R. C. Jain & Associates LLP
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Income Computation & Disclosure Standards

Sec. 145: Method of Accounting

- 145(1) Income chargeable under the head “PGBP" or "IFOS" shall, subject to the provisions of sub-section (2), be computed in accordance with either CASH or MERCANTILE system of accounting regularly employed by the assessee.
- 145(2) The CG may notify in the OZ from time to time ICDS to be followed by any class of assessees or in respect of any class of income.
- 145(3) Where the Assessing Officer is not satisfied about the correctness or completeness of the accounts of the assessee, or where the method of accounting provided in sub-section (1) has not been regularly followed by the assessee, or income has not been computed in accordance with the standards notified under sub-section (2), the Assessing Officer may make an assessment in the manner provided in section 144.

- **CG notified 10 ICDS vide Notification 87/2016 dated 29th September, 2016**

Notified ICDS

ICDS	Title
ICDS I	Accounting Policies
ICDS II	Valuation of Inventories
ICDS III	Construction Contracts
ICDS IV	Revenue Recognition
ICDS V	Tangible Fixed Assets
ICDS VI	Changes in Foreign Exchange Rates
ICDS VII	Government Grants
ICDS VIII	Securities
ICDS IX	Borrowing Costs
ICDS X	Provisions, Contingent Liabilities & Contingent Assets

Applicability

- **Applicable from AY 2017-18 [FY 2016-17]**
- For Computation of Income & not for maintaining BOA, hence no effect in BOA. However, it is advisable to maintain **2 parallel set of BOA – AS & ICDS – to keep track of adjustments** (present & future).
- In case of conflict between provision of income tax and ICDS, the provisions of IT Act shall prevail to that extent
- All Assessees following **MERCANTILE** system of accounting
- Except Individual & HUF [I/HUF] not required to get his accounts audited u/s. 44AB
- N.A. to I/HUF not carrying B/P and having only IFOS following mercantile system
- Different method of accounting followed for different sources of income under same head of income – ICDS only for sources where mercantile system followed
- Change in Method of Accounting – Permissible if such method is bonafide and regularly followed

Applicability: Presumptive Taxation Scheme [PTS]

- **I/HUF**

– Opting PTS – 44AB N.A. – Hence, ICDS N.A.

– If opting out of PTS, Sec. 44AB applicable – Hence, ICDS shall apply

- **Assessees other than I/HUF**

– No specific exclusion

– BOA not mandatory as per PTS since income computed on presumptive basis

– However, it involves computation of tax on the basis of gross receipts/turnover,

ICDS 3: Construction Contract &

ICDS 4: Revenue Recognition

shall apply for determination of turnover/gross receipts.

Applicability: Banks/Insurance/Power Companies

- General Provisions of ICDS shall apply to all persons unless there are sector specific provisions contained in the ICDS or the Act.

Applicability: Non-Residents

- ICDS applicable to all assessees irrespective of Residential Status
- PTS – shall apply for determination of Gross Receipts / Turnover
- Flat Rate of Income Tax on Gross Income – Sec 115A: Interest / Royalties / FTS

ICDS shall apply for computation of the above incomes on gross basis for arriving at the amount chargeable to tax

- Other than PTS – ICDS shall apply
- Where NR claims benefit of DTAA, provisions of DTAA shall prevail over IT Act, including Section 145 & ICDS notified thereunder.

Applicability: Computation of MAT & AMT

- **Computation of MAT u/s. 115JB:**

  ICDS N.A. to Computation of MAT on Book Profits – Profits to be considered as per the Statement of Profit & Loss and tax rate applied accordingly

- **Computation of AMT u/s. 115JC:**

  ICDS apply to Computation of AMT on adjusted total income – both GTI as well as GTI before incentives computed as per ICDS

Effects of ICDS: ITR only net effect

Effects in ICDS: Tax Audit Report

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S.No.		Section	Amount
1		Select	

Add Delete

13 (a) Method of accounting employed in the previous year. — Mercantile sy

(b) Whether there had been any change in the method of accounting employed vis-a-vis the method employed in the immediately preceding previous year. — NO

(c) If answer to (b) above is in the affirmative, give details of such change , and the effect thereof on the profit or loss.

S.No.		Particulars	Increase in profit	Decrease in profit
1				

Add Delete

(d) Whether any adjustment is required to be made to the profits or loss for complying with the provisions of income computation and disclosure standards notified under section 145(2). — YES

(e) If answer to (d) above is in the affirmative, give details of such adjustments:

S.No.		ICDS	Increase in profit (Rs.)	Decrease in profit (Rs.)	Net effect (Rs.)
1		ICDS I - Accounting Policies	1000	150	850
		Total	1000	150	850

Add Delete

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Disclosures - Tax Audit Report

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Instructions | FORM-3CB | 3CD Part A(1-8) | 3CD Part B(9-20) | 3CD Part B(21-41)

(e) If answer to (d) above is in the affirmative, give details of such adjustments:

S.No.		ICDS	Increase in profit (Rs.)	Decrease in profit (Rs.)	Net effect (Rs.)
1		ICDS I - Accounting Policies	1000	150	850
		Total	1000	150	850

Add Delete

(f) Disclosure as per ICDS:

S.No.		ICDS	Disclosure
1		ICDS I-Accounting Policies	

Add Delete

14 (a) Method of valuation of closing stock employed in the previous year

(b) In case of deviation from the method of valuation prescribed under section 145A, and the effect thereof on the profit or loss, please furnish: Select

S.No.		Particulars	Increase in profit	Decrease in profit
1				

Add Delete

15 Give the following particulars of the capital asset converted into stock-in-trade

ICDS - I: Accounting Policies

Introduction

- This ICDS deals with application of significant accounting assumptions and policies in **computation of income** for the purposes of the Income Tax Act, 1961.
- The income for a particular year is significantly affected by the accounting assumptions and policies followed in the preparation of the financial statements.
- To ensure uniformity, it is imperative to outline the accounting policies and assumptions that need to be applied while computing income for the year.

Comparison of AS-1 with ICDS I

Point of Difference	AS	ICDS
Concept of Prudence	Prudence is defined to be provision made for all 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	Concept of Prudence is not retained in ICDS. Therefore, marked to market losses or expected losses shall not be recognized unless permitted by any other ICDS
Concept of Materiality	The concept of materiality is a phenomenon concerning disclosure of amounts which may influence the decision of the user of the financial statements	The concept of materiality for selection of accounting policies is omitted as the principle of 'materiality' is unlikely to impact the income computation under the provisions of the Act

Comparison of AS-1 with ICDS I

Point of Difference	AS	ICDS
Changes made in Accounting Policies	If a change is made in the accounting policies which has no material effect for the current period but which are reasonably expected to have a material effect in later periods, the fact of such change shall be appropriately disclosed in the periods in which the change is adopted.	If a change is made in the accounting policies which has no material effect for the current period but which are reasonably expected to have a material effect in later periods, the fact of such change shall be appropriately disclosed in the previous year in which change is adopted and also in the previous year in which such change has material effect for the first time.

Transitional Provisions

- All contracts or transactions existing on the 1st day of April, 2016 or entered into on or after the 1st day of April, 2016 shall be dealt with in accordance with the provisions of this standard after taking into account the income, expense or loss, if any, recognized in respect of the said contract or transaction for the previous year ending on or before the 31st March, 2016.

ICDS – II: Valuation of Inventories

Applicability:

- Valuation of Inventories

Non-Applicability:

- WIP arising under 'Construction Contract' including directly related service contract.
- Shares, debentures and other financial instruments held as stock-in-trade are dealt by ICDS VIII-Securities
- Producers' inventories of livestock, agriculture and forest products, mineral oils, ores and gases to the extent that they are measured at NRV
- 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 in ICDS-V tangible fixed assets.

Comparison of AS-2 with ICDS II

Point of Difference	AS	ICDS
Inventory of services	Excludes inventory of service providers from its scope .	Valuation of inventory of services at COST **or** NRV, whichever is lower **E.g** :- Labour and overhead
Value of inventory at beginning of previous the year	There is no such provision	In case of commencement of business, value of inventory shall be the cost available on day of commencement **E.g** :- Conversion of Capital asset into stock in trade.
Methods for ascertaining cost of inventories	Techniques such as standard cost or retail method may be used for convenience.	Retail method is permitted for ascertaining cost of inventory if it is impracticable to use FIFO **or** weighted average.

Comparison of AS-2 with ICDS II

Point of Difference	AS	ICDS
Value of inventory in case of dissolution (whether business discontinued or not)	There is no such provision	In case of dissolution, inventory shall be valued at NRV **Reason**:-To bring Uniformity
Change in method of valuation of inventory	Change in method of valuation of inventories should be made only if it is required by statute **or** for compliance with AS **or** if it results in more appropriate presentation of financial Statements	Method of valuation of inventories once adopted by a person in any previous year shall not be changed without reasonable cause. **E.g**:-Change in nature of business.

Transitional Provisions

- Interest and other borrowing costs, which do not meet the criteria for recognition of interest as a component of the cost, but included in the cost of the opening inventory as on the 1st day of April, 2016, 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, 2016 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, 2016

ICDS – III: Construction Contracts

A) <u>Scope:</u>

1. Construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use and includes:

- 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;
- Contract for **destruction or restoration** of assets and the restoration of the environment following the demolition of assets.

2. **Terms Used:**

- Fixed Price Contract
- Cost Plus Contract
- Retentions
- Advances
- Progress billings

3. **Where a contract covers a number of assets, the construction of each asset should be treated as a separate construction contract when:**

- **Separate proposals** have been submitted for each asset;
- 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 relating to each asset; and
- The costs and revenues of each asset **can be identified**.

4. **A group of contracts, whether with a single customer or with several customers, should be treated as a single construction contract when:**

- The group of contracts is **negotiated as a single package**;
- The contracts are so **closely interrelated** that they are, in effect, part of a single project with an overall profit margin; and
- The contracts are **performed** concurrently or in a **continuous sequence**.

5. **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:**

- The asset differs significantly in design, technology or function from the asset or assets covered by the original contract; or
- The price of the asset is negotiated without having regard to the original contract price.

Comparison of AS-7 with ICDS III

Point of Difference	AS	ICDS
1. Method for recognising cost and revenue	Contract revenue and contract cost are recognised by reference to the percentage of completion method if the outcome of the contract can be estimated reliably, else, revenue is recognised only to the extent of costs incurred if recovery is probable.	ICDS prescribes use of percentage of completion method except during early stages of a contract when the outcome of the contract cannot be estimated reliably. In this case, revenue is recognised to the extent of cost incurred. This is possible only upto 25% of the work is completed otherwise proportionate method will apply. Thus, profit recognition has to start compulsorily once 25% stage is completed.

Comparison of AS-7 with ICDS III

Point of Difference	AS	ICDS
2. Pre construction income	Cost that relate directly to a specific contract may be reduced by 'any' incidental income that is not included in contract revenue.	Pre – construction income in the nature of interest, dividend and capital gains shall not be reduced from the cost of construction, rather they will be taxed as income. But incomes other than interest, dividend and capital gains shall be reduced from contract cost which are not included in contract revenue.

Comparison of AS-7 with ICDS III

Point of Difference	AS	ICDS
3. Recognition of loss	When it is probable that total contract costs will exceed total contract revenue, the expected loss should be recognised as an expense immediately.	Contract costs are to be recognised as an expense in the period in which they are incurred and thus expected loss should be recognised in proportion of work completed.
4. Retention money	Silent; Recognised only when right to receive such sum established.	Recognised on POCM Basis.

Transitional Provisions

- Contract revenue and contract costs associated with the construction contract, which commenced on or before the 31st day of March, 2016 but not completed by the said date, shall be recognized based on the method regularly followed by the person prior to the previous year beginning on the 1st day of April, 2016.

ICDS – IV: Revenue Recognition

Scope

The ICDS on REVENUE RECOGNITION deals with the bases for recognition of revenue arising in the course of the ordinary activities of a person from:

i. Sale of goods

ii. Rendering of services

iii. The use by others of the person's resources yielding interest, royalties or dividends.

Exclusion

- This ICDS provides that it does not apply to cases of revenue recognition dealt by other ICDS.
- Example: ICDS III on Construction Contract deals with Revenue Recognition arising from Construction Contract.
- If in future any separate ICDS is notified for Revenue Recognition, that ICDS would prevail over this ICDS.

Revenue

Revenue is the gross inflow of cash, receivables 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, Revenue is the amount of commission and not the gross inflow of cash, receivables or other consideration.

Comparison of AS-9 with ICDS IV

Point of Difference	AS	ICDS
Revenue Recognition on Service Transaction	Revenue recognition on account of Service Transaction shall be recognised on Percentage Completion Method or Completed Service Contract Method	As per ICDS-4 Revenue Revenue recognition on account of Service Transaction shall be recognised only on Percentage Completion Method. Completed Service Contract Method shall be considered only when the duration of the Contract is less than 90 days
Hire Purchase and Lease Transactions.	Does not cover it.	Silent on the same. Draft has been issued in case of Lease Transactions but has not been notified yet.

Comparison of AS-9 with ICDS IV

Point of Difference	AS	ICDS
Interest Income on Accrual Basis	Interest Charged on Accrual Basis.	Interest Charged on Accrual Basis but at the time of sale of Security, Interest which is not received for the time in lieu but considered in Accounts shall be reduced from the Sale Price.
Discount or Premium in case of Securities Issued	No such Mention	Discount or premium on debt securities held is treated as though it were accruing over the period to maturity.

Transitional Provisions

- The transitional provisions of ICDS on construction contract 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, 2016 but not completed by the said date.
- Revenue for a transaction, other than a service transaction referred to in Para 10,undertaken on or before the 31st day of March, 2016 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, 2016 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,2015 shall be taken into account for recognising revenue for the said transaction for the previous year commencing on the 1st day of April, 2016 and subsequent previous years.

ICDS – V: Tangible Fixed Assets

Scope

- ICDS only specifically deals with Tangible Fixed assets, Intangible assets are outside the purview of ICDS.
- The treatment of intangible assets are based on normal provisions of the Act and accounting principles.
- But as compared to this ICDS, AS 10 exclude biological assets, wasting assets, exploration and extraction of minerals, oil & other non renewable resources.

Comparison of AS-10 with ICDS V

Point of Difference	AS	ICDS
Identification of Tangible Fixed Assets	Purchase of insignificant items and on basis of judgment and materiality are to be expensed out in the books	Concept of Materiality to treat an item as expense is recognized by AS, is not allowed under ICDS
	Stand-by equipment and servicing equipment are normally capitalized. Machinery spares are usually charged to the profit and loss statement as and when consumed	Stand-by equipment and servicing equipment are to be capitalized. 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 capitalized

Comparison of AS-10 with ICDS V

Point of Difference	AS	ICDS
Actual Cost	Expenses specifically attributable to construction of project or acquisition of asset or bringing to its working condition, shall be included as a part of the cost of the project only if probable that future economic benefits will flow to the enterprise and further, and measured reliably	Price may undergo change: 1. Price adjustment, changes in duties or similar factors 2. Exchange fluctuation on the effects of changes in foreign exchange rates
	Does not make specific reference to such cases	Expenditure incurred on start-up, commissioning, test runs & Experimental production to be capitalized and incurred after commercial production has begun shall be treated as revenue expenditure

Comparison of AS-10 with ICDS V

Point of Difference	AS	ICDS
Non-monetary Consideration	1. When acquired in exchange for other asset, its cost is fair market value of consideration given 2. When a fixed asset acquired in exchange for shares or other securities, is usually recorded at its fair market value, or fair market value of the securities issued, whichever is more clearly evident	1. When an asset is acquired in exchange for another asset, the value of the asset so acquired shall be its actual cost. 2. When a fixed asset is acquired in exchange for shares or other securities, value of asset so acquired shall be its actual cost

Comparison of AS-10 with ICDS V

Point of Difference	AS	ICDS
Improvements and Repairs	It does not explicitly deal with such situations	Cost of an addition or extension of a capital nature which becomes an integral part of the existing asset is to be added to its actual cost
Depreciation	Depreciation on Fixed Assets shall be computed as per provisions of AS–6.	Depreciation shall be computed in accordance with the provisions of the Act. Section 32 of the Income Tax Act, specifically covers Depreciation and concept of Additional Depreciation, provisions of AS–6 shall not be applicable

Comparison of AS-10 with ICDS V

Point of Difference	**AS**	**ICDS**
Transfers	Treatment for Fixed Assets retired from Active use and are held for disposal stated at net book value and net realizable value (Lower of two) and are shown separately in the financial statements	Income arising on transfer of a tangible fixed asset shall be computed in accordance with the provisions of the Act. ICDS does not stipulate any treatment for such situation
Disclosures	Disclosures as required by AS 10, Schedule II and Schedule III of the Companies Act, 2013 are more elaborate in nature	The disclosures prescribed by this ICDS are similar to the requirements of clause 18 of Form 3CD

Transitional Provision

- Assets whose acquisition or Construction, completed after March 31, 2016, governed by ICDS
- The amount of actual cost, recognized for the said assets for any previous year commencing on or before the 1/4/2015 shall be taken into account for recognizing actual cost of the said assets for the previous year commencing on the 1/4/2016 and subsequent previous years

ICDS – VI: Changes in Foreign Exchange Rates

ICDS deals with :

- Treatment of transaction In foreign Currencies
- Translating the financial statements of foreign operations
- Treatment of foreign currency transactions in the nature of foreign exchange contracts.

Initial recognition

- Initial recognition: As per the rate on the day of transaction
- Average rate if, Approximates the Actual rate and the exchange rate doesn’t Fluctuate significantly.

Conversion

Conversion on the Last date of previous year

- Foreign currency monetary items: At Closing rate (no Diff as same with AS) However, if the amount to be actually dealt with is different than it should be reported at such amount.
- Foreign Currency Non-Monetary Items: Converted by using the exchange rate as on the date of transaction. Also items which are then being carried on the NRV then as per the exchange rate as on the date of determination of such value.

Comparison of AS-11 with ICDS VI

AS	ICDS
Considers classification for foreign operations as integral or non-integral	Does not Consider classification for foreign operations as integral or non-integral
Definition of Foreign operation is extended to a subsidiary, Associate, joint Arrangement or branch.	Definition of foreign operation is an overseas branch only.
The definition of forward exchange contract also includes a foreign currency option contract or other financial instrument of a similar nature.	The definition of a forward exchange contracts is limited to exchange of currencies at a forward rate.
Only closing rate.	Permits to record the amount at actual value if closing rate is considered to be unrealistic.

Comparison of AS-11 with ICDS VI

AS	ICDS
For non-monetary items, different treatments for items carried at historical cost and fair value. Historical – Rate as on date of transaction. Fair value - rate on the date of determination of value.	Does not consider separately. States that items are converted into reporting currency using the exchange rate as on the date of transaction
Option of capitalisation of exchange difference arising in case of long term foreign currency capital monetary item FCMITDA or adjusted to capital asset.	Requires recognition as income or expense subject to provision of 43A as per income tax act.
Whereas as AS -11, contains an exception for exchange differences arising from foreign currency borrowings to the extent considered as an adjustment to interest costs.	ICDS contains no scope exception for exchange differences arising from foreign currency borrowings which may be regarded as an adjustment to interest cost.

Transitional Provision

- Exchange difference arising on settlement of foreign currency monetary or non-monetary items commencing on 1 April 2016 shall be recognized as per the provisions of ICDS after taking into consideration amount recognized on 31st March 2016.
- Financial statements of foreign operations for the P.Y. commencing from 1st April 2016 shall be translated using the provisions and provision specified in this standard after taking into account amount recognized on 31st march 2016, if any, being carried forward.
- All Forward exchange contracts existing on 1 April 2016 or entered on or after 1st April 2016 shall be dealt within accordance with provision of this standard after taking into account the income or expenses, if any , recognized in respect of said contracts.

ICDS – VIII: Securities

Introduction

- This ICDS corresponds to Accounting Standard 13 – Accounting for Investments of the Companies Rules 2006 and Indian Accounting Standard (Ind AS) 109 – Financial Instruments, prescribed under section 133 of the Companies Act 2013.

SCOPE

- ICDS VIII is divided into two parts.

Part A: Applicability

- This part of Income Computation and Disclosure Standard deals with Securities held as stock-in-trade by any assessee, such as stock broker or a regular trader in securities, whose income is taxable under the head Business Income.

Part B: Applicability

- This part of Income Computation and Disclosure Standard deals with securities held by a scheduled bank or public financial 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).

Non-Applicability of ICDS VIII

- This ICDS does not apply to:

  Securities held by tax payers engaged in the business of insurance.

  Securities held by mutual funds, Venture capital funds.

- This ICDS also does not apply to non-scheduled banks.
- It does not deal with the basis of recognition of interest and dividends on securities.
- Derivative instruments, which are capital assets, would not be governed by ICDS at all.
- Part B does not apply to investments, but only to stock-in-trade.

Comparison of AS-13 with ICDS VIII

Point of Difference	AS	ICDS
Applicability	AS deals with securities held as investments and therefore securities held as stock-in-trade are excluded.	ICDS applicable to securities held as stock-in-trade. Securities defined to have meaning assigned in Sec2(h) of SCRA except derivatives referred in sec2(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 fair market value of securities issued or 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.

Comparison of AS-13 with ICDS VIII

Point of Difference	AS	ICDS
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.	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 d) Other securities.

Valuation

- QUE: Para 9 of ICDS VIII on securities requires securities held as stock-in-trade shall be valued at actual cost initially recognized or NRV at the end of the previous year, whichever is lower. Para 10 of Part A of ICDS VIII requires the said exercise to be carried out category wise. How the same shall be computed?

- ANS: For subsequent measurement of securities held as stock-in-trade, the securities are first aggregated category wise. The aggregate cost and NRV of each category of security are compared and the lower of the two is to be taken as carrying value as per ICDS VIII. This is illustrated below:

Example:

SECURITY	CATEGORY	COST	NRV	LOWER OF COST OR NRV (AS)	ICDS VALUE
A	Share	100	75	75	
B	Share	120	150	120	
C	Share	140	120	120	
D	Share	200	190	190	
	Sub-total	**560**	**535**	**505**	**535**
E	Debt Security	150	160	150	
F	Debt Security	105	90	90	
G	Debt Security	125	135	125	
H	Debt Security	220	230	220	
	Sub-total	**600**	**615**	**585**	**600**
	Total	**1160**	**1150**	**1090**	**1135**

Comparison of AS-13 with ICDS VIII

Point of Difference	AS	ICDS
Value of closing stock	The closing stock of each security is to be valued at cost or fair value whichever is lower.	It requires such securities to be valued at actual cost even though the NRV may be lower.
Valuation of unlisted or thinly traded securities	No specific provision	Valuation of unlisted or thinly traded securities shall be valued at actual cost initially recognized.
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 and weighted average method.

ICDS – IX: Borrowing Costs

Point of difference	AS	ICDS
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 period of time to get ready for its intended use or sale	Qualifying assets means •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)

Methodology of capitalization	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


Thank you

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