



# **Impact of ICDS in Tax Audit report under Income Tax Act , 1961**

Presentation by:

**CA MANPREET SINGH KAPOOR**

# **SECTIONS INVOLVED IN ICDS**

## **Source**

- Section 145(2) , Section145B, Section 36(1)(xviii), Section40A(13), Section43AA, Section43CB,

## **Effective Date**

- W.e.f. AY 2017-18

## **Heads of Income**

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

## **No. of Standards**

- 10 vide Not. Dt. 29.09.2016

## **Disclosure**

- Para 13 of Form 3CD & ITR

# APPLICABILITY OVERVIEW



## **To Whom ICDS Applicable**

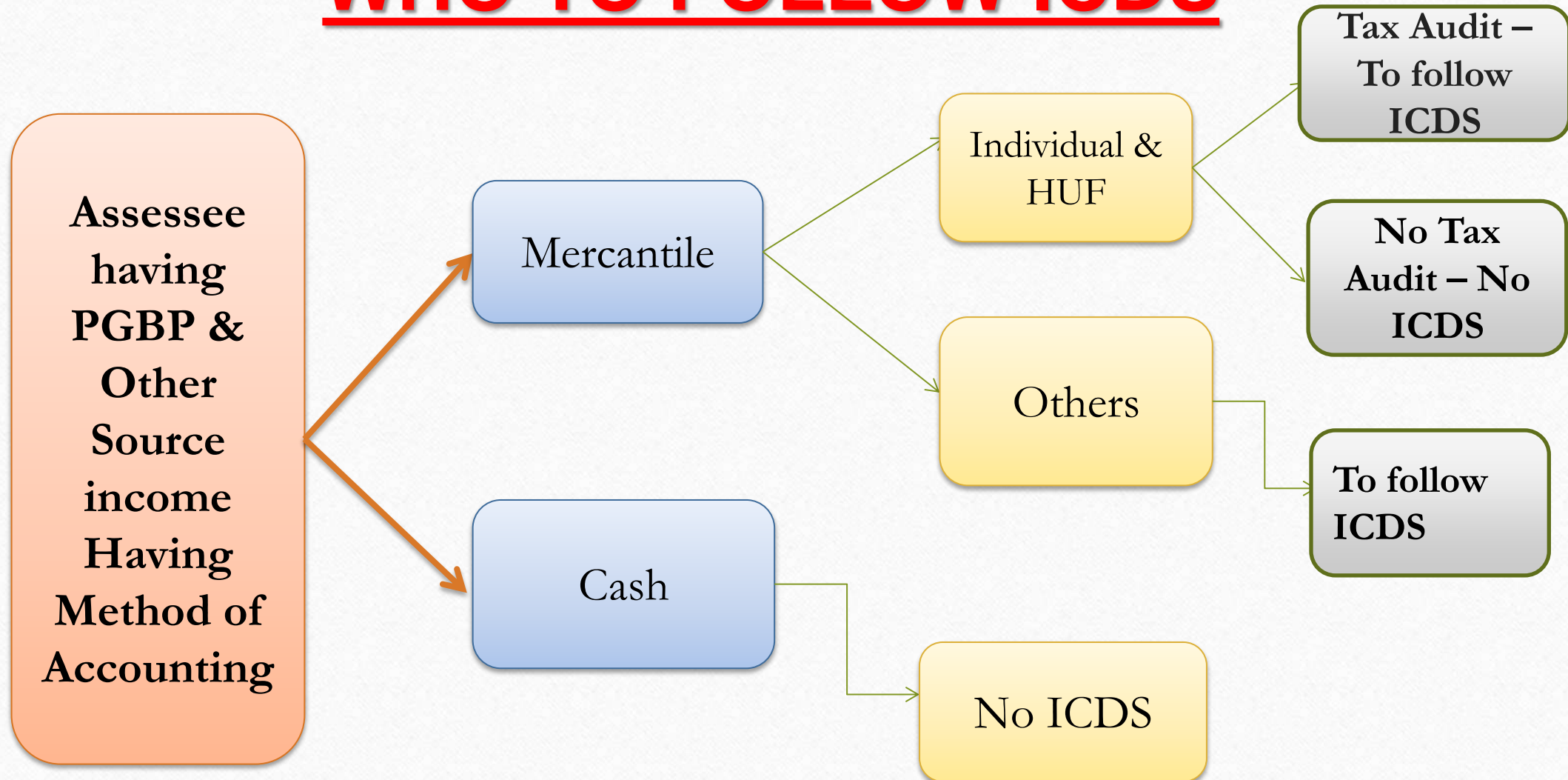
**ICDS is applicable to all assesses having 'Income under the head Business or Profession' or 'Income under the head Other Sources' and following mercantile / accrual system of accounting.**

**However, ICDS is not applicable to any of the following persons:**

- ❖ Person following cash system of accounting.**
- ❖ Person (Individual and HUFs ) whose books of account for the year are not required to be audited to be audited under section 44AB.**
- ❖ Person (Individual and HUFs) has no income under the head "Profits and Gains of Business or Profession", but has income under the head "Income from other sources" though he/it follows mercantile system of accounting for income falling under such head of income.**



# WHO TO FOLLOW ICDS



## **BASICS**

- ❖ **It's for income computation only and NOT for books maintenance.**
- ❖ **No, separate books to be maintained?**
- ❖ **Would it impact incomes u/s 44AD, 44AE, etc?**
  - Applicable on 44 AD...wherever possible – example construction contracts, revenue recognition?**
- ❖ **What about firms under section 44AD?**
- ❖ **No ICDS details in ITR 1, 2 & 4**

# BASICS

- ❖ Would it impact MAT / AMT??
- ❖ ICDS Shall not apply to computation of minimum alternate tax (MAT) under section 115JB of the act,
- ❖ ICDS applied on alternate minimum tax (AMT) under section 115JC of the act.
- ❖ What if assessee has no business income but only income from other sources?
  - ICDS will not applicable
- ❖ What if has one business on mercantile basis and other on cash?
  - ICDS is applicable only on mercantile basis of business
- ❖ Disclosure requirements in 8 ICDS

# Method of Accounting

• There are Two method of accounting i.e.. Mercantile basis or cash basis. ICDS would apply only to those sources of income, where mercantile system of accounting is followed and would not apply to those sources of income, where cash method of accounting is followed.

Question :- Whether the assessee can adopt two method of accounting from same source of income?

Answer :- Yes

## Change in Method of Accounting

Question 1: Whether a Taxpayer can opt to change his method of accounting from mercantile to cash basis?

*Answer :* An accounting method is different from an accounting policy. A change in accounting method itself does not amount to a change in accounting policy, but it is a change in a method itself. In the context of section 145, the such method of accounting is a permissible method and is regularly followed thereafter, the change of method cannot be rejected.



## FORM 3CD –CLAUSE – 13(e) -- ICDS

ICD S	Name of ICDS	Increase in Profit	Decrease in Profit	Net (Rs((.))	Descripti on
I	Accounting Policies				
II	Valuation of Inventories				
III	Construction Contracts				
IV	Revenue Recognition				
V	Tangible Fixed Assets				
VI	Changes in Foreign Exchange Rates				
VII	Government Grants				
VIII	Securities				
IX	Borrowing Costs				
X	Provisions, Contingent Liab & Assets				
	<b>Total</b>				

# FORM 3CD –CLAUSE – 13(f) -- ICDS

ICDS		DISCLOSURE
ICDS I	ACCOUNTING POLICIES	
ICDS II	VALUATION OF INVENTORIES	
ICDS III	CONSTRUCTION CONTRACTS	
ICDS IV	REVENUE RECOGNITION	
ICDS V	TANGIBLE FIXED ASSETS	
ICDS VII	GOVERNMENT GRANTS	
ICDS IX	BORROWING COSTS	
ICDS X	PROVISIONS , CONTINGENT LIABILITIES AND CONTINGENT ASSETS.	

# ITR-3 , 5 & 6

<u>Schedule ICDS</u>	Effect of Income Computation Disclosure Standards on profit
----------------------	---

Sl. No	ICDS	Amount (+) or (-)
(i)	(ii)	(iii)
I	Accounting Policies	
II	Valuation of inventory	
III	Construction Contracts	
IV	Revenue Recognition	
V	Tangible Fixed Assets	
VI	Changes in foreign exchange rate	
VII	Government grants	
VIII	Securities	
IX	Borrowing Costs	
X	Provisions , Contigent liabilities and Contigent assets	
XI	Total Net effect (I+II+III+IV+V+VI+VII+VII+IX+X)	0

## What If ICDS Not Followed

Section 145(3) - AO has the power to make best judgement assessment u/s. 144 if he is not satisfied about the :-

- ☐ Correctness or completeness of the accounts of the Assessee;  
or
- ☐ Method of accounting is not regularly followed; or
- ☐ Income not computed as per ICDS



[illegible]

# **ICDS – I Accounting Assumptions**

- **The Three Fundamental accounting assumptions**

- ❖ **Going Concern**
- ❖ **Consistency**
- ❖ **Accrual**

**\* If these assumption were not followed then proper disclosure were needed.**

- **Instances of the absence of Going Concerns contrary information are:**

- ❖ **Continuing trend of losses reflecting negative operating results or working capital deficiencies.**
- ❖ **Defaults in debt repayments.**
- ❖ **Legal proceedings against the company.**
- ❖ **Non –compliance with statutory requirements. Etc..**

# **ICDS I -ACCOUNTING POLICIES**

**The following are areas in which different accounting policies may be adopted by organisations:**

- ❖ **Methods of depreciation, depletion and amortisation**
- ❖ **Treatment of expenditure during construction**
- ❖ **Conversion or translation of foreign currency items**
- ❖ **Valuation of inventories**
- ❖ **Treatment of goodwill**
- ❖ **Valuation of investments**
- ❖ **Treatment of retirement benefits**
- ❖ **Recognition of profit on long-term contracts**
- ❖ **Valuation of fixed assets**
- ❖ **Treatment of contingent liabilities.**

**“An Accounting policy shall not be changed without reasonable cause.”**

# **DISCLOSURE OF ACCOUNTING POLICIES ICDS I**

- **All Significant Accounting Policies adopted by a person shall be disclosed.**
- **If fundamental accounting assumptions of going concern, consistency and accrual not followed, specific disclosure is required.**



# **ICDS I – ACCOUNTING POLICIES**

➤ **Materiality and Prudence not followed. Only substance over form.**  
**No prudence as:**

- ☐ **ICDS VII – Govt. grants to be recognized not later than its actual receipt even if condition w.r.t to such grant has not met.**
- ☐ **ICDS IV - Reasonable certainty of ultimate collection is ignored for recognition of revenue through rendering of service and on Rent, interest, royalty and dividend.**
- ☐ **ICDS III - Non recognition of expected loss from construction contract & provisioning for loss on onerous contract**

## ICDS I – ACCOUNTING POLICIES

- Selection of accounting policy so as to represent a true and fair view of:
  - ❑ State of affairs; and
  - ❑ Income of business, profession or vocation.
- Change in accounting policy only if reasonable cause. AS 5 – only if required by statute, compliance with AS or more appropriate presentation of Financial Statement.
- **No deduction of expected losses or marked to market loss unless as per other ICDS**

**FAQ - Market to Market loss or expected loss as well as Market to Market gain or expected gain not to be recognised unless as per ICDS.**

## ICDS I – Questions

- ❖ Change in method of valuation of inventories is change in accounting policy?
  - Yes
- ❖ Whether loss on account of write off of obsolete inventory is change in accounting policies?
  - No
- ❖ Loss due to theft by outsider. Insurance claim yet to be settled at year end. Loss quantified as per best estimates in Year 1 subject to revision in year 2. Is it expected loss?
  - No , Expected loss cannot be disclosed.
- ❖ Materiality not considered. Company has a policy to charge assets below Rs. 5000/- like punching machines, calculators in PL. Would it be hit by ICDS?
- ❖ Whether wrong claim of deduction u/C VIA hit by ICDS?

# **ICDS I – PRACTICAL IMPLICATIONS**

**Disallowances or deductions to be disclosed in ICDS schedule in Form 3CD as well as ITR:**

- **Materiality**
  - **Prudence**
  - **Mark to market loss / gain**
  - **Expected losses**
- 
- **Take care of change in accounting policies having material effect**



# **ICDS I – PRACTICAL IMPLICATIONS**

## **CBDT FAQ :**

**Question 25 :** ICDS -1 requires disclosure of significant accounting policies and other ICDS requires specific disclosures. Where is the taxpayer required to make such disclosures specified in ICDS?

**Answer :** Net effect on the income due to application of ICDS is to be disclosed in the return of income. The disclosure required under ICDS shall be made in the tax audit report in form 3CD. However, there shall not be any separate disclosure requirements for persons who are not liable to tax audit.

**Question 8 :** Para 4(II) of ICDS –I provides that market to market(MTM) loss or an expected loss shall not be recognized unless the recognition is in accordance with the provision of any other ICDS. Whether similar consideration applies to recognition of MTM gain or expected incomes?

**Answer :** Same principles as contained in ICDS-I relating to MTM losses or an expected loss shall apply mutandis to MTM gains or an expected profit.

**NOTE:** The recognition of MTM loss relating to earlier years should remain intact and would not result in a reversal of loss from 1<sup>st</sup> April, 2016.

## II – VALUATION OF INVENTORIES



# ICDS II – SCOPE

The ICDS II shall be applied for valuation of inventories, except:

- ▶ Work-in-Progress under construction contract and related services directly engaged in contract of construction which is dealt by the ICDS on construction contract;
- ▶ Work-in-Progress which is dealt by other ICDS;
- ▶ Shares, debentures and other financial instruments held as stock-in-trade;
- ▶ Machinery spares used with tangible fixed assets and their use is expected to be irregular;
- ▶ Production of live stock etc.

# ICDS II – VALUATION OF INVENTORIES

♦ Inventory to be valued at cost or NRV whichever is lower.

♦ Cost of inventories to include:

- 1) Cost of purchases, includes all duties & taxes.
- 2) Costs of services, includes labour and other costs of personnel directly engaged in providing the service including supervisory personnel and attributable overheads.
- 3) Costs of conversion, includes fixed and variable production overheads.
- 4) Other costs incurred in bringing the inventories to their present location and condition. Examples: freight, Insurance, etc.



# ICDS II – VALUATION OF INVENTORIES

## ♦ Exclusion from Cost of Inventories:

- a) Abnormal wasted materials, labour etc.
- b) Storage Cost, unless those costs are necessary in the production process prior to a further production stage.  
*(Example: Wine and timber which mature during storage)*
- c) Administration overhead that do not contribute to bringing the inventories to their present location and condition.
- d) Selling Cost.

# ICDS II – VALUATION OF INVENTORIES

## ◆ Cost Formulae

- ▶ Specific identification of cost (*Example: Painting, art gallery, diamond which are not inter changeable*)
- ▶ FIFO
- ▶ Weighted Average

## ◆ Techniques for measurement of cost

- ▶ Standard Cost
- ▶ Retail method (*An average percentage of margin for each retail department is to be used as reduced from sale value of inventory*).

# ICDS II – VALUATION OF INVENTORIES

- ◆ ICDS - Machinery spares, which can be used only in connection with a tangible fixed asset and their use is expected to be irregular, to be dealt with in accordance with the ICDS- V (Tangible fixed assets)
- ◆ WIP of service provider not required to compute  
Service Provider only includes materials or supplies to be consumed in the rendering of services.
- ◆ The provision of section 43C, w.r.t cost of stock in trade, amalgamation, partition, gift, etc require the value of the stock in trade to be taken as per that section, not as per ICDS-II. (cost of acquisition)
- ◆ The net realisable value of scrap should be deducted from the cost of the main product.

# ICDS II – VALUATION OF INVENTORIES

♦ In case of dissolution of a partnership firm or AOP / BOI, notwithstanding whether business is discontinued or not, the inventory on the date of dissolution shall be valued at the NRV.

## ♦ Judicial Precedents:

- ▶ In cases of dissolution of firm, the stock-in-trade will have to be valued at the prevailing market price while preparing a/cs if the business of firm is discontinued- A.L.A. Firm v. CIT [1991] 55 Taxman 497(SC). – Applied
- ▶ Where firm got dissolved due to death of a partner and business was reconstituted with remaining partners and business continued without any interruption, closing stock was to be valued at cost or MP, whichever was lower, and not at market value- Sakthi Trading Co. v. CIT [2001] 118 Taxman 301 (SC).– Applied



# ICDS II – VALUATION OF INVENTORIES

## ◆ No Interest /borrowing cost unless as per ICDS IX

Where inventories require a period of 12 months or more to bring them to a saleable condition.

## ◆ No change in method of valuation without reasonable cause

### Reasonable cause:

- ▶ Change in method of accounting in view of mandatory requirements of AS-7 is a bonafide reason for change -Mazagon Dock Ltd. v. JCIT [2009] 29 SOT 356 (Mum.)
- ▶ No addition could be made to income of assessee on account of change in accounting policy as to valuation of closing stock if such change had been made on account of statutory requirements - Uniflex Industries (P.) Ltd. v. ITO [2007] 15 SOT 246 (LUCK.)

# ICDS II – DISCLOSURES

- a) Accounting Policies adopted in measuring inventories including the cost formulae used.
- b) Total carrying amount of inventories and its classification appropriate to a person. (Example: raw materials and components ,Work in Progress, finished goods, Stock-in-trade, stores and spares, loose tools and others).
- c) If standard cost used.. State whether it approximates the actual costs
- d) If there is change in method of valuation of inventory its change in accounting policy... follow AS 1 disclosure.

# ICDS III – CONSTRUCTION CONTRACTS

## SCOPE

- ❖ The ICDS – III should be applied in determination of income for a construction contract of a contractor.

- ❖ not apply on real estate developers.

- ❖ Construction Contract Means a contract specifically negotiated for the construction of an assets or combination of assets , it includes:-

- Contract for services directly related to construction of assets e.g.. Architects , project manager services etc..
  - Contract for destruction of assets and restoration.

- ❖ Contract may be for fixed price contract or cost plus contract.

# ICDS III – CONSTRUCTION CONTRACTS

❖ Construction of each assets should be treated as a separate construction contract.  
Where separate proposal have been submitted for each assets or cost and revenue of each assets can be identified.

❖ Construction of an additional assets at the option should be treated as separate construction contract , if separate price is negotiated.

Revenue Shall be recognized when there is reasonable certainty of its ultimate collection.

❖ Contract Revenue shall comprise of:

- The initial amount of revenue agreed , and
- Claims and incentive of reasonability measured.



# ICDS III – CONSTRUCTION CONTRACTS

✗ Revenue to include retentions money being part of overall contract to be recognized subject to reasonable certainty of its ultimate collection as per para 9 – FAQ –Q11

✗ Judicial Precedents:

- + Where retention money and security deposit were repayable to the assessee after completion of the contract to the satisfaction of the contractee, it could not be said that said amount had accrued to assessee and therefore, could not be taxed in assessee's hand - ***CIT v. P & C Constructions (P.) Ltd. [2009] 318 ITR 113 (Mad.)***
- + On date of submission of bills, assessee had no right to receive entire amount on completion of work and retention money did not accrue to it on such date but on later date in accordance with terms of contracts. The AO was not justified in treating entire contract amount as accrued on submission of bills - ***CIT v. Simplex Concrete Piles India (P.) Ltd. [1989] 45 Taxman 370 (Cal.)***

# ICDS III – CONSTRUCTION CONTRACTS

- ✕ Contract Costs shall be reduced by any incidental income. But, not being in the nature of interest, dividends or capital gains, that is not included in contract revenue and recognized as revenue to profit & Loss.
- + Change in estimation of revenue or contract cost , shall give effect in the year changes are made and subsequent year.
- + Contract revenue written off allowed as a deductible expenses , even same as not been recognized in books , but disclose as per ICDS .

# ICDS III – CONSTRUCTION CONTRACTS

Recognition of contract revenue and expenses shall be determined with reference to method:

- 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
- c) Completion of a physical proportion of a contract work.

- ✗ Percentage completion method to be determined by , any one of method.
- ✗ 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 of costs incurred.
- ✗ The early stage of a contract shall not extend beyond 25 % of the stage of completion.
- ✗ The MAT (Minimum Alternate Tax) is liable to be paid in case of revenue is recognised, even if the contractor is not able to make reliable estimate of outcome of contract.

# ICDS III – CONSTRUCTION CONTRACTS

Expected losses not to be recognised – AS 7 – to provide on prudence immediately.

✗ Implication of non – allowance of expected loss.

Example :-

- + Expected loss in the year 1<sup>st</sup> year of a 3 year contract was Rs . 300.
- + Actual Loss on completion of the contract in the third year was Rs. 240.

Year	Book Profit	As per Income Tax
1	(300)	(100)
2	-	(100)
3	60	(40)

- + It can be observed that, without any actual income there would be taxable income u/s 115JB.
- + In ICDS, only prohibits expected expected loss, but not actual loss as available U/S 28 or 37.



# ICDS III – TRANSITIONAL PROVISION

- ✗ Contract Revenue and Contract Costs associated with the construction contract which commenced on or after 1 April 2016 shall be recognized as per provision of ICDS – III
- ✗ Contract Revenue and Contract Costs associated with the construction contract which commenced on or before 31 March 2016 but not completed by the said date, shall be recognized based on method regularly followed by the person prior to 01.04.2016

# ICDS III – DISCLOSURES

- ❖ The amount of contract revenue recognised as revenue in the period; and
- ❖ The methods used to determine the stage of completion of contracts in progress.
- ❖ For contracts in progress at the reporting date, namely:-
  - Amount of costs incurred and recognised profits (less recognised losses) upto the reporting date,
  - Amount of advances received, and
  - Amount of retentions.

# ICDS III – PRACTICAL IMPLICATIONS

- ✗ Retentions to be recognised on percentage completion method through ICDS
- ✗ Expected losses to be added back to computation through ICDS
- ✗ Contract costs not to be reduced by interest, dividends or capital gains. To be charged directly to revenue

# **ICDS IV – REVENUE RECOGNITION**

## **SCOPE**

- ◆ Both AS-9 & ICDS-IV deals with recognition of revenue from:
  - ▶ Sale of goods;
  - ▶ Rendering of services;
  - ▶ Use by others of the person's resources yielding interest, royalties or dividends.
  
- ◆ Does not deal with aspects of revenue dealt with other ICDS.

**Note-: Main issue is the timing of recognition of revenue.**



# ICDS IV – REVENUE RECOGNITION

- ♦ Revenue for sale of goods to be recognized when there is reasonable certainty of its ultimate collection .
- ♦ 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.
- ♦ Revenue for export ,incentive or claim for price escalation shall be recognized only when certainty exists.

## NOTES:

- 1) Goods sold on approval basis-: the revenue shall be recognized only when approval received.

**Q ) When goods sold on sales basis or return(SOR) basis? When revenue should recognized?**

# ICDS IV – REVENUE RECOGNITION

- ♦ For Service Contracts, AS allows both methods:
  - 1) Percentage completion method; and
  - 2) Completed Contract method
- ♦ ICDS requires mandatorily compliance of percentage completion method & Requirements of ICDS – III, shall mutatis mutandis apply
- ♦ However, if revenue from service contracts is duration of not more than 90 days, then revenue may be recognized under completed contract method.
- ♦ Where both goods & services are evolved, what predominant factor, must be considered for recognition of revenue as goods or services. Example: Installation of Air Condition unit.

# ICDS IV – REVENUE RECOGNITION

- ◆ **Interest income** to accrue on time basis by the amount outstanding and the rate applicable.
  - ▶ Interest on refund of any tax, duty or cess shall be the income of the previous year in which such interest is received.
  - ▶ Discount or Premium on debt securities, accruing over the period of maturity.
- ◆ **Interest on security** – Sold security on 30th April. Accounts interest on accrual basis till 31st March. Deduction of amount already taxed but not received to be allowed as deduction. FAQ – Q 18.
- ◆ **Interest received on enhanced compensation** shall be recognized in the year on received.

# ICDS IV – REVENUE RECOGNITION

- ◆ Reasonable certainty of ultimate collection of interest & royalty not given. Recognize and if not realised claim bad debts u/s 36(1)(vii) / 43D (banks, etc) – FAQ – Q 13
- ◆ Interest on NPAs other than Banks, etc?
  - ▶ Real Income theory - Godhra Electricity (SC) (225 ITR 746),
  - ▶ Accrual concept u/s 5
- ◆ ICDS applicable on non-residents for tax on gross basis on interest, royalty & FTS u/s 115A. FAQ – Q 14
- ◆ Interest on Income-tax, Service Tax, etc. shall now be taxable on receipt basis instead of accrual basis.



# ICDS IV – REVENUE RECOGNITION

- ◆ **Dividend to be recognised as per Act. -: When owner's right to receive is established.**
  - ✓ **Deemed dividend u/s 2(22)(e) in recognized as revenue when it is paid.**
- ◆ **Royalty to be recognized with the terms of agreement unless having regard to the substance of transaction, it is more appropriate to recognize revenue on some other systematic & rational basis.**

# **ICDS IV – TRANSITIONAL PROVISION**

- ◆ **The transitional provisions of ICDS III shall mutatis mutandis apply to recognition of revenue & associated costs for a service transaction undertaken on or before 31.3. 2016 but not completed by the said date.**
- ◆ **Revenue for a service transaction other than dividend undertaken on or before 31.3.2016 but not completed by the said date shall be recognised in accordance with the provisions of this ICDS for the PY commencing on 1.4.2016 & subsequent PY.**
- ◆ **The amount of revenue, if any, recognised for the said transaction for any PY commencing on or before 1.4.2015 shall be taken into a/c for recognising revenue for the said transaction for the PY commencing on 1.4.2016 & subsequent PYs.**

# **ICDS IV – DISCLOSURES**

- ◆ In a transaction involving sale of good, total amount not recognised as revenue during PY due to lack of reasonably certainty of its ultimate collection along with nature of uncertainty;
- ◆ Amount of revenue from service transaction recognised as revenue during the PY;
- ◆ Method used to determine the stage of completion of service transactions in progress; and
- ◆ For service transactions in progress at end of PY:
  - ▶ Amount of costs incurred and recognised profits (less recognised losses) upto end of PY;
  - ▶ Amount of advances received; and
  - ▶ Amount of retentions.

# **ICDS IV – PRACTICAL IMPLICATIONS**

- ♦ **Interest income on accrual basis if not recognised being doubt of collection exists. other than 43D (banks, etc) others may have to disclose adjustments in ICDS.**
- ♦ **If service contract beyond 90 days and recognised on completed contract method, need to adjust and disclosure as per ICDS**
- ♦ **In an agency relationship, the revenue is the amount of commission and not the gross inflow.**



# ICDS V – TANGIBLE FIXED ASSETS

## SCOPE

Only for Tangible FA being land, building, machinery, plant or furniture held with intention of being used for purpose of producing or providing goods or services and is not held for sale in normal course of business.

- ◆ Not for intangibles.

- ◆ Not for rental / Administrative use?

- : Stand-by equipment /servicing equipment are to be capitalised.

- : Machinery spares to be charged to revenue as and when consumed. When such spares can be used only in connection with an item of tangible FA & their use is expected to be irregular, they shall be capitalised

# ICDS V – TANGIBLE FIXED ASSETS

◆All the expenditure incurred till assets in first put to use to be capitalized.

◆Time upto which to be capitalized-:

\*Expenditure incurred on start-up and commissioning of the project, including the expenditure incurred on test runs and experimental production, shall be capitalised. AS 10- Initial cost to include testing costs

\*Expenditure incurred after the plant has begun commercial production, shall be treated as revenue expenditure.

\*Exp. incurred till plant has begun commercial production intended for sale or captive consumption to be capitalised. FAQ – Q 15

# ICDS V – TANGIBLE FIXED ASSETS

◆ Following costs not capitalized :

- a) Initial operating losses, such as those incurred while demand for the output of an item builds up; and
- b) Costs of relocating or reorganising part or all of the operations of an enterprise.
- c) Cost of dismantling and restoring the site on which assets located.

# ICDS V – TANGIBLE FIXED ASSETS

## **Improvement and Repairs:-**

**An Expenditure that increases the future benefits from the existing asset beyond its previously assessed standard of performance is added to the actual cost**

- ◆ **If assets is acquired against shares – Fair Value of asset acquired to be actual cost.**
- ◆ **Cost of assets changes subsequent due to**
  - ▶ **Price adjustment , changes in duties on similar factors , or**
  - ▶ **Exchange fluctuation due to change in foreign exchange rate.**
- ◆ **Subsidy or grant or reimbursement, received shall be deducted from the actual cost of assets or WDV of block of assets.**



# **ICDS V – TRANSITIONAL PROVISION**

- ◆ **The actual cost of tangible fixed assets, acquisition or construction of which commenced on or before the 31.3.2016 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 PY commencing on or before 1.4.2015 shall be taken into account for recognising actual cost of the said assets for the PY commencing on 1.4.2016 and subsequent PYs**

## **ICDS V – DISCLOSURES – PARA 18 FORM 3CD**

- **Description of asset or block of assets;**
- **Rate of depreciation;**
- **Actual cost or WDV, as the case may be;**
- **Additions or deductions during the yr with dates; in the case of any addition of an asset, date put to use; including adjustments on account of—**
  - **CENVAT credit claimed and allowed under CENVAT Credit Rules, 2004;**
  - **Change in rate of exchange of currency;**
  - **Subsidy or grant or reimbursement, by whatever name called;**
- **Depreciation Allowable; and**
- **Written down value at the end of year.**

## **ICDS V – DISCLOSURES – PARA 18 FORM 3CD**

- **Description of asset or block of assets;**
- **Rate of depreciation;**
- **Actual cost or WDV, as the case may be;**
- **Additions or deductions during the yr with dates; in the case of any addition of an asset, date put to use; including adjustments on account of—**
  - **CENVAT credit claimed and allowed under CENVAT Credit Rules, 2004;**
  - **Change in rate of exchange of currency;**
  - **Subsidy or grant or reimbursement, by whatever name called;**
- **Depreciation Allowable; and**
- **Written down value at the end of year.**

# ICDS VII – GOVERNMENT GRANTS

## ♦ As per ICDS “Government grants” are

- ▶ Assistance by Government in cash or kind to a person for past or future compliance with certain conditions.
- ▶ They exclude:
  - ✦ Those forms of Government assistance which cannot have a value placed upon them; and (e.g. usage of public roads etc)
  - ✦ The transactions with Government which cannot be distinguished from the normal trading transactions of the person.
  - ✦ Government grant without any associated or attached conditions is not covered under the ICDS .
  - ✦ Government participation in the ownership of the enterprise.

**Ques:** Are Cash assistance, duty drawbacks, reimbursements covered under ICDS VII - \*



# ICDS VII – GOVERNMENT GRANTS

♦ AS -12 permits two approaches, depending on the nature of the grant:

- ▶ Capital approach – owner's funds
- ▶ Income approach

♦ ICDS – only income approach

♦ Recognition Criteria:

- ▶ Not be recognised until there is reasonable assurance that
  - ✦ Person shall comply with conditions attached to them; &
  - ✦ Grants shall be received
- ▶ Not to be postponed beyond actual date of receipt.
- ▶ Recognizes grants on accrual basis as per ICDS-I, but recognized only when condition satisfied.

## ICDS VII – GOVERNMENT GRANTS

- ♦ **ICDS - Government grant with respect to depreciable fixed asset always required to be reduced from the actual cost of depreciable fixed assets.**
- ♦ **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.**

**Ques:** If grant received in 1st year and assets purchased in 2nd year. In which year grant shall be reduced from actual cost?

# ICDS VII – IT ACT

- ◆ Inserted by Finance Act 2015 - S. 2(24) (xviii) - Income includes, Assistance in the form of a subsidy or grant or cash incentive or duty drawback or waiver or concession or reimbursement (by whatever name called) by the CG or a SG or any authority or body or agency in cash or kind to the assessee other than, —
  - ▶ Subsidy or grant or reimbursement which is taken into account for determination of actual cost of the asset in accordance with the provisions of Explanation 10 to clause (1) of section 43; or
  - ▶ Inst. By Finance Act 2016 - Subsidy or grant by CG for the purpose of the corpus of a trust or institution established by the CG or a SG, as the case may be

## ICDS VII – IT ACT

- ♦ **Explanation 10 to 43(1)** - Where a portion of the cost of an asset acquired by the assessee has been met directly or indirectly by the CG or SG or any authority established under any law or by any other person, in the form of a subsidy or grant or reimbursement (by whatever name called), then, so much of the cost as is relatable to such subsidy or grant or reimbursement shall not be included in actual cost of the asset to the assessee.



## **ICDS VII – Refund of Government Grants**

- ◆ **The amount refundable in respect of Government grant shall be applied first against any unamortised deferred credit and thereafter the amount shall be charged to profit and loss statement.**
- ◆ **The amount refundable in respect of Government grant related to depreciable fixed asset or assets shall be recorded by increasing the actual cost or WDV of block of assets by the amount refundable.**

## **ICDS VII – TRANSITIONAL PROVISION**

- ♦ **All the Government grants which meet the recognition criteria of para 4 on or after 1.4.2016 shall be recognised for the previous year commencing on or after 1.4.2016 in accordance with the provisions of this standard after taking into account the amount, if any, of the said Government grant recognised for any previous year ending on or before 31.3.2016**

# **ICDS VII – TRANSITIONAL - FAQ**

- ◆ **Q 17 – FAQ** – Grants received prior to 1.4.2016 shall continue to be recognised as per law prevailing on that date. Example as per FAQ:
  - ▶ Total subsidy entitlement as on 31.3.16 - 10 Cr
  - ▶ Total recognised till 31.3.2016 – 6Cr
  - ▶ Pending due to satisfaction of related conditions or achieving reasonable certainty of receipt – 4 Cr
  - ▶ 4 Cr to be recognized in yr(s) in which related conditions are met & reasonable certainty is achieved
  - ▶ If subsidy received prior to 1.4.2016 Para 13 of ICDS VII not applicable even if related conditions are met after 1.4.2016. Earlier Law applicable

## **ICDS VII – DISCLOSURE**

### **◆ Nature and extent of Government grants recognised during PY:**

- ▶ **By way of deduction from actual cost of the asset or assets or from the WDV of block of assets during the PY;**
- ▶ **As income;**
- ▶ **Not recognised by way of deduction from actual cost of asset(s) or from WDV of block of assets and reasons thereof;**
- ▶ **Not recognised during the PY as income and reasons thereof.**



## **ICDS VII – PRACTICAL IMPLICATION**

- ♦ **If transferred to owner's fund – adjustment required and disclosure in ICDS**
- ♦ **If grant for depreciable assets charged to revenue in proportion.. Disclosure as per ICDS – reduce from Fixed Assets.**
- ♦ **If grant for non-depreciable assets transferred to capital reserve.. Disclosure as per ICDS – charge to revenue.**

# **ICDS IX – BORROWING COSTS**

## **Scope:-**

◆ **ICDS – IX is applied to:-**

- ▶ **Tangible / Intangible Assets**
- ▶ **Inventories that require 12 months or more to bring to saleable condition**
- ▶ **Assets that necessary takes substantial period to get ready for sale which generally is 12 months.**

◆ **It exclude actual cost of owner equity and preference share capital.**

◆ **It excludes interest of overdue payments.**

◆ **Goodwill arising on an amalgamation is also tangible assets**  
**(348 ITR 302 (SC)).**

◆ **Inventory of real estate developers would be as qualify assets under this ICDS.**

## **ICDS IX – BORROWING COSTS**

### **Borrowing Cost includes:-**

- ▶ **Interest and other charges.**
- ▶ **Commitment charges on borrowing.**
- ▶ **Cost incurred for arrangement of borrowing.**
- ▶ **Finance charges in respect of assets acquired under finance lease.**

# ICDS IX – BORROWING COSTS

- ◆ ICDS does not include exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest cost as a borrowing cost.
- ◆ ***(FAQ) Q21: Whether bill discounting charges and other similar charges would fall under the definition of borrowing cost?***

**Answer:** The definition of borrowing cost is an inclusive definition. Bill discounting charges and other similar charges are covered as borrowing cost.



# **ICDS IX – BORROWING COSTS**

## **Operative Portion**

- (I) Recognition**
- (II) Borrowing cost eligible for capitalization**
- (III) Cessation of capitalization**

### **Key Points:-**

- ◆ **Borrowing cost required to capitalized till assets are put to use.**
- ◆ **In case of inventories capitalization means addition of the borrowing cost to the cost of inventory.**
- ◆ **Contravention of provision of sec 36(I)(iii) w.r.t.. Capitalization of interest required to for inventory held for more than 12 months. Hence provision of act prevailed.(Discloser required or not ?)**

# ICDS IX – BORROWING COSTS

## Capitalization:-

**There are two types of Borrowing :-**

- ▶ **Specific Borrowing**
- ▶ **General Borrowing**

# ICDS IX – BORROWING COSTS

## ◆ Specific Borrowing:

- ▶ Actual borrowing costs incurred during period on funds so borrowed from the date funds borrowed for specific assets.

## ◆ General borrowing:

- ▶ Capitalization of general borrowing costs as per para 6 of ICDS IX formula to be done on asset-by-asset basis.

**FAQ – Q 22**

- ▶  $A \times B / C$

- ▶ A = borrowing costs incurred except on specific borrowings

# ICDS IX – BORROWING COSTS

► **B = (excluding directly funded by specific borrowing)**

- ✦ **average of costs of qualifying asset as appearing in B/S of a person on 1st day & last day of PY;**
- ✦ **in case the qualifying asset does not appear in the B/S of a person on 1st day, half of the cost of qualifying asset; or**
- ✦ **in case the qualifying asset does not appear in the B/S of a person on last day of PY, average of costs of qualifying asset as appearing in B/S of a person on 1st day of PY and on date of put to use or completion, as case may be**

► **C = average of amount of total assets as appearing in B/S of a person on 1st day & last day of PY, other than assets to the extent they are directly funded out of specific borrowings**

- ◆ **For this formulae qualifying asset - if it requires 12 months or more for acquisition or construction or production)**
- ◆ **If less than 12 months... no capitalization?**



# ICDS IX – BORROWING COSTS

- ◆ ICDS is silent on suspension of capitalization during extended periods in which active development is interrupted.
- ◆ Cessation of borrowing costs:-
  - ▶ In case of tangible fixed asset and intangible asset when first put to use; and
  - ▶ In case of inventory when substantial activities necessary to prepare such inventory for its intended sale are complete
- ◆ "used for the purpose of business" as per S. 32 should be interpreted to include a case where the asset is kept ready for use but has not actually been put to use.

# ICDS IX – BORROWING COSTS

- ◆ **Difference between ready to be put to use and put to use is important...**
- ◆ **Loan for vehicle. Interest between loan taken and vehicle on road... capitalise**

# **ICDS IX – BORROWING COSTS**

- ◆ **FAQ - Q 20 -Borrowing costs disallowed u/s 14A, 43B, 40(a)(i), 40(a)(ia), 40A(2)(b):**
  - ▶ **Capitalization shall exclude those borrowing costs which are specifically disallowed under specific provision of the Act**
  - ▶ **Capitalization of borrowing costs shall apply for that portion of the borrowing cost which is otherwise allowable as deduction under the Act**
- ◆ **Finance Act, 2015 already inserted proviso to sec 36(i)(iii) that the interest expenses incurred for acquisition of capital asset upto put to use shall not be deductible.**

# ICDS IX – TRANSITIONAL PROVISION

- × **All the borrowing costs incurred on or after 1.4.2016 shall be capitalised for the previous year commencing on or after 1.4.2016 in accordance with the provisions of this standard after taking into account the amount of borrowing costs capitalised, if any, for the same borrowing for any previous year ending on or before 31.3.2016**



## **ICDS IX – DISCLOSURE**

- **Accounting policy adopted for borrowing costs**
- **Amount of borrowing costs capitalised during the previous year.**

# **ICDS IX – PRACTICAL IMPLICATIONS**

- ◆ **Disclosure ... same as per AS**
- ◆ **Exchange differences arising from foreign currency borrowings to the extent .. interest cost**
  - ▶ **In books revenue**
  - ▶ **In computation**
    - ✦ **If related to s. 43A – capitalize**
    - ✦ **If related to revenue – not borrowing but exchange difference**
- ◆ **Interest if charged to revenue – capitalize:**
  - ▶ **From date of ready to be put to use and put to use**
  - ▶ **From loan taken and vehicle on road**

# **ICDS X – PROVISIONS, CONTINGENT LIABILITIES / ASSETS**

## **SCOPE**

**The ICDS deals with provisions, contingent liabilities and contingent assets except those,**

- a) resulting from financial instruments;**
- b) resulting from executory contracts(future activity);**
- c) arising in insurance business from contract with policyholders; and**
- d) covered by another ICDS.**

## ICDS X – PROVISIONS, CONTINGENT LIABILITIES / ASSETS

- ◆ **Provision to be recognized** when it is reasonably certain that an outflow of resources embodying economic benefits will be required to settle the obligation.
- ◆ No provision shall be recognised for costs that need to be incurred to operate in the future
- ◆ Where details of a proposed new law have yet to be finalised, an obligation arises only when the legislation is enacted .

**Case law reference:** Rotork Controls India (P) Ltd v CIT [2009]314 ITR 62(SC)



## **ICDS X – PROVISIONS, CONTINGENT LIABILITIES / ASSETS**

- ◆ **The following provisions can be recognized ;**
  - ▶ **Penalties imposed and order has been passed for the same.**
  - ▶ **Cost of Clean up for unlawful environment damage.**
  - ▶ **Provisions of warranty are allowed. Rotork Controls India (P) Ltd v CIT [2009]314 ITR 62(SC)**
  - ▶ **Provision for expenses for march end i.e., telephone, electricity.**
  - ▶ **Provision for diminution in value of long term Investment ?**
  - ▶ **Provision for taxes?**

## **ICDS X – PROVISIONS, CONTINGENT LIABILITIES / ASSETS**

- ◆ **Provisions of employee benefits under AS 15 covered by Act and not under ICDS. FAQ – Q24**
  - ▶ Person shall not recognise a contingent liability under ICDS.
- ◆ **Contingent asset to be recognised when it becomes reasonably certain that inflow of economic benefit will arise.**
- ◆ **ICDS excludes onerous contracts to be recognized.**

## **ICDS X – TRANSITIONAL PROVISION**

- ◆ All provisions or assets & related income to be recognised for PY commencing on or after 1.4.2016 in accordance with ICDS X after taking into a/c amount recognised if any, for any PY ending on or before 31.3.2016 . Q 23 of FAQ:

<b>Provision required as per ICDS on 31.3.2017 for items brought forward from 31.3.2016 (A)</b>	<b>3 Crs</b>
<b>Provisions as per ICDS for FY 2016-17 (B)</b>	<b>5 Crs</b>
<b>Total Gross Provision (C) = (A) + (B)</b>	<b>8 Crs</b>
<b>Less: Provision already recognised in computation of PY 2016-17 or earlier (D)</b>	<b>2 Crs</b>
<b>Net provision to be recognized as per ICDS for AY 2017- 18 as per transition provision (E) = (C) – (D)</b>	<b>6 Crs</b>

# **ICDS X – DISCLOSURE**

- ◆ **Provisions in respect of each class of provisions:**
  - ▶ **Brief description of the nature of the obligation;**
  - ▶ **Carrying amount at the beginning and end of the PY;**
  - ▶ **Additional provisions made during the PY, including increases to existing provisions;**
  - ▶ **Amounts used, that is incurred and charged against the provision, during the PY;**
  - ▶ **Unused amounts reversed during the PY; and**
  - ▶ **Amt. of any expected reimbursement, stating amount of asset that is recognised for that expected reimb.**



# ICDS X – DISCLOSURE

## ◆ Contingent Assets:

- ▶ Brief description of the nature of the asset and related income;
- ▶ Carrying amount of asset at the beginning and end of the PY;
- ▶ Additional amount of asset and related income recognised during the year, including increases to assets and related income already recognised; and
- ▶ Amount of asset and related income reversed during the PY.

# ICDS X – PRACTICAL IMPLICATIONS

- ◆ Disclosures
- ◆ Provisions, which are not as per ICDS to be disclosed in ICDS like:
- ◆ Doubtful Debts
- ◆ Investments

# ICDS CHECKLIST

ICDS	Name of ICDS	Whether Applicable	Amounts in ITR & 3CD	Disclosure in 3cd
I	Accounting Policies	Yes		
II	Vauation of inventory	Yes		
III	Construction Contracts	NO		
IV	Revenue Recognition	Yes		
V	Tangible Fixed Assets	Yes		
VI	Changes in foreign exchange rates	Yes		
VII	Government Grants	No		
VIII	Securities	No		
IX	Borrowing Cost	Yes		
X	Provisions , Contigent liabilities & Contigent assets.	Yes		

# DRAFT DISCLOSURES IN TAX AUDIT REPORT

<i>ICDS No.</i>	<i>ICDS Name</i>	<i>Disclosure Requirement as per ICDS</i>	<i>Draft Disclosures for Clause 13(f) in Form 3CD</i>
I	Accounting Policies	<ul style="list-style-type: none"> <li>• All Significant Accounting Policies adopted by a person shall be disclosed.</li> <li>• If fundamental accounting assumptions of going concern, consistency and accrual not followed, specific disclosure is required.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Refer Significant Accounting Policies mentioned at Note No. _ to Financial Statements</b></li> </ul>
II	Valuation of Inventories	<ul style="list-style-type: none"> <li>• Accounting Policies adopted in measuring inventories including the cost formulae used. Where Standard</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Refer to Note No. _ to Financial Statements(Significant Accounting Policy for Inventories)</b></li> </ul>



		<p>Costing has been used as a measurement of cost, details of such inventories and a confirmation of the fact that standard cost approximates the actual cost; and</p> <ul style="list-style-type: none"> <li>• Total carrying amount of inventories and its classification appropriate to a person.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Assessee is following Standard Costing as a measurement of cost, and that approximates the actual cost</b> (If Standard Costing is being followed as measurement of cost)</li> <li>• <b>Inventories are not inclusive of duties and taxes, yet there is no effect on profits, refer to clause 14(b) of Form 3CD</b></li> <li>• <b>For Carrying Amount &amp; Classification refer Note No._ to Balance Sheet</b> (Inventories)</li> </ul>
III	Construction Contracts	<ul style="list-style-type: none"> <li>• The amount of contract revenue recognised as revenue in the period; and</li> <li>• The methods used to determine the stage of completion of contracts in progress.</li> <li>• For contracts in progress at the reporting date, namely:— <ul style="list-style-type: none"> <li>○ Amount of costs incurred and recognised profits (less recognised losses) upto the reporting date;</li> <li>○ Amount of advances received; and</li> <li>○ Amount of retentions.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <b>Refer to Note No. _ to the Financial Statements</b> (Significant Accounting Policy for Revenue Recognition)</li> <li>• <b>For amount of contract revenue recognised as revenue in the period refer Note No. _ of Statement of Profit &amp; Loss</b> (Construction Revenue)</li> <li>• <b>For contracts in progress at year end refer Note No. _ to Financial Statements</b> (Note for contracts in progress at year end)</li> </ul>
IV	Revenue Recognition	<ul style="list-style-type: none"> <li>• In a transaction involving sale of good, total amount not recognised as revenue during PY due to lack of reasonably certainty of its ultimate collection along with nature of uncertainty;</li> <li>• Amount of revenue from service transaction recognised as revenue during the PY;</li> <li>• Method used to determine</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Refer Note No. _ to the Financial Statements</b> (Significant Accounting Policy for Revenue Recognition)</li> <li>• <b>For amount of revenue from service transactions recognised as revenue during the PY refer Note No. _ of Statement of Profit &amp; Loss</b> (Revenue from services)</li> <li>• <b>For service transactions in progress at year end refer</b></li> </ul>

		<p>the stage of completion of service transactions in progress; and</p> <ul style="list-style-type: none"> <li>• For service transactions in progress at end of PY: <ul style="list-style-type: none"> <li>○ Amount of costs incurred and recognised profits (less recognised losses) upto end of PY;</li> <li>○ Amount of advances received; and</li> <li>○ Amount of retentions.</li> </ul> </li> </ul>	<p><b>Note No. __ to Financial Statements</b> (Note for services in progress at year end)</p>
V	Tangible Fixed Assets	<ul style="list-style-type: none"> <li>• Description of asset or block of assets;</li> <li>• Rate of depreciation;</li> <li>• Actual cost or WDV, as the case may be;</li> <li>• Additions or deductions during the yr with dates; in the case of any addition of an asset, date put to use; including adjustments on account of— <ul style="list-style-type: none"> <li>○ CENVAT credit claimed and allowed under CENVAT Credit Rules, 2004;</li> <li>○ Change in rate of exchange of currency;</li> <li>○ Subsidy or grant or reimbursement, by whatever name called;</li> </ul> </li> <li>• Depreciation Allowable; and</li> <li>• Written down value at the end of year.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Refer to the Clause 18 of Form 3CD</b></li> </ul>
VII	Government Grants	<ul style="list-style-type: none"> <li>• 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;</li> </ul>	<p><b>Nature and extent of Government grants recognised during PY:</b></p> <ul style="list-style-type: none"> <li>• <b>By way of deduction from actual cost of the asset or assets or from the WDV of block of assets during the PY;</b></li> <li>• <b>As income;</b></li> </ul>

		<ul style="list-style-type: none"> <li>• Nature and extent of Government grants recognised during the previous year as income;</li> <li>• Nature and extent of Government grants not 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</li> <li>• Nature and extent of Government grants not recognised during the previous year as income and reasons thereof.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>By way of deduction from actual cost of asset(s) or from WDV of block of assets and reasons thereof;</b></li> <li>• <b>Not recognised during the PY as income and reasons thereof.</b></li> </ul>
IX	Borrowing Costs	<ul style="list-style-type: none"> <li>• Accounting policy adopted for borrowing costs</li> <li>• Amount of borrowing costs capitalised during the previous year.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Refer to the Significant Accounting Policies mentioned at Note No. _ to the Financial Statements</b> (Significant Accounting Policy for Borrowing Costs)</li> <li>• <b>For borrowing costs capitalised during the previous year refer Note No. ___ to Financial Statements</b> (Note for borrowing costs capitalised during the previous year at year end)</li> </ul>
X	Provisions, Contingent Liabilities & Contingent Assets	<ul style="list-style-type: none"> <li>• In respect of each class of provisions: <ul style="list-style-type: none"> <li>○ Brief description of the nature of the obligation;</li> <li>○ Carrying amount at the beginning and end of the PY;</li> <li>○ Additional provisions made during the PY, including increases to existing provisions;</li> <li>○ Amounts used, that is incurred and charged</li> </ul> </li> </ul>	<b>In respect of each class of provisions:</b> <ul style="list-style-type: none"> <li>• <b>Brief description of the nature of the obligation;</b></li> <li>• <b>Carrying amount at the beginning and end of the PY;</b></li> <li>• <b>Additional provisions made during the PY, including increases to existing provisions;</b></li> <li>• <b>Amounts used, that is incurred and charged</b></li> </ul>



		<p>against the provision, during the PY;</p> <ul style="list-style-type: none"> <li>○ Unused amounts reversed during the PY; and</li> <li>○ Amt. of any expected reimbursement, stating amt of asset that is recognised for that expected reimb.</li> </ul> <ul style="list-style-type: none"> <li>• In respect of Contingent Assets: <ul style="list-style-type: none"> <li>○ Brief description of the nature of the asset and related income;</li> <li>○ Carrying amount of asset at the beginning and end of the PY;</li> <li>○ Additional amount of asset and related income recognised during the year, including increases to assets and related income already recognised; and</li> <li>○ Amount of asset and related income reversed during the PY.</li> </ul> </li> </ul>	<p>against the provision, during the PY;</p> <ul style="list-style-type: none"> <li>• <b>Unused amounts reversed during the PY; and</b></li> <li>• <b>Amt. of any expected reimbursement, stating amt. of asset that is recognised for that expected reimbursements</b></li> </ul> <p><b>In respect of Contingent Assets:</b></p> <ul style="list-style-type: none"> <li>• <b>Brief description of the nature of the asset and related income;</b></li> <li>• <b>Carrying amount of asset at the beginning and end of the PY;</b></li> <li>• <b>Additional amount of asset and related income recognised during the year, including increases to assets and related income already recognised; and</b></li> <li>• <b>Amount of asset and related income reversed during the PY.</b></li> </ul>
--	--	--	--



# ***THANK YOU***

**CA. Manpreet Singh Kapoor**  
*DEEPAK GULATI & ASSOCIATES*  
*Chartered Accountants*

**Head Office:**

**23, Hanuman Road,  
Connaught Place  
New Delhi- 110001  
Mobile no -: 9810039715**

**Branch Office:**

**JCM – 1, DLF Phase- II  
Gurgaon – 122002  
[www.dga.in](http://www.dga.in)  
[manpreet@dga.in](mailto:manpreet@dga.in)**