS silent on this category¹⁷ • Refer discussion at para II(a)

Grants relatable to depreciable fixed assets	To be reduced from cost or recognised as deferred revenue by systematic credit to P&L A/c	To be reduced from cost of fixed asset [in line with Explanation 10 to S. 43(1)]
Relatable to non-depreciable fixed assets	<ul style="list-style-type: none"> To be credited as capital reserve, if no conditions attached to the grant To be credited to P&L A/c over period of incurring cost of meeting conditions of grant 	<ul style="list-style-type: none"> To be considered as income on an upfront basis, if there are no conditions attached to grant [Refer discussion at para II(a)] To be treated as income over period over which cost of meeting conditions is incurred
Grants other than those covered above	Revenue grant to be credited as income or reduced from related expense	Grant ¹⁸ to be treated as income over period over which cost of meeting conditions is incurred. [Refer discussion at para II(a)]
Compensation for expenses / loss incurred or for giving immediate financial support	To be recognised as income in the year in which it is receivable	To be recognised as income in the year in which it is receivable
Disclosure requirement	Accounting policy adopted for grants including the method of presentation, extent of recognition in the financial statements, accounting of non-monetary assets given at concession/free of cost	Requires disclosure of nature and extent of recognised as well as unrecognized grants. It also requires disclosure of reasons for non-recognition.
AS 13 vs. ICDS VIII – Securities		
Applicability	<ul style="list-style-type: none"> AS applicable to accounting for investments AS clarifies that principles applicable to 'current investments' can apply to securities held as stock-in- 	<ul style="list-style-type: none"> ICDS applicable to securities held as stock-in-trade¹⁹ 'Securities' defined to have meaning assigned in S.2(h) of

	trade	SCRA ²⁰ except derivatives referred in s.2(h)(1a) of SCRA
Security acquired against non-monetary consideration	In case of acquisition of securities in exchange for shares or other securities issued or another asset, cost of security acquired should be recorded either at (a) fair market value of securities issued or (b) fair market value of asset given up, whichever is more clearly evident	In case of acquisition of securities in exchange for other securities issued or another asset, actual cost of security acquired shall be recorded at fair value of security acquired
Year-end valuation of securities	Current investments to be valued at lower of cost or fair value either on individual investment basis or by category of investment but not on global basis.	<ul style="list-style-type: none"> • Securities should be valued at lower of cost or NRV. Comparison of cost and NRV shall be done category-wise. • Securities are classified under following categories (a) shares; (b) debt; (c) convertible securities; and (d) other securities
Opening value of securities	No specific provision	<ul style="list-style-type: none"> • Value of opening inventory of securities shall be the same as the value of securities at the end of the immediately preceding financial year • In case of commencement of

		business, Cost of security on the day of commencement of business will be opening value
Valuation of unlisted or thinly traded securities	No specific provision	Valuation of unlisted or thinly traded securities shall be valued at actual cost initially recognised
Ascertainment of cost	Cost formulae are the same as those specified in AS 2 (e.g. FIFO; average cost, etc.)	Cost which cannot be ascertained by specific identification shall be determined on the basis of FIFO method.
AS 16 vs. ICDS IX – Borrowing costs		
Borrowing cost	Borrowing cost includes exchange difference to the extent that they are regarded as an adjustment to interest costs	Borrowing cost does not include exchange differences arising from foreign currency borrowings
Qualifying assets	Qualifying asset defined to be an asset which necessarily takes a substantial, ²¹ period of time to get ready for its intended use or sale	Qualifying assets means ²² <ul style="list-style-type: none"> • Inventory that require a period of 12 months or more to bring them to a saleable condition • Specified tangible and intangible assets are qualifying assets (regardless of substantial period condition)
Commencement	In case of specific borrowing	

and cessation of capitalisation	Capitalisation will commence when all the three conditions are satisfied (a) incurrence of capital expenditure (b) incurrence of borrowing cost (c) construction activity is in progress and cessation from the date when asset is ready to use	Capitalisation will commence from date of borrowing of funds and cessation from the date when asset is put to use ²³
	In case of general borrowing	
	Same as in the case of specific borrowing	Capitalisation will commence from date of utilisation of funds and cessation from the date when asset is put to use ²³
Methodology of capitalisation	In case of specific borrowing	
	Directly attributable to borrowing cost	Directly attributable to borrowing cost
	In case of general borrowing	
	Weighted average cost of borrowing applied to capital expenditure	Prorate borrowing cost allocation as per normative formulae (Refer note 2)
Income from temporary deployment of funds	Income from temporary deployment of unutilised funds from specific loans to be reduced from borrowing cost	No similar provision in ICDS
Suspension of capitalization	Capitalisation of borrowing costs should be suspended during extended periods in which active development is interrupted	No similar provision in ICDS
AS 29 v. ICDS X - Provisions, contingent liabilities and contingent assets		
Onerous executory contracts	<ul style="list-style-type: none"> • Includes onerous executory contracts within its scope • Upfront recognition of liabilities required under onerous contracts 	Onerous executory contracts excluded from the scope of ICDS

Recognition of provision	<ul style="list-style-type: none"> • Provision shall be recognized when it is "probable" that an outflow of economic resources will be required to settle an obligation • Provision is not discounted to NPV 	<ul style="list-style-type: none"> • Provision shall be recognised when it is "reasonably certain" that an outflow of economic resources will be required to settle an obligation • Provision is not discounted to NPV
Recognition of contingent asset and reimbursement claims	Contingent asset / reimbursement claims are recognised when the realization of related income is "virtually certain"	Contingent asset/reimbursement claims are recognised when the realisation of related income is "reasonably certain"
Meaning of obligation	Clarifies that obligations may be legally enforceable and may also arise from normal business practice, custom and a desire to maintain good business relations or act in an equitable manner.	No specific guidance on meaning of 'obligation

Note 1 : Reference in this regards can be placed on following extracts from Commentary of learned authors of Kanga & Palkhivala on s.145 (Tenth Edition – Vol II - Page 2139)

"Under this section the assessee's regular method of accounting determines the mode of computing the taxable income but it does not determine or even affect the range of taxable income or the ambit of taxation. Preparation of the statement of accounts in compliance with applicable statutory provisions does not disentitle an assessee to submit the income-tax return on the real taxable income in accordance with the method of accounting adopted consistently and regularly. The provision for computation of income contained in this section cannot derogate from the provisions of the charging section. In other words, the charge on income accruing or received in India, imposed by S. 5, cannot be avoided by any method of accounting."

Note 2 : Formulae for capitalising general borrowing cost is as under

Interest to be capitalised as per

$$\text{ICDSA X B} \\ = \quad \text{C}$$

A	Total borrowings cost excluding specific borrowing cost
B	Average cost of various qualifying assets ²⁴
C	Average amount of total assets as appearing in the balance sheet

1. The article is considering the law as on 2nd May, 2015. The article also covers amendments during enactment stage to Finance Act, 2015 as passed by Lok Sabha on 30th April, 2015.
2. Notification No. 33/2015 [F. No. 134/48/2010-TPL]
3. The above two standards were largely comparable to the corresponding ICAI AS (AS-1 and AS-5)
4. S. 144 of the ITA
5. The amendments were passed in Lok Sabha on 30th April, 2015 and as a process, the amended Act will be transmitted to Rajya Sabha for their suggestions and then to the President of India for his assent, before it is enacted as law.
6. Various courts, considering the purpose and object of subsidy, had treated the subsidy to be a non-taxable capital receipt.
7. Inventory that require a period of 12 months or more to bring them to a saleable condition
8. Cost of services shall consist of labour and other costs of personnel directly engaged in providing the service including supervisory personnel and attributable overheads.
9. Association of person or Body of individuals
10. Percentage of Completion Method
11. There were judicial precedents pre-ICDS which supports deferral of recognition of retention money for tax purpose till there is no enforceable debt. Readers are required to evaluate the impact of judicial precedents rendered pre-ICDS in light of provisions contained in ICDS.
12. AS also permits recognition at net book value of asset given up under certain circumstances like exchange of similar assets.
13. Disclosure requirement under ICDS is in line with reporting requirement in tax audit report (Clause 18 of Form 3CD)
14. Foreign Currency Monetary Item Translation Difference Account
15. S.43A applies only to imported assets
16. Foreign Currency Translation Reserve A/c
17. By implication, ICDS will require recognition as income under residuary clause
18. AS covers only revenue grant within its ambit

19. Since ICDS deals with computation of income under the head "Profits and gains of business or profession" or "Income from other sources", ICDS only deals with securities held as stock-in-trade.
20. Securities Contract (Regulation) Act, 1956
21. Generally, a period of 12 months is considered as a substantial period of time
22. Proviso to s.36(1)(iii) amended to bring in line with requirements of ICDS (refer discussion at para II(b))
23. In case of inventory, cessation of capitalisation will be from the date when substantially all the activities necessary to prepare such inventory for its intended sale are complete
24. Specific rules provided for capitalisation in respect of (a) Assets acquired and put to use during same previous year and (b) Assets awaiting capitalisation brought forward from earlier year and put to use during the relevant previous year.

The Central Government has vide Notification No. 32/2015 [F. No. 134/48/2010-TPL] dated 31st March, 2015 notified ten ICDS under Section 145(2) of the Income-tax Act, 1961 ('the Act'). These ICDS supersede two standards notified vide S.O 69(E) dated the 25th January, 1996, viz. Accounting Standard I (Disclosure of Accounting Policies) and Accounting Standard II (Disclosure of prior period and extraordinary items and changes in Accounting Policies).

Following are ten notified ICDS and the corresponding existing Accounting Standards (AS):

ICDS No.	AS No.	ICDS relating to
I	1	Accounting Policies
II	2	Valuation of Inventories
III	7	Construction Contracts
IV	9	Revenue Recognition
V	10	Tangible Fixed Assets
VI	11	Effects of Changes in Foreign Exchange Rates
VII	12	Government Grants
VIII	13	Securities
IX	16	Borrowing Costs
X	29	Provisions, Contingent liabilities and Contingent assets