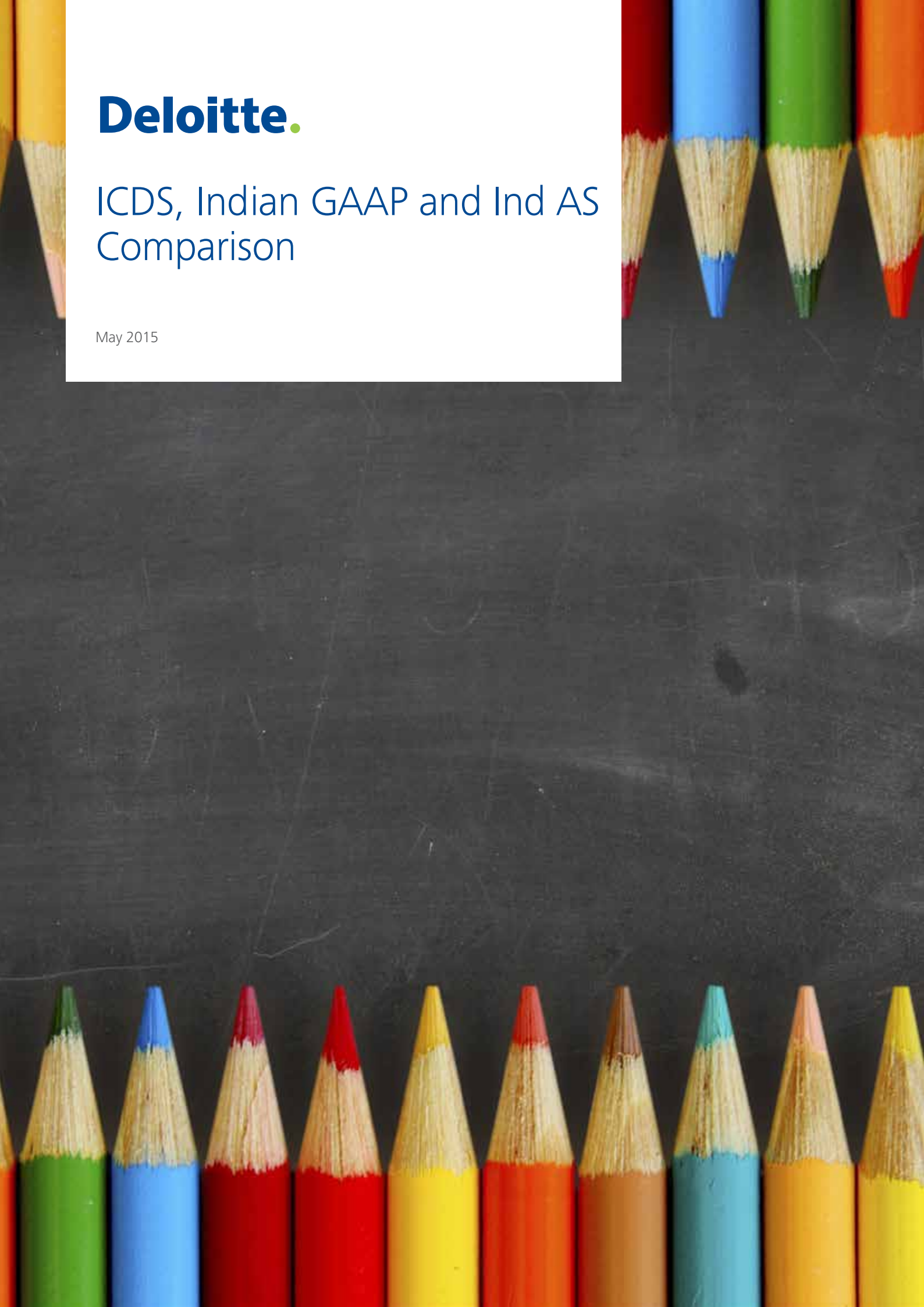
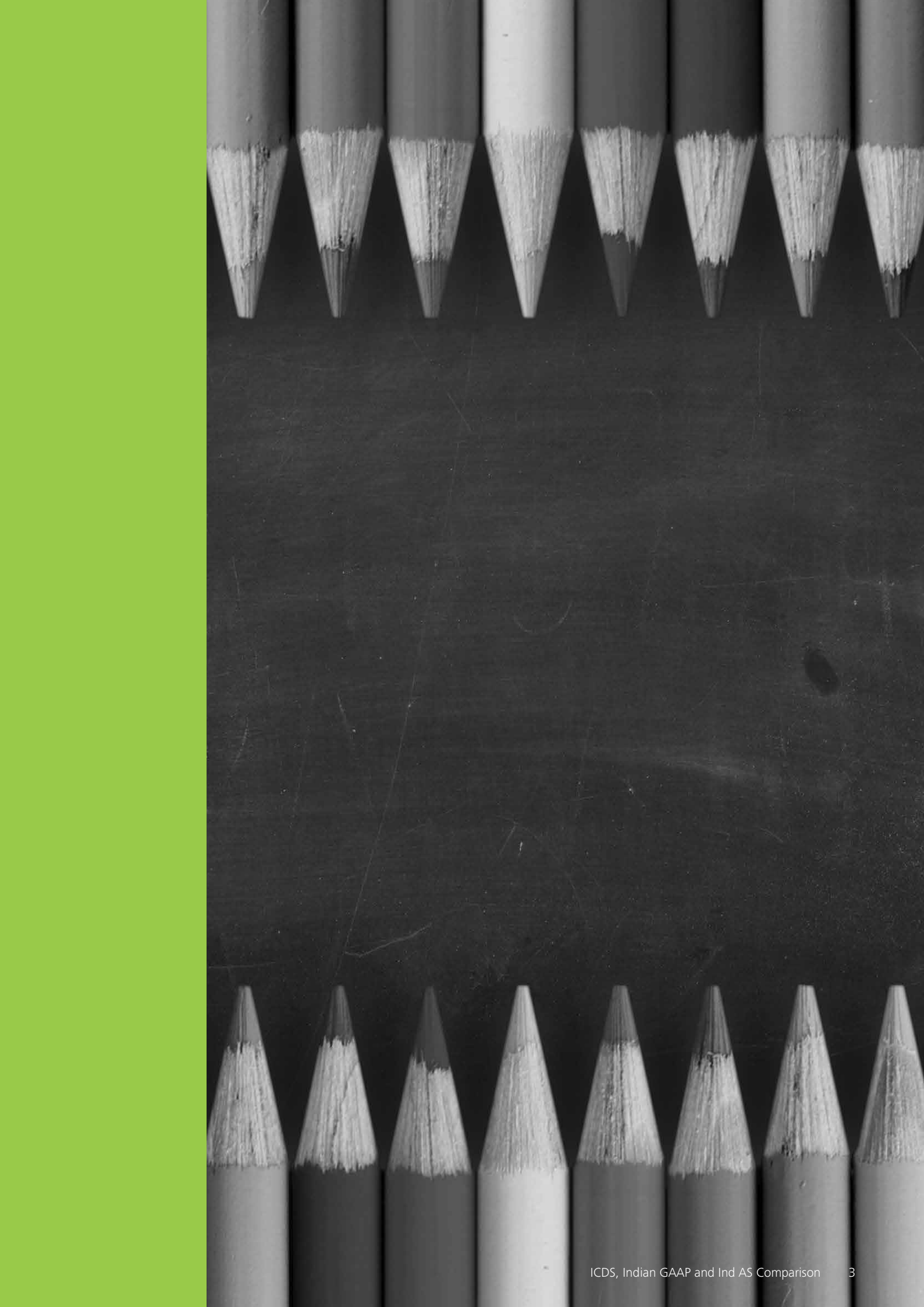


The Deloitte logo, consisting of the word "Deloitte" in a bold, blue, sans-serif font, followed by a small green dot.

ICDS, Indian GAAP and Ind AS Comparison

May 2015





Introduction to Income Computation and Disclosure Standards

Income Computation and Disclosure Standards notified for computation of taxable income

On 31 March 2015, the Central Board of Direct Taxes ("CBDT") notified the Income Computation and Disclosure Standards ("ICDSs") which will come into effect from 1 April 2015 and shall accordingly apply for assessment year 2016-17 onwards.

Highlights on notified ICDSs

A draft of 14 Tax Accounting Standards were first issued in August 2012. However, these were revised further and 12 draft ICDSs were issued in January 2015 for public comments. By way of above notification, 10 ICDSs were finalised – excluding the standards on 'Leases' and 'Intangible Assets'. Following ICDSs have been issued on 31 March 2015 by the CBDT:

Sr. No.	ICDS issued
1	ICDS I relating to accounting policies
2	ICDS II relating to valuation of inventories
3	ICDS III relating to construction contracts
4	ICDS IV relating to revenue recognition
5	ICDS V relating to tangible fixed assets
6	ICDS VI relating to the effects of changes in foreign exchange rates
7	ICDS VII relating to government grants
8	ICDS VIII relating to securities
9	ICDS IX relating to borrowing costs
10	ICDS X relating to provisions, contingent liabilities and contingent assets

ICDSs have been notified by the Government as per powers granted under section 145(2) of the Income-tax Act, 1961 ("Act"). The notified ICDSs shall supersede the existing accounting standards notified by the CBDT on 25 January 1996 ('existing tax AS') relating to disclosure of accounting policies and disclosure of prior period and extraordinary items and changes in accounting policies.

ICDSs apply to all taxpayers following accrual system of accounting for the purpose of computation of income under the heads of 'Profits and gains of business / profession' and 'Income from other sources'. Further, the method of accounting prescribed in ICDSs is mandatory – else, as per section 145(3) of the Act, income can be recomputed by tax officer.

It has been specifically stated in the Preamble to all the ICDSs that they are only for income computation and not for maintenance of books of account. The Preamble also mentions that in case of conflict between the provisions of the Act and ICDS, the Act shall prevail to that extent.

ICDS provides standards in various areas for computation of taxable income. In case of conflicts between the provisions of the Act and ICDS, Act would prevail. However, in case the Act is silent or ambiguous, the interplay between ICDS and existing jurisprudence needs to be evaluated. Also, while ICDS applies to prospective income computation for tax purposes, it is not clear whether ICDS impacts even existing litigation.

Certain accounting treatments which were used as a base for computing taxable treatment cannot be taken for granted and must be reevaluated from an ICDS perspective.

The new Indian Accounting Standards (Ind AS) are being made mandatory for certain class of companies with effect from 1 April 2016. Accordingly, differences between ICDS and the Indian GAAP / Ind AS must be mapped by companies to assess the impact on taxable income including book profits as well as maintenance of relevant documentation.

Introduction to Indian Accounting Standards

Recently, the Indian Accounting Standards ("Ind AS") were notified on 16 February 2015 by the Ministry of Corporate Affairs ("MCA"). MCA notified the Companies (Indian Accounting Standards) Rules, 2015 (pending publication in the Gazette of India) which specify the Ind AS applicable to certain class of companies and set out the dates of applicability.

Voluntary adoption

Companies may voluntarily adopt Ind AS for financial statements for accounting periods beginning on or after 1 April 2015, with the comparatives for the periods ending 31 March 2015 or thereafter. Once a company opts to follow the Ind AS, it will be required to follow the same for all the subsequent financial statements.

Mandatory adoption

For the accounting periods beginning on or after 1 April 2016	For the accounting periods beginning on or after 1 April 2017
<ul style="list-style-type: none">• The following companies will have to adopt Ind AS for financial statements from the above mentioned date:<ul style="list-style-type: none">- Companies whose equity and/or debt securities are listed or are in the process of listing on any stock exchange in India or outside India (listed companies) and having net worth of Rs. 500 crores or more.- Unlisted companies having a net worth of Rs. 500 crores or more.- Holding, subsidiary, joint venture or associate companies of the listed and unlisted companies covered above.	<ul style="list-style-type: none">• The following companies will have to adopt Ind AS for financial statements from the above mentioned date:<ul style="list-style-type: none">- Listed companies having net worth of less than Rs. 500 crore.- Unlisted companies having net worth of Rs. 250 crore or more but less than Rs. 500 crore.- Holding, subsidiary, joint venture or associate companies of the listed and unlisted companies covered above.
<ul style="list-style-type: none">• Comparative for these financial statements will be periods ending 31 March 2016 or thereafter.	<ul style="list-style-type: none">• Comparative for these financial statements will be periods ending 31 March 2017 or thereafter.

The roadmap will not be applicable to:

- Companies whose securities are listed or in the process of listing on SME exchanges.
- Companies not covered by the roadmap in the "Mandatory adoption" categories above.
- Insurance companies, banking companies and non-banking finance companies.

These companies should continue to apply existing Accounting Standards prescribed in the Annexure to the Companies (Accounting Standards) Rules, 2006, unless they opt for voluntary adoption. Insurance companies, banking companies and non-banking finance companies cannot voluntarily adopt the Ind AS.

Comparison of ICDS, Indian GAAP and Ind AS

The table on the following pages set out some of the key differences between ICDS, Indian GAAP (including the provisions of Schedule III to the Companies Act, 2013, where considered necessary) and Ind AS. The comparison with respect to Indian GAAP and Ind AS is only limited to the ICDSs which have been issued.

References to "Indian GAAP" are to the standards notified by the Central Government under the Companies (Accounting Standards) Rules, 2006 (applicable to all companies) vide notification G.S.R.739(E) dated 7 December 2006, as amended and to the relevant requirements of the Companies Act, 2013.

The summary does not attempt to capture all of the differences that exist or that may be material to a particular entity nor does it include differences relating to pronouncements by other regulators such as The Reserve Bank of India, etc. Our focus is on differences that are commonly found in practice. Accordingly, we recommend that readers seek appropriate professional advice regarding any specific issues that they encounter. This publication should not be relied on as a substitute for such advice.

The significance of these differences – and others not included in this list – will vary with respect to individual entities depending on such factors as the nature of the entity's operations, the industry in which it operates and the tax positions and accounting policy choices it has made. Reference to the underlying accounting standards, the Income-tax Act, 1961, the Income-tax Rules, 1962 (the "Rules"), relevant judicial pronouncements, etc. and any relevant national regulations is essential in understanding the specific differences.

Abbreviations used in this publication are as follows:

ICDS	Income Computation and Disclosure Standards issued by the CBDT on 31 March 2015
Ind AS	Indian Accounting Standards notified by the MCA on 16 February 2015
AS	Indian Accounting Standard(s) Notified under the Companies (Accounting Standards) Rules, 2006

Topic	ICDS	Indian GAAP	Ind AS
Accounting Policies, Changes in Accounting Estimates and Errors – primary literature	ICDS I relating to accounting policies	AS 1 – Disclosure of Accounting Policies AS 5 – Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies	Ind AS 1 Presentation of Financial Statements Ind AS 8 Accounting Policies, Changes in Accounting Estimates and Errors
Accounting Policies, Changes in Accounting Estimates and Errors – consideration in selection of accounting policies	To represent a true and fair view of the state of affairs and income of the business, profession or vocation, the treatment and presentation of transactions and events shall be governed by their substance and not merely by the legal form.	The major considerations governing the selection and application of accounting policies are:- a. Prudence b. Substance over Form c. Materiality	When an Ind AS specifically applies to a transaction, other event or condition, the accounting policy or policies applied to that item shall be determined by applying the Ind AS.
Accounting Policies, Changes in Accounting Estimates and Errors – mark to market losses and expected losses	There is a specific provision that marked to market loss or an expected loss shall not be recognised unless the recognition of such loss is in accordance with the provisions of any other ICDS. For example, ICDS II provides for valuation of inventories at cost or net realisable value, whichever is lower. However, no guidance is included on expected or marked to market gains.	In the absence of specific guidance in Indian GAAP, mark to market losses will be provided for in view of prudence concept. Expected losses will be provided for in accordance with relevant Indian GAAP standards.	In the absence of an Ind AS that specifically applies to a transaction, other event or condition, management shall use its judgement in developing and applying an accounting policy that results in information that is: a. relevant to the economic decision-making needs of users; b. and reliable, in that the financial statements: i. represent faithfully the financial position, financial performance and cash flows of the entity; ii. reflect the economic substance of transactions, other events and conditions, and not merely the legal form; iii. are neutral, i.e. free from bias; iv. are prudent; and v. are complete in all material respects.

Topic	ICDS	Indian GAAP	Ind AS
Accounting Policies, Changes in Accounting Estimates and Errors – changes in accounting policies	<p>Changes in accounting policy will not be done unless for a 'reasonable cause'. However, 'reasonable cause' is not defined. The guidance for the same will need to be taken from judicial precedents.</p> <p>If a change is made in the accounting policies which has no material effect for the current year but which is reasonably expected to have a material effect in later years, the fact of such change should be appropriately disclosed in the <i>year in which the change is adopted and also in the year in which such change has material effect for the first time.</i></p>	<p>Changes in accounting policies should be made only if it is required by statute, for compliance with an Accounting Standard or for a more appropriate presentation of the financial statements on a prospective basis (unless transitional provisions, if any, of an accounting standard require otherwise) together with a disclosure of the impact of the same, if material.</p> <p>If a change in the accounting policy has no material effect on the financial statements for the current period, but is expected to have a material effect in the later periods, the same should be appropriately disclosed.</p> <p>However, change in depreciation method, though considered a change in accounting policy, is given retrospective effect. (See discussion on Property, Plant and Equipment below).</p>	Requires retrospective application of changes in accounting policies by adjusting the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts for each period presented as if the new accounting policy had always been applied, unless transitional provisions of an accounting standard require otherwise
Accounting Policies, Changes in Accounting Estimates and Errors – errors	Not covered by ICDS	Prior period items are included in determination of net profit or loss of the period in which the error pertaining to a prior period is discovered and are separately disclosed in the statement of profit and loss in a manner that the impact on current profit or loss can be perceived.	Material prior period errors are corrected retrospectively by restating the comparative amounts for prior periods presented in which the error occurred or if the error occurred before the earliest period presented, by restating the opening balance sheet.
Accounting Policies, Changes in Accounting Estimates and Errors – absence of standard or interpretation that specifically applies to a transaction	Not covered by ICDS	No guidance included.	In the absence of an Ind AS that specifically applies to a transaction, other event or condition, the management, while using judgment in developing and applying an accounting policy, should first consider the most recent pronouncements of the International Accounting Standards Board (IASB) and in absence thereof those of the other standard setting bodies that use a similar conceptual framework to develop accounting standards.

Topic	ICDS	Indian GAAP	Ind AS
Inventories – primary literature	ICDS II relating to valuation of inventories	AS 2 – Valuation of Inventories	Ind AS 2 Inventories
Inventories – scope	<p>This Standard shall be applied for valuation of inventories, except:</p> <ol style="list-style-type: none"> Work-in-progress arising under ‘construction contract’ including directly related service contract which is dealt with by the ICDS relating to construction contracts; Work-in-progress which is dealt with by other ICDS; Shares, debentures and other financial instruments held as stock-in-trade which are dealt with by the ICDS relating to securities; Producers’ inventories of livestock, agriculture and forest products, mineral oils, ores and gases to the extent that they are measured at net realisable value; Machinery spares, which can be used only in connection with a tangible fixed asset and their use is expected to be irregular, shall be dealt with in accordance with the ICDS relating to tangible fixed assets. 	<p>There is no scope exemption in AS 2 for any inventories held by commodity traders. Further, AS 2 totally excludes from its scope (and not just measurement requirements) producers’ inventories of livestock, agricultural and forest products, and mineral oils, ores and gases to the extent that they are measured at net realisable value in accordance with well-established practices in those industries.</p> <p>Work in progress arising under construction contracts, including directly related service contracts and work in progress arising in the ordinary course of business of service providers have been scoped out of AS 2.</p>	<p>Measurement requirements of Ind AS 2 do not apply to inventories held by commodity broker-traders who measure their inventories at fair value less costs to sell and producers of agricultural and forest products, agricultural produce after harvest and minerals and mineral products to the extent that they are measured at net realisable value in accordance with well-established practices in those industries.</p> <p>The standard also scopes out the biological assets related to agricultural activity and agricultural produce at the point of harvest.</p> <p>Changes in fair value less costs to sell/ changes in net realisable value are recognised in profit or loss in the period of the change.</p>
Inventories – deferred settlement terms	Not covered by ICDS.	<p>Inventories purchased on deferred settlement terms are not explicitly dealt with in the accounting standard on inventories.</p> <p>The cost of inventories generally will be the purchase price for deferred credit terms unless the contract states the interest payable for deferred terms.</p>	Difference between the purchase price of inventories for normal credit terms and the amount paid for deferred settlement terms is recognised as interest expense.

Topic	ICDS	Indian GAAP	Ind AS
Inventories – cost formula	<p>The Cost of inventories of items (i) that are not ordinarily interchangeable; and (ii) goods or services produced and segregated for specific projects shall be assigned by specific identification of their individual costs.</p> <p>Cost of inventories, other than the inventory dealt with above, shall be assigned by using the First-in First-out (FIFO), or weighted average cost formula. The formula used shall reflect the fairest possible approximation to the cost incurred in bringing the items of inventory to their present location and condition.</p> <p>Retail method is permitted as technique for measurement of cost if it is impracticable to use 'FIFO' or 'Weighted Average Cost Formula'.</p>	<p>It is not expressly mandated to use the same cost formula consistently for all inventories that have a similar nature and use to the entity. The formula used should reflect the fairest possible approximation to the cost incurred in bringing the items of inventory to their present location and condition.</p> <p>Techniques such as standard cost or retail method may be used for convenience, if the results approximate the actual cost.</p>	<p>Requires an entity to use the same cost formula for all inventories having a similar nature and use to the entity. For inventories with a different nature or use, different cost formulas may be justified.</p> <p>Techniques for the measurement of cost is similar to Indian GAAP.</p>
Inventories – write-down of materials	<p>When materials held for use in production are written down to net realisable value because there has been a decline in the price of materials and it is estimated that the cost of the finished products will exceed net realisable value, replacement cost of such materials should be treated as their net realisable value.</p>	<p>In such circumstances, replacement cost of the materials may be the best available measure of their net realisable value.</p>	<p>Similar to Indian GAAP</p>
Inventories – reversal of write-down of inventory	<p>Not covered by ICDS.</p>	<p>No specific guidance in AS 2 for reversal of write-down of inventories. However, reversals may be permitted as AS 5, Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies requires this to be disclosed as a separate line item in the statement of profit and loss.</p>	<p>Write-down of inventory is reversed if circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in the net realisable value because of changes in economic circumstances.</p> <p>The amount of reversal is limited to the amount of the original write-down.</p>

Topic	ICDS	Indian GAAP	Ind AS
Inventories – retail method	General approach of adjusting sale value by appropriate percentage gross margin is permitted. No specific mentioning of use of average percentage for each retail department.	Adjusting sale value by appropriate percentage gross margin is the general approach permitted. An average percentage for each retail department is often used.	Similar to Indian GAAP.
Inventories – allocation of fixed production overheads	Allocation of fixed production overheads is based on normal capacity of production facilities. The actual level of production <i>should</i> be used, if it approximates normal capacity.	Allocation of fixed production overheads is based on normal capacity of production facilities. The actual level of production <i>may</i> be used, if it approximates normal capacity.	Similar to Indian GAAP
Inventories – change in method of valuation	Method of valuation shall not be changed without reasonable cause. This is also in accordance with ICDS I. However, 'reasonable cause' is not defined. The guidance for the same will need to be taken from judicial precedents.	Change from one cost formula to another constitutes a change in an accounting policy. As such, pursuant to AS 5, a change in method of valuation of inventories should be made only if it is required by statute or for compliance with an AS or if it is considered that the change would result in a more appropriate presentation of the financial statements of the enterprise.	Change from one cost formula to another constitutes a change in an accounting policy. A change in an accounting policy can only be made if the change is required by an Ind AS, or results in the financial statements providing reliable and more relevant information.
Inventories – in case of Dissolution	In case of dissolution of partnership, Association of Persons, Body of Individuals irrespective of dissolution of business, inventory will be valued at net realisable value. This may pose a challenge in cases where going concern is not impacted.	Because of going concern assumption, these situations are not dealt with in AS 2.	Similar to Indian GAAP.
Inventories – cost of purchases	Purchase price includes duties and taxes Under ICDS, duties and taxes, even if subsequently recoverable from taxing authorities, will form part of costs of purchase, and hence, will be included in the cost of inventories. This is in line with section 145A of the Act. Whether the effect will be nullified by the accounting entries under the 'inclusive method' depends on the view taken by the Assessing Officer.	The costs of purchase consist of the purchase price including duties and taxes (other than those subsequently recoverable by the enterprise from the taxing authorities), freight inwards and other expenditure directly attributable to the acquisition. Trade discounts, rebates, duty drawbacks and other similar items are deducted in determining the costs of purchase.	Similar to Indian GAAP

Topic	ICDS	Indian GAAP	Ind AS
Revenue from Contracts with Customers – primary literature	ICDS III relating to construction contracts ICDS IV relating to revenue recognition	AS 7 – Construction Contracts AS 9 – Revenue Recognition	Ind AS 115 Revenue from Contracts with Customers Ind AS 109 Financial Instruments
Revenue from Contracts with Customers – scope	ICDS III and ICDS IV are similar to AS 7 and AS 9 respectively.	AS 7 deals with construction contracts and AS 9 deals with the recognition of revenue arising in the course of ordinary activities of the entity – sale of goods, rendering of services and use by others of entity resources yielding interest, royalties and dividend. AS 9 scopes out revenue from lease agreements, insurance contracts, revenue arising from government grants, and other similar subsidies.	Ind AS 115 applies to contract with a customer and establishes principles on reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with customer. - A contract is an agreement between two or more parties that creates enforceable rights and obligations, and can be either written, oral or implied by an entity’s customary business practices. Ind AS 109 applies to dividend income recognised in profit or loss.
Revenue from Contracts with Customers – definition	Similar to Indian GAAP	Revenue is the gross inflow of cash, receivables or other consideration arising in the course of the ordinary activities from the sale of goods, from the rendering of services, and from the use by others of resources yielding interest, royalties and dividends. Further, it is specified that in an agency relationship, the revenue is the amount of commission and not the gross inflow of cash, receivables or other consideration.	Revenue is defined as income arising in the course of an entity’s ordinary activities. Income is defined as increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in an increase in equity, other than those relating to contributions from equity participants.

Topic	ICDS	Indian GAAP	Ind AS
Revenue from Contracts with Customers – recognition	<p>Similar to Indian GAAP however completed service method to recognise revenue is not permitted under ICDS IV.</p> <p>Under ICDS III, percentage of completion method is applicable, 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 costs incurred. This is possible only when up to 25% of the work is completed otherwise proportionate method will apply. Thus, profit recognition has to start compulsorily once 25% stage is completed.</p> <p>Contract costs are to be recognised as an expense in the period in which they are incurred. Expected loss should be recognised in proportion of work completed.</p>	<p>AS 9 requires recognition of revenue when (i) there is a transfer of significant risks and rewards of ownership (ii) no significant uncertainty exists regarding the amount of consideration and (iii) at the time of performance, it is not unreasonable to expect ultimate collection.</p> <p>Revenue from service transactions is usually recognised as the services are performed either by the proportionate completion method or by the completed service contract method.</p> <p>Under AS 7, contract revenue and contract costs 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.</p> <p>When it is probable that total contract costs will exceed total contract revenue, the expected loss should be recognised as an expense immediately.</p>	<p>The core principle under Ind AS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.</p> <p>To achieve that core principle, the following steps are applied:</p> <ol style="list-style-type: none"> 1) Identify the contract(s) with a customer. 2) Identify the performance obligations in the contract (account for a 'distinct' good or service). 3) Determine the transaction price. 4) Allocate the transaction price to the performance obligations in the contract. 5) Recognise revenue when (or as) the entity satisfies a performance obligation.

Topic	ICDS	Indian GAAP	Ind AS
Revenue from Contracts with Customers – certainty of ultimate collection	Contract revenue should be recognised when there is reasonable certainty of its ultimate collection.	Under AS 7, no guidance included. Under AS 9, revenue is recognised when it is not unreasonable to expect ultimate collection.	Revenue is recorded when it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.
Revenue from Contracts with Customers – incidental income	All types of contract costs should be reduced by any incidental income not being in the nature of interest, dividends and capital gains, that is not included in contract revenue.	Costs that relate directly to a specific contract may be reduced by any incidental income that is not included in contract revenue.	No guidance included
Revenue from Contracts with Customers – identification of contracts	ICDS III is similar to Indian GAAP.	Under AS 7, a construction contract is a contract which is specifically negotiated for the construction of the asset or a combination of assets that are closely interrelated or interdependent in terms of design, technology, and function of their ultimate purpose or use. AS 9 does not have similar guidance.	A contract falls within the scope of Ind AS 115, when all the following conditions are met: a) The contract has commercial substance (that is, the risk, timing, or amount of future cash flows is expected to change as a result of the contract) b) The parties to the contract have approved the contract c) Each party's rights regarding the goods or services to be transferred can be identified d) Payment terms can be identified for the goods or services to be transferred e) The parties are committed to perform their respective obligations and they intend to enforce their respective contractual rights f) It is probable that the entity will collect the consideration to which it expects to be entitled.
Revenue from Contracts with Customers – contract combination	ICDS III is similar to Indian GAAP	Under AS 7, a group of contracts (whether with a single customer or group of customers) are treated as a single construction contract when these are negotiated together, contracts are closely interrelated and contracts are performed concurrently or in a continuous sequence. No similar guidance is available in AS 9.	Guidance provided as part of the standard for combining the contract entered into, at or around the same time with the same customer (negotiated as a package, consideration to be paid in one contract depends on the price and performance of the other contract, the goods or services promised in the contracts are a single performance obligation).

Topic	ICDS	Indian GAAP	Ind AS
Revenue from Contracts with Customers – contract modification	<p>ICDS III is similar to Indian GAAP. Variations, claims and incentives are included in the contract revenue only to the extent it is probable that they will result in revenue and they are capable of being reliably measured. Thus, revenue accrues as soon as there is a probability unlike in case of AS where acceptance by customer is established.</p>	<p>Under AS 7, construction of an additional asset is treated as a separate contract if the asset differs significantly in design, technology, or function, or the price of the asset is negotiated without regard to the original contract price.</p> <p>Variation and claims are part of the original contract revenue, unless the above treatment of construction of the additional asset as a separate contract applies.</p> <p>Claims, variations are included in contract revenue only when the probability of customer accepting/ approving the claim or variation is established and amount of revenue can be reliably measured.</p> <p>Similar guidance not available in AS 9.</p>	<p>Contract modification is treated as a separate contract if the modification results in 1) addition of 'distinct goods or services' and 2) a change in consideration that reflects the entity's stand-alone selling price for such additional promised goods or services.</p> <p>If modification does not meet the criteria to be accounted for as a separate contract, determination needs to be made on whether to account for modification as 1) termination of the original contract and creation of a new contract (i.e. allocate the amount of consideration not yet recognised to the remaining performance obligation) or 2) as if it were part of the original contract (i.e. update the transaction price, measure progress toward complete satisfaction of the performance obligation, and record a cumulative catch-up adjustment to revenue).</p> <p>Accordingly, change orders and claims (price adjustments, or changes in scope) need to be assessed if</p> <ol style="list-style-type: none"> 1) the customer has approved any change in scope or price, or 2) it has enforceable rights to considerations, and accordingly apply contract modification guidance.
Revenue from Contracts with Customers – unilateral right of termination	Not covered by ICDS.	No guidance included.	<p>A contract does not exist if the contract provides for a unilateral enforceable right to terminate a wholly unperformed contract without compensating the other party (or parties).</p> <p>Any considerations received on such arrangements from the customer are recorded as a liability and recognised as revenue only when there is no remaining obligation to the customer and the amount is not refundable or the contract has been terminated and the consideration received from the customer is non-refundable.</p>

Topic	ICDS	Indian GAAP	Ind AS
Revenue from Contracts with Customers – identify the performance obligation	ICDS III is similar to Indian GAAP	<p>Under AS 7, if a contract covers a number of assets, the construction of each asset is treated as a separate construction contract when separate proposals have been submitted, each asset is subject to separate negotiations and costs and revenues of each asset can be identified.</p> <p>Similar guidance does not exist in AS 9.</p>	<p>Ind AS 115 requires evaluation of performance obligations – to account for ‘distinct’ goods or services (or a bundle of distinct goods or services, or a series of distinct goods or services – i.e. a separate unit of account) based on the following criteria:</p> <ul style="list-style-type: none"> a) The customer can benefit from the goods or services either on its own or together with other resources that are readily available to the customer, b) Promise to transfer the good or services to the customer is separately identifiable from other promises in the contract (that is, the goods or services is distinct within the context of the contract). <p>A good or service that does not meet these criteria would be combined with other goods or services in the contract until the criteria are met.</p>

Topic	ICDS	Indian GAAP	Ind AS
Revenue from Contracts with Customers – variable considerations, contingent considerations	<p>Under ICDS III, contract revenue shall comprise of variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and their capable of being reliably measured.</p> <p>Further, retention money is included as part of contract revenue. However, as per practice for computing Income-tax payable, in certain cases, retention is considered as part of revenue while in others, it is deferred till receipt.</p>	<p>Under AS 7, incentive payments are included in contract revenue when the contract is sufficiently advanced that it is probable the specified performance standards will be met or exceeded and the amount of the incentive payments can be measured reliably.</p> <p>No similar guidance in AS 9.</p>	<p>Variable considerations (including potentially contingent considerations) are only included in the transaction price to the extent that it is probable that the amount of cumulative revenue recognised would not be subject to a significant future revenue reversal when such estimates are revised.</p> <p>Variable considerations are estimated using either 1) an expected value which is a sum of probability-weighted amounts in a range of possible consideration amounts. An expected value may be appropriate if there are a large number of contracts with similar characteristics, or 2) most likely amount in a range of possible consideration amounts.</p> <p>Most likely amount is appropriate when contract has only two possible outcomes (for example, an entity either achieves a performance bonus or does not).</p> <p>Penalties should be accounted for as per the substance of the contract. Where the penalty is inherent in the determination of transaction price, it should form part of variable consideration, otherwise the same should not be considered for determining the consideration and the transaction price should be considered as fixed.</p>
Revenue from Contracts with Customers – time value of money	Similar to Indian GAAP	Revenue is not adjusted for the time value.	Transaction price is adjusted for the time value of money when a significant financing component exists.

Topic	ICDS	Indian GAAP	Ind AS
Revenue from Contracts with Customers – allocating the transaction price	Not covered by ICDS.	No guidance included.	<p>The transaction price is allocated to each performance obligation identified in the contract on the basis of a relative stand-alone selling price determined at contract inception.</p> <p>The stand-alone selling price is the price at which an entity would sell a promised good or service separately to a customer (the best evidence being the observable price at which the good or service is separately sold in similar circumstances and to similar customers. If not directly observable, estimation methods are used e.g. cost plus margin method, residual approach, competitor pricing).</p>
Revenue from Contracts with Customers – satisfaction of performance obligation	<p>ICDS IV is similar to Indian GAAP however completed service method to recognise revenue is not permitted under ICDS IV for revenue from service transactions.</p> <p>Under ICDS III, during early stages, where outcome of the contract cannot be reliably estimated, revenue is recognised to the extent of costs incurred. This is possible only when up to 25% of the work is completed otherwise proportionate method will apply. Thus, profit recognition has to start compulsorily once 25% stage is completed.</p>	<p>Under AS 9, revenue from sale of goods is recognised when seller has transferred the property in goods to the buyer for a consideration – which in most cases coincides with transfer of significant risks and rewards of ownership.</p> <p>Revenue from service transactions is usually recognised as the services are performed either by the proportionate completion method or by the completed service contract method.</p> <p>Under AS 7, contract revenue and contract costs to be recognised as revenue or expenses by reference to the percentage of completion method if the outcome of the contract can be estimated reliably; else, revenue should be recognised only to the extent of contract costs incurred of which recovery is probable.</p>	<p>Revenue is recognised as ‘control’ of the goods or services underlying the performance obligation is transferred to the customer.</p> <p>The control-based model differs from the risk-and-rewards model. Entities need to determine whether control is transferred over time. If not, it is transferred at a point in time.</p> <p>For each performance obligation satisfied over time, revenue is recognised by measuring the progress towards complete satisfaction (by using either output or input methods) and only if it can reasonably measure its progress towards completion; else, revenue should be recognised only to the extent of contract costs incurred of which recovery is probable.</p>

Topic	ICDS	Indian GAAP	Ind AS
Revenue from Contracts with Customers – contract costs	Not covered by ICDS.	Capitalisation of contract cost is not permitted.	<p>Ind AS 115 contains criteria for determining when to capitalise costs associated with obtaining and fulfilling a contract. Specifically entities are required to capitalise recoverable incremental costs of obtaining a contract (e.g. sales commissions).</p> <p>Such costs capitalised would be amortised in a manner consistent with the pattern of transfer of the goods or services to which the asset is related (i.e. as the related revenue is recognised).</p> <p>All capitalised costs assets would be subject to impairment testing if any impairment indicator exists.</p>
Revenue from Contracts with Customers – dividends	Dividends are recognised in accordance with the provisions of the Act.	Dividends are recognised when the owner's right to receive the payment is established. When dividends on equity shares are declared from pre-acquisition profits, the same is deducted from cost. If it is difficult to make an allocation of source of dividend between pre-acquisition profits and post-acquisition profits except on an arbitrary basis, the cost of the equity shares is normally reduced by dividends receivable only if they clearly represent a recovery of a part of the cost.	<p>Dividends are recognised in profit or loss only when:</p> <ul style="list-style-type: none"> (a) the entity's right to receive payment of the dividend is established; (b) it is probable that the economic benefits associated with the dividend will flow to the entity; and (c) the amount of the dividend can be measured reliably.
Revenue from Contracts with Customers – non-cash considerations	Not covered by ICDS.	No guidance included.	If a customer promises consideration in a form other than cash, the non-cash consideration is measured at fair value; if fair value cannot be estimated, by reference to the stand-alone selling price of the goods or services.

Topic	ICDS	Indian GAAP	Ind AS
Revenue from Contracts with Customers – application guidance	Not covered by ICDS.	No guidance included.	The standard includes application guidance for specific transactions such as i) sale with a right of return, ii) warranties, iii) principal versus agent considerations, iv) customer options for additional goods or services, v) non-refundable upfront fees, vi) bill and hold arrangements, vii) customer unexercised rights, viii) Licensing, and ix) Repurchase agreements.
Revenue from Contracts with Customers – Interest, discount and premium on debt securities	Interest shall accrue on time basis. Discount or premium on debt securities held should be accrued over the period to maturity. Thus, interest and discount or premium on debt securities will be taxed annually in the hands of the holder before maturity	Interest accrues, in most circumstances , on the time basis determined by the amount outstanding and the rate applicable. Usually , discount or premium on debt securities held is treated as though it were accruing over the period to maturity.	Interest shall be calculated by using the effective interest rate method

Topic	ICDS	Indian GAAP	Ind AS
Property, Plant and Equipment – primary literature	ICDS V relating to tangible fixed assets	AS 10 – Accounting for Fixed Assets AS 6 – Depreciation Accounting	Ind AS 16 Property, Plant and Equipment
Property, Plant and Equipment – Identification of Fixed Assets	The tangible fixed asset is any asset being land, building, machinery, plant or furniture held with the intention of being used for the purpose of producing goods or services and is not held for sale in the normal course of business. There is no option of expensing off of immaterial assets resulting in onerous compliances and record keeping.	Fixed asset is an asset held with the intention of being used for the purpose of producing or providing goods or services and is not held for sale in the normal course of business. However an enterprise may decide to expense an item which could otherwise have been included as fixed asset, because the amount of the expenditure is not material.	Similar to Indian GAAP. However Ind AS does not prescribe expensing any immaterial item.
Property, Plant and Equipment – Major spare parts	Machinery spares which can be used only in connection with a Tangible fixed asset and where use is irregular, have to be capitalised.	Machinery spares are usually charged to profit and loss as and when consumed. However, if such spares can be used only in connection with an item of fixed asset and their use is expected to be irregular, it may be appropriate to allocate total cost on a systematic basis over a period not exceeding the useful life of the principal item.	Spare parts are recognised in accordance with Ind AS 16 when they meet the definition of PPE. Otherwise such items are classified as inventory.
Property, Plant and Equipment – estimated costs of dismantling, removing or restoring items of property, plant and equipment	Not covered by ICDS.	No such specific requirement	The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is required to be included in the cost of the respective item of property, plant and equipment.

Topic	ICDS	Indian GAAP	Ind AS
Property, Plant and Equipment – Costs to be capitalised	Similar to Indian GAAP. However, expenses incurred in the interval when the project is ready to commence commercial production and when it actually commences production may also be required to be capitalised.	The expenditure incurred on start-up and commissioning of the project, including the expenditure incurred on test runs and experimental production, shall be capitalised as an indirect element of the construction cost. If the interval between the date a project is ready to commence commercial production and the date at which commercial production actually begins is prolonged, all expenses incurred during this period are charged to the profit and loss statement. However, the expenditure incurred during this period is also sometimes treated as deferred revenue expenditure to be amortised over a period not exceeding 3 to 5 years after the commencement of commercial production	Directly attributable costs may be capitalised only until the asset is “ <i>capable of operating in the manner intended by management</i> ”. If an asset is purchased or constructed and can operate in that manner immediately, costs incurred whilst the asset is standing idle may not be capitalised.
Property, Plant and Equipment – Non-monetary consideration	When a tangible fixed asset is acquired in exchange for another asset, the fair value of the tangible fixed asset so acquired shall be its actual cost. When a tangible fixed asset is acquired in exchange for shares or other securities, the fair value of the tangible fixed asset so acquired shall be its actual cost.	When a fixed asset is acquired in exchange or part exchange for another asset, the cost of the asset acquired should be recorded either at the fair market value or at the net book value of the asset given up, adjusted for any balancing payment of receipt of cash or other consideration. For this purpose, fair market value may be determined by reference either to the asset given up or to the asset acquired, whichever is more clearly evident. Fixed asset acquired in exchange for shares or other securities in the enterprise should be recorded at its fair market value, or the fair market value of the securities issued, whichever is more clearly evident.	Similar to Indian GAAP Similar to Indian GAAP

Topic	ICDS	Indian GAAP	Ind AS
Property, Plant and Equipment – Replacement costs	Similar to Indian GAAP	<p>Replacement cost of an item of property, plant and equipment is generally expensed when incurred.</p> <p>Only expenditure that increases the future benefits from the existing asset beyond its previously assessed standard of performance is capitalised.</p> <p>From financial years commencing on or after 1 April 2015, Schedule II mandates fixed assets to be componentised for the purposes of depreciation and therefore, the position will be similar to that under Ind AS.</p>	Replacement cost of an item of property, plant and equipment is capitalised if replacement meets the recognition criteria. Carrying amount of items replaced is derecognised.
Property, Plant and Equipment – Cost of major inspections	Not covered by ICDS.	Costs of major inspections are generally expensed when incurred.	Cost of major inspections is recognised in the carrying amount of property, plant and equipment as a replacement, if recognition criteria are satisfied and any remaining carrying amount of the cost of previous inspection is derecognised.
Property, Plant and Equipment – Revaluation	Not covered by ICDS. However, under the Act, income / expense recognised only on actual realisation.	No specific requirement on frequency of revaluation.	If an entity adopts the revaluation model, revaluations are required to be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Topic	ICDS	Indian GAAP	Ind AS
Property, Plant and Equipment – Depreciation	Depreciation on a tangible fixed asset shall be computed in accordance with the provisions of the Act and the Rules thereunder	AS 10 does not require assets to be componentised and depreciated separately, although it states that such an approach may improve the accounting for an item of fixed asset. Schedule II to the Companies Act, 2013 sets out the useful lives based on the nature of assets and the useful life should not ordinarily be different from the life specified in the Schedule. However, a different useful life may be used if such difference is disclosed and a justification, backed by technical advice, is provided in this behalf. Schedule II also mandates fixed assets to be componentised for depreciation purposes (componentisation is mandatory in respect of financial years commencing on or after 1 April 2015).	Property, plant and equipment are componentised and are depreciated separately. There is no concept of minimum statutory depreciation under Ind AS.
Property, Plant and Equipment – Compensation for impairment	Not covered by ICDS. However, reliance can be placed on existing judicial precedents for taxability.	No specific requirement. In practice, compensation is offset against replaced items of property, plant and equipment.	Compensation from third parties for impairment or loss of items of property, plant and equipment are included in profit or loss when the compensation becomes receivable.
Property, Plant and Equipment – Residual value	Not covered by ICDS.	Estimates of residual value are not required to be updated.	Estimates of residual value need to be reviewed at least at each year end.
Property, Plant and Equipment – Reassessment of useful life and depreciation method	Not covered by ICDS.	Not specifically stated in Indian GAAP.	Requires annual reassessment of useful life and depreciation method.
Property, Plant and Equipment – Acceptable methods of depreciation	Not covered by ICDS. However, under the Act depreciation methods include written down value and straight line method.	Depreciation methods include the straight-line method, the diminishing balance method and the units of production method.	A variety of depreciation methods can be used to allocate based on a systematic basis over its useful life. These methods include the straight-line method, the diminishing balance method and the units of production method. Depreciation method that is based on revenue is not appropriate.

Topic	ICDS	Indian GAAP	Ind AS
Property, Plant and Equipment – Change in method of depreciation	Not covered by ICDS. However, change in accounting policy such as change in method of depreciation can be made only when there is a reasonable cause under ICDS I.	Requires retrospective re-computation of depreciation and any excess or deficit on such re-computation is required to be adjusted in the period in which such change is effected. Such a change is treated as a change in accounting policy and its effect is quantified and disclosed.	Changes in depreciation method are considered as change in accounting estimate and applied prospectively.
Property, Plant and Equipment – Routine sale of some properties	Not covered by ICDS.	No guidance included	The proceeds from the sale of such assets should be recognised as revenue
Property, Plant and Equipment – Changes in decommissioning, restoration and similar liabilities.	Not covered by ICDS. However, as per ICDS X, the amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the year. The amount of a provision shall not be discounted to its present value.	No guidance included	Provisions for decommissioning, restoration and similar liabilities that have previously been recognised as part of the cost of an item of property, plant and equipment are adjusted for changes in the amount or timing of future costs and for changes in market-based discount rates.

Topic	ICDS	Indian GAAP	Ind AS
Foreign Exchange– primary literature	ICDS VI relating to the effects of changes in foreign exchange rates	AS 11 – The Effects of Changes in Foreign Exchange Rates	Ind AS 21 The Effects of Changes in Foreign Exchange Rates Ind AS 109 Financial Instruments
Effects of Changes in Foreign Exchange Rates – Scope exception	There is no scope exception for exchange differences arising from foreign currency borrowings which may be regarded as an adjustment to interest costs.	There is exception for exchange differences arising from foreign currency borrowings to the extent considered as an adjustment to interest costs.	Similar to Indian GAAP
Effects of Changes in Foreign Exchange Rates – functional and presentation Currency	“Foreign currency” is a currency other than the reporting currency. “Reporting currency” means Indian currency except for foreign operations where it shall mean currency of the country where the operations are carried out.	Foreign currency is a currency other than the reporting currency which is the currency in which financial statements are presented. There is no concept of functional currency.	Functional currency is the currency of the primary economic environment in which the entity operates. Foreign currency is a currency other than the functional currency. Presentation currency is the currency in which the financial statements are presented.
Effects of Changes in Foreign Exchange Rates – definition of foreign operation	Foreign operation is a branch, by whatever name called, the activities of which are based or conducted in a country other than India.	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 operation is an entity that is a subsidiary, associate, joint arrangement or branch of a reporting entity, the activities of which are based or conducted in a country or currency other than those of the reporting entity.
Effects of Changes in Foreign Exchange Rates – conversion at period-end for non-monetary foreign currency items	Non-monetary foreign currency items shall be converted into reporting currency by using the exchange rate at the date of the transaction. Exchange differences arising shall not be recognised as income or expense in that year. Recognition of exchange difference shall be subject to provisions of section 43A of the Act or Rule 115 of the Rules, as the case may be.	Non-monetary foreign currency items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and Those which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.	Similar to Indian GAAP

Topic	ICDS	Indian GAAP	Ind AS
Effects of Changes in Foreign Exchange Rates – exchange differences – monetary items	Monetary items shall be converted into reporting currency by applying the closing rate.	Same as ICDS.	Same as ICDS.
	Exchange differences arising on the settlement of monetary items or on conversion thereof at last day of the year shall be recognised as income or as expense in that year.	Exchange differences arising on translation or settlement of foreign currency monetary items are recognised in profit or loss in the period in which they arise (subject to below).	Exchange differences arising on translation or settlement of foreign currency monetary items are recognised in profit or loss in the period in which they arise (subject to below).
	Recognition of exchange difference shall be subject to provisions of section 43A of the Act or Rule 115 of the Rules, as the case may be.	There is an exception to the above that there is a limited period irrevocable option for corporate entities to capitalise exchange differences on long-term foreign currency monetary items incurred for acquisition of depreciable capital assets and to amortise exchange differences on other long-term foreign currency monetary items over the life of such items but not beyond the stipulated date.	However, an entity may continue the policy adopted for exchange differences arising from translation of long-term foreign currency monetary items recognised in the financial statements for the period ending immediately before the beginning of the first Ind AS financial reporting period as per previous GAAP.
		Exchange differences on monetary items, that in substance, form part of net investment in a foreign operation, are accumulated in a foreign currency translation reserve in the enterprise's financial statements until the disposal of the net investment, at which time they should be recognised as income or as expenses.	Exchange differences on monetary items, that in substance, form part of net investment in a foreign operation, are recognised in profit or loss in the period in which they arise in the separate financial statements and in other comprehensive income in the consolidated financial statements and reclassified from equity to profit or loss on disposal of the net investment.

Topic	ICDS	Indian GAAP	Ind AS
Effects of Changes in Foreign Exchange Rates – translation of the financial statements of foreign operations	<p>Translation of financial statements of a foreign operation to the reporting currency of the parent/investor depends on the classification of that operation as integral or non-integral.</p> <p>In case of an integral foreign operation, the financial statements shall be translated using the principles and procedures as if the transactions of the foreign operation had been those of the entity itself.</p> <p>Monetary assets are translated at closing rate and the exchange differences are recognised as income or expense.</p> <p>Non-monetary shall be converted into reporting currency by using the exchange rate at the date of the transaction.</p> <p>For non-integral foreign operations, closing rate method should be followed (i.e. all assets and liabilities are to be translated at closing rate while income and expense items are translated at actual rates). All resulting exchange differences shall be recognised as income or as expenses in that year.</p> <p>Above provisions are subject to section 43A of the Act and rule 115 of the Rules.</p>	<p>Translation of financial statements of a foreign operation to the reporting currency of the parent/investor depends on the classification of that operation as integral or non-integral.</p> <p>In the case of an integral foreign operation, monetary assets are translated at closing rate.</p> <p>Non-monetary items are translated at historical rate if they are valued at cost. Non-monetary items which are carried at fair value or other similar valuation are reported using the exchange rates that existed when the values were determined. Income and expense items are translated at historical/average rate. Exchange differences are taken to the statement of profit and loss.</p> <p>For non-integral foreign operations, closing rate method should be followed (i.e. all assets and liabilities are to be translated at closing rate while profit and loss account items are translated at actual/average rates). The resulting exchange difference is taken to reserve and is recycled to profit and loss on the disposal of the non-integral foreign operation.</p> <p>Treatment for disposal does not depend on whether control over a foreign subsidiary is lost or not. Even if control is lost, only proportionate amount of the reserve is recycled to statement of profit and loss.</p>	<p>Assets and liabilities should be translated from functional currency to presentation currency at the closing rate at the date of the balance sheet; income and expenses at actual/average rates for the period; exchange differences are recognised in other comprehensive income and accumulated in a separate component of equity. These are reclassified from equity to profit or loss (as a reclassification adjustment) when the gain or loss on disposal is recognised.</p> <p>Treatment of disposal depends on whether control is lost or not. Thus, if control is lost, the exchange difference attributable to the parent is reclassified to profit or loss from foreign currency translation reserve in other comprehensive income.</p>

Topic	ICDS	Indian GAAP	Ind AS
Effects of Changes in Foreign Exchange Rates – scoping for derivatives	<p>Treatment of foreign currency transactions in the nature of forward exchange contracts are covered by this ICDS.</p> <p>“Forward exchange contract” includes a foreign currency option contract or another financial instrument of a similar nature.</p>	<p>AS 11 is applicable to exchange differences on all forward exchange contracts including those entered into to hedge the foreign currency risk of existing assets and liabilities and is not applicable to the exchange difference arising on forward exchange contracts entered into to hedge the foreign currency risks of future transactions in respect of which firm commitments are made or which are highly probable forecast transactions.</p>	<p>Foreign currency derivatives that are not within the scope of Ind AS 109 (e.g. some foreign currency derivatives that are embedded in other contracts) are within the scope of Ind AS 21. In addition, Ind AS 21 applies when an entity translates amounts relating to derivatives from its functional currency to its presentation currency.</p>
Effects of Changes in Foreign Exchange Rates – Accounting for forward exchange contracts	<p>Similar to Indian GAAP in respect of forward exchange contracts not intended for trading or speculation purposes.</p> <p>For other forward exchange contracts that are intended for trading or speculation purposes or that are entered into to hedge the foreign currency risk of a firm commitment or a highly probable forecast transaction, premium, discount or exchange difference, shall be recognised at the time of settlement.</p>	<p>Forward exchange contracts not intended for trading or speculation purposes:</p> <ol style="list-style-type: none"> i) Any premium or discount arising at the inception of a forward exchange contract is amortised as expense or income over the life of the contract. ii) Exchange differences on such a contract are recognised in the statement of profit and loss in the reporting period in which the exchange rates change. Exchange difference on a forward exchange contract is the difference between (a) the foreign currency amount of the contract translated at the exchange rate at the reporting date, or the settlement date where the transaction is settled during the reporting period, and (b) the same foreign currency amount translated at the latter of the date of inception of the forward exchange contract and the last reporting date. <p>Forward exchange contract intended for trading or speculation purposes:</p> <ul style="list-style-type: none"> - The premium or discount on the contract is ignored and at each balance sheet date, the value of the contract is marked to its current market value and the gain or loss on the contract is recognised. 	<p>Accounted for as a derivative under Ind AS 109.</p>

Topic	ICDS	Indian GAAP	Ind AS
Effects of Changes in Foreign Exchange Rates – change in functional currency or classification of foreign operations	Not covered by ICDS	Change in reporting currency is not dealt with in AS 11, though reason for change is required to be disclosed.	Change in functional currency is applied prospectively. The fact of change in functional currency and the reason for the change in functional currency should be disclosed. Additionally, the date of change in functional currency is also required to be disclosed.

Topic	ICDS	Indian GAAP	Ind AS
Government Grants – primary literature	ICDS VII relating to government grants	AS 12 – Accounting for Government Grants	Ind AS 20 Accounting for Government Grants and Disclosure of Government Assistance
Government Grants – government assistance	Similar to Indian GAAP	Does not deal with disclosure of government assistance other than in the form of government grants.	Deals with both government grants and disclosure of government assistance.
Government Grants – forgivable loans	Not covered by ICDS. However, waiver is included in the scope of grants.	No guidance included.	Forgivable loans are treated as government grants when there is a reasonable assurance that the entity will meet the terms for forgiveness of the loan.
Government Grants – government loans with below market rate of interest	Not covered by ICDS. However, concessions are included in the scope of grants.	No guidance included.	Benefit of government loans with below market rate of interest should be accounted for as government grant-measured as the difference between the initial carrying amount of the loan determined in accordance with Ind AS 109 and the proceeds received.
Government Grants – general recognition principle	Government grants should not be recognised until there is reasonable assurance that (i) the entity shall comply with the conditions attached to them, and (ii) the grants shall be received. However, recognition of Government grant shall not be postponed beyond the date of actual receipt.	Government grants available to the enterprise are considered for inclusion in accounts: (i) where there is reasonable assurance that the enterprise will comply with the conditions attached to them; and (ii) where such benefits have been earned by the enterprise and it is reasonably certain that the ultimate collection will be made. Mere receipt of a grant is not necessarily a conclusive evidence that conditions attaching to the grant have been or will be fulfilled.	Similar to Indian GAAP.

Topic	ICDS	Indian GAAP	Ind AS
Government Grants – approach to recognition	<p>Not covered by ICDS.</p> <p>Government grants other than those mentioned below should be recognised as income over the periods necessary to match them with the related costs which they are intended to compensate.</p> <p>Where the Government grant relates to a depreciable fixed asset, the grant shall be deducted from the actual cost of the asset/ written down value of block of assets to which concerned asset belonged to. Where the Government grant is of such a nature that it cannot be directly relatable to the asset acquired, so much of the amount which bears to the total Government grant, the same proportion as such asset bears to all the assets in respect of or with reference to which the Government grant is so received, should be deducted from the actual cost of the asset or should be reduced from the written down value of block of assets to which the asset or assets belonged to.</p> <p>Where the Government grant relates to a non-depreciable asset or assets requiring fulfillment of certain obligations, the grant shall be recognised as income over the same period over which the cost of meeting such obligations is charged to income.</p>	<p>Two broad approaches may be followed – the capital approach or the income approach.</p> <p>Government grants in the nature of promoters’ contribution i.e. they are given with reference to the total investment in an undertaking or by way of contribution towards its total capital outlay and no repayment is ordinarily expected, are credited directly to shareholders’ funds.</p> <p>Grants related to revenue are recognised in the statement of profit and loss on a systematic and rational basis over the periods necessary to match them with the related costs.</p> <p>Grants related to depreciable assets are either treated as deferred income and transferred to the statement of profit and loss in proportion to depreciation, or deducted from the cost of the asset.</p> <p>Grants relating to non-depreciable assets are credited to capital reserve. If such grants require fulfilment of some obligation, such grants should be credited to income over the period over which the cost of meeting the obligation is charged to income.</p>	<p>Government grants are recognised as income to match them with expenses in respect of the related costs for which they are intended to compensate on a systematic basis.</p> <p>Government grants are not directly credited to shareholders’ interests.</p> <p>Grants related to assets, including non-monetary grants at fair value, should be presented in the balance sheet only by setting up the grant as deferred income.</p>

Topic	ICDS	Indian GAAP	Ind AS
Government Grants – non-monetary government grants	Similar to Indian GAAP but no guidance included for non-monetary grants free of cost.	If the asset is given by the Government at a discounted price, the asset and the grant is accounted at the discounted purchase price. Non-monetary grants free of cost are accounted for at nominal values.	The asset and the grant should be accounted at fair value.
Government Grants – refund of grant – relating to fixed assets	The amount refundable in respect of a Government grant related to a fixed asset or assets shall be recorded by increasing the actual cost or written down value of block of assets by the amount refundable. Where the actual cost of the asset is increased, depreciation on the revised actual cost or written down value shall be provided prospectively at the prescribed rate.	The amount refundable in respect of a government grant related to a specific fixed asset is recorded by increasing the book value of the asset or by reducing the capital reserve or the deferred income balance, as appropriate, by the amount refundable. In the first alternative, i.e., where the book value of the asset is increased, depreciation on the revised book value is provided prospectively over the residual useful life of the asset.	Repayment of a grant related to a fixed asset shall be recognised by reducing the deferred income balance by the amount repayable.
Government Grants – refund of grant – other than those relating to fixed assets	The amount refundable in respect of other government grants should be applied first against any unamortised deferred credit remaining in respect of the Government grant. To the extent that the amount refundable exceeds any such deferred credit, or where no deferred credit exists, the amount should be charged to profit and loss statement.	<p>The amount refundable in respect of a government grant related to revenue is applied first against any unamortised deferred credit remaining in respect of the grant. To the extent that the amount refundable exceeds any such deferred credit, or where no deferred credit exists, the amount is charged immediately to profit and loss statement.</p> <p>Where a grant which is in the nature of promoters' contribution becomes refundable, in part or in full, to the government on non-fulfillment of some specified conditions, the relevant amount recoverable by the government is reduced from the capital reserve.</p>	<p>Repayment of a grant related to income shall be applied first against any unamortised deferred credit recognised in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or when no deferred credit exists, the repayment shall be recognised immediately in profit or loss.</p> <p>Repayment of a grant related to an asset (other than a fixed asset) shall be recognised by reducing the deferred income balance by the amount repayable.</p>

Topic	ICDS	Indian GAAP	Ind AS
Securities – primary literature	ICDS VIII relating to securities	AS 13 – Accounting for Investments	Ind AS 109 Financial Instruments – Recognition, measurement and classification of financial assets
Securities – Scope	<p>This ICDS deals only with securities held as stock-in-trade.</p> <p>This ICDS does not deal with securities held by an entity engaged in the business of insurance and securities held by mutual funds, venture capital funds, banks and public financial institutions formed under a Central or a State Act or so declared under the Companies Act, 1956 or the Companies Act, 2013.</p> <p>Securities shall have the same meaning as assigned in Section 2(h) of the Securities Contract (Regulation) Act, 1956, other than derivatives referred to in sub-clause (1a) of that clause.</p>	<p>Securities held as stock-in-trade are outside the scope of AS 13. However, provisions of AS 13 relating to current investments are applicable to securities held as stock-in-trade with suitable modifications.</p> <p>AS 13 does not apply to investments of retirement benefit plans and life insurance enterprises; and mutual funds and venture capital funds and/or the related asset management companies, banks and public financial institutions formed under a Central or State Government Act or so declared under the Companies Act, 1956.</p>	<p>Ind AS 109 includes the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items by all entities; and is broader in scope as compared to AS 13 and ICDS VIII.</p>
Securities – general recognition principle	Not covered by ICDS	No guidance included	<p>An entity should recognise a financial asset or a financial liability in its balance sheet when, and only when, the entity becomes party to the contractual provisions of the instrument. A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.</p>

Topic	ICDS	Indian GAAP	Ind AS
Securities – initial measurement	<p>A security on acquisition shall be recognised at actual cost which shall comprise of its purchase price and include acquisition charges such as brokerage, fees, tax, duty or cess.</p> <p>Where a security is acquired in exchange for other securities or for another asset, the fair value of the security so acquired shall be its actual cost.</p> <p>Where unpaid interest has accrued before the acquisition of an interest-bearing security and is included in the price paid for the security, the treatment is similar to Indian GAAP i.e. the pre-acquisition portion is deducted from cost.</p>	<p>The cost of an investment includes acquisition charges such as brokerage, fees and duties.</p> <p>If an investment is acquired, or partly acquired, by the issue of shares or other securities, the acquisition cost is the fair value of the securities issued (which, in appropriate cases, may be indicated by the issue price as determined by statutory authorities). The fair value may not necessarily be equal to the nominal or par value of the securities issued.</p> <p>If an investment is acquired in exchange, or part exchange, for another asset, the acquisition cost of the investment is determined by reference to the fair value of the asset given up. It may be appropriate to consider the fair value of the investment acquired if it is more clearly evident.</p> <p>When unpaid interest has accrued before the acquisition of an interest-bearing investment and is therefore included in the price paid for the investment, the subsequent receipt of interest is allocated between pre-acquisition and post-acquisition periods; the pre-acquisition portion is deducted from cost.</p>	<p>All financial instruments are initially measured at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.</p> <p>Trade receivables that do not have a significant financing component should initially be measured at transaction price as defined in Ind AS 115.</p>

Topic	ICDS	Indian GAAP	Ind AS
Securities – subsequent measurement	<p>This ICDS deals with securities held as stock-in-trade.</p> <p>At the end of the year, securities not listed on a recognised stock exchange, or listed but not quoted on a recognised stock exchange with regularity from time to time, shall be valued at initial cost.</p> <p>At the end of the year, securities other than those considered above shall be valued at lower of initial cost or net realisable value.</p> <p>The comparison of cost and net realisable value shall be done category wise and not for each individual security.</p> <p>For this purpose, securities shall be classified into following categories: Shares, debt securities, convertible securities, and any other securities.</p> <p>In case where initial cost cannot be specifically identified (for securities other than unlisted securities or listed but not regularly quoted securities), cost shall be determined on first-in-first-out basis.</p>	<p>Per AS 13, investments are classified as long-term or current. A current investment is an investment that is by its nature readily realisable and is intended to be held for not more than one year from the date on which such investment is made. A long-term investment is an investment other than a current investment.</p> <p>Accordingly, the assessment of whether an investment is long-term has to be made on the date the investment is made.</p> <p>Long-term investments are carried at cost less provision for diminution in value, which is other than temporary.</p> <p>Current investments are carried at lower of cost and fair value.</p> <p>Valuation of current investments on overall (or global) basis is not considered appropriate. Sometimes, the concern of an enterprise may be with the value of a category of related current investments and not with each individual investment, and accordingly the investments may be carried at the lower of cost and fair value computed category-wise (i.e. equity shares, preference shares, convertible debentures, etc.). However, the more prudent and appropriate method is to carry investments individually at the lower of cost and fair value.</p>	<p>All financial assets are classified as measured at amortised cost or measured at fair value.</p> <p>Where assets are measured at fair value, gains and losses are either recognised entirely in profit or loss (FVTPL), or recognised in other comprehensive income (FVTOCI).</p> <p>A debt instrument that is held within a business model to collect contractual cash flows and the contractual terms of which give rise on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding must be measured at amortised cost.</p> <p>However if the debt instrument is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, it must be measured at FVTOCI.</p> <p>Ind AS 109 provides an option to irrevocably designate, at initial recognition, financial assets as measured at FVTPL if doing so eliminates an accounting mismatch.</p> <p>Equity instruments should be classified as FVTPL.</p> <p>Ind AS 109 provides an option to irrevocably designate, at initial recognition, equity instruments which are neither held for trading nor are contingent consideration arising from business combination, to measure subsequent changes in fair value in other comprehensive income. The dividend from such investments is recognised in profit or loss.</p>

Topic	ICDS	Indian GAAP	Ind AS
Borrowing Costs – primary literature	ICDS IX relating to borrowing costs	AS 16 – Borrowing Costs	Ind AS 23 Borrowing Costs
Borrowing Costs – exception in scope	No such scope exception similar to Ind AS	No such scope exception similar to Ind AS	This Ind AS need not be applied in respect of borrowing costs directly attributable to the acquisition, construction or production of i) qualifying assets measured at fair value (e.g. biological assets) ii) inventories that are manufactured, or otherwise produced, in large quantities on a repetitive basis. This is an option.
Borrowing Costs – meaning of Borrowing Costs	Similar to Indian GAAP except that exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest cost are not covered under this ICDS.	<p>Borrowing costs are interest and other costs incurred by an enterprise in connection with the borrowing of funds.</p> <p>Borrowing costs may include:</p> <ul style="list-style-type: none"> (a) interest and commitment charges on bank borrowings and other short-term and long-term borrowings; (b) amortisation of discounts or premiums relating to borrowings; (c) amortisation of ancillary costs incurred in connection with the arrangement of borrowings; (d) finance charges in respect of assets acquired under finance leases or under other similar arrangements; and (e) exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. 	<p>Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds.</p> <p>Borrowing costs may include:</p> <ul style="list-style-type: none"> (a) interest expense calculated using the effective interest method as described in Ind AS 109, Financial Instruments; (b) finance charges in respect of finance leases recognised in accordance with Ind AS 17, Leases; and (c) exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Topic	ICDS	Indian GAAP	Ind AS
Borrowing Costs – meaning of qualifying asset	<p>Qualifying asset means:</p> <p>(i) land, building, machinery, plant or furniture, being tangible assets;</p> <p>(ii) know-how, patents, copyrights, trademarks, licences, franchises or any other business or commercial rights of similar nature, being intangible assets;</p> <p>(iii) inventories that require a period of twelve months or more to bring them to a saleable condition.</p> <p>Therefore, all assets other than inventories regardless of the time, will be considered for capitalisation of borrowing costs. Until now, the Act required capitalisation of borrowing costs only when there was an extension of business. This condition of extension is proposed to be removed vide Finance Bill 2015 as passed by Lok Sabha. Thus, ICDS will be in line with the Act to this extent.</p>	Qualifying asset is one which takes substantial period of time to get ready for its intended use or sale.	Similar to Indian GAAP.
Borrowing Costs – treatment of borrowings costs not eligible for capitalisation	These shall be recognised in accordance with the provisions of the Act.	These are recognised as an expense in the period in which they are incurred.	Similar to Indian GAAP.
Borrowing Costs – borrowing costs eligible for capitalisation – Specific borrowings	Similar to Indian GAAP however the income from temporary investments of those borrowings is not reduced from the amount of borrowing costs incurred.	To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation on that asset should be determined as the actual borrowing costs incurred on that borrowing during the period less any income on the temporary investment of those borrowings.	Similar to Indian GAAP.

Topic	ICDS	Indian GAAP	Ind AS
Borrowing Costs – borrowing costs eligible for capitalisation – general borrowings	<p>To the extent the funds are borrowed generally and utilised for the purposes of acquisition, construction or production of a qualifying asset, the amount of borrowing costs to be capitalised shall be computed in accordance with the following formula i.e. Borrowing cost (except on borrowings directly relatable to specific purposes) * Average cost of qualifying assets (other than those qualifying assets which are directly funded out of specific borrowings) / average of total assets (other than assets that are directly funded out of specific borrowings)</p> <p>The “average cost” is defined as:</p> <p>(i) the average of cost of the qualifying asset as appearing in the balance sheet on the first and last day of the year;</p> <p>(ii) in case the qualifying asset does not appear in the balance sheet on the first day or both on the first day and the last day of year, half of the cost of qualifying asset;</p> <p>(iii) in case the qualifying asset does not appear in the balance sheet on the last day of year, the average of the costs of qualifying asset as appearing in the balance sheet on the first day of the year and on the date of put to use or completion, as the case may be, other than those qualifying assets which are directly funded out of specific borrowings.</p>	<p>Borrowing costs eligible for capitalisation should be determined by applying a capitalisation rate to the expenditure on that asset. i.e. weighted average rate of the borrowing costs applicable to the borrowings of the enterprise that are outstanding during the period other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalised during a period should not exceed the amount of borrowing costs incurred during that period.</p>	<p>Similar to Indian GAAP.</p>

Topic	ICDS	Indian GAAP	Ind AS
Borrowing Costs – commencement of capitalisation	The capitalisation of borrowing costs shall commence: (a) in a case where there are specific borrowings for qualifying asset, from the date on which funds were borrowed; (b) in a case where there are general borrowings, from the date on which funds were utilised.	The capitalisation of borrowing costs as part of the cost of a qualifying asset should commence <i>when all the following conditions are satisfied:</i> (a) expenditure for the acquisition, construction or production of a qualifying asset is being incurred; (b) borrowing costs are being incurred; and (c) activities that are necessary to prepare the asset for its intended use or sale are in progress.	Similar to Indian GAAP
Borrowing Costs – cessation of capitalisation	Capitalisation of borrowing costs shall cease: (a) in case of inventory, when substantially all the activities necessary to prepare such inventory for its intended sale are complete; and (b) in case of other qualifying assets, <i>when such asset is first put to use.</i>	Capitalisation of borrowing costs should cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.	Similar to Indian GAAP.
Borrowing Costs – suspension of capitalisation	Not covered by ICDS	Capitalisation of borrowing costs should be suspended during extended periods in which active development is interrupted.	Similar to Indian GAAP.
Borrowing Costs – write down	There is no similar guidance since there is no ICDS on impairment of assets. However, in case of inventories which are qualifying assets, the write-down is achieved by the measurement principle of lower of cost and net realisable value contained in ICDS II relating to valuation of inventories.	When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or net realisable value, the carrying amount is written down or written off in accordance with the requirements of other Standards. In certain circumstances, the amount of the write-down or write-off is written back in accordance with those other Standards.	Similar to Indian GAAP.

Topic	ICDS	Indian GAAP	Ind AS
Provisions, Contingent Liabilities and Contingent Assets – primary literature	ICDS X relating to provisions, contingent liabilities and contingent assets	AS 29 – Provisions, Contingent Liabilities and Contingent Assets	Ind AS 37 Provisions, Contingent Liabilities and Contingent Assets
Provisions, Contingent Liabilities and Contingent Assets – scope	This ICDS deals with provisions, contingent liabilities and contingent assets, except those: <ul style="list-style-type: none"> (a) Resulting from financial instruments; (b) Resulting from executory contracts; (c) Arising in insurance business from contracts with policyholders; and (d) Covered by another ICDS. 	This Standard should be applied in accounting for provisions and contingent liabilities and in dealing with contingent assets, except: <ul style="list-style-type: none"> (a) those resulting from financial instruments that are carried at fair value; (b) those resulting from executory contracts, except where the contract is onerous; (c) those arising in insurance enterprises from contracts with policy-holders; and (d) those covered by another Accounting Standard. 	This Standard shall be applied by all entities in accounting for provisions, contingent liabilities and contingent assets, except: <ul style="list-style-type: none"> (a) those resulting from executory contracts, except where the contract is onerous; and (b) those covered by another Standard.
Provisions, Contingent Liabilities and Contingent Assets – recognition of provisions	A provision shall be recognised when all of the following conditions are met: <ul style="list-style-type: none"> (a) there is a present obligation as a result of a past event; (b) it is reasonably certain that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. <p>The term ‘reasonably certain’ has not been defined in the ICDSs, the Act or the Rules.</p>	A provision shall be recognised when all of the following conditions are met: <ul style="list-style-type: none"> (a) an enterprise has a present obligation as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. <p>Provisions are not recognised based on constructive obligations though some provisions may be needed in respect of obligations arising from normal practice, custom and a desire to maintain good business relations or to act in an equitable manner.</p>	A provision is recognised only when a past event has created a legal or constructive obligation, an outflow of resources is probable, and the amount of the obligation can be estimated reliably. <p>A constructive obligation is an obligation that derives from an entity’s actions where, by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities; and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.</p>

Topic	ICDS	Indian GAAP	Ind AS
Provisions, Contingent Liabilities and Contingent Assets – provisions-discounting	Similar to Indian GAAP.	Discounting of liabilities is not permitted and provisions are carried at their full values.	When the effect of time value of money is material, the amount of provision is the present value of the expenditure expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects the current market assessment of the time value of money and risks specific to the liability.
Provisions, Contingent Liabilities and Contingent Assets – contingent assets - assessment	<p>Contingent assets are assessed continually and when it becomes reasonably certain that inflow of economic benefit will arise, the asset and related income are recognised in the year in which the change occurs.</p> <p>Therefore, the term “virtually certain” under Indian GAAP and Ind AS is replaced with “reasonably certain”.</p>	Contingent assets are assessed continually and if it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the financial statements of the period in which the change occurs.	Similar to Indian GAAP
Provisions, Contingent Liabilities and Contingent Assets –contingent assets – measurement	<p>The amount recognised as asset and related income shall be the best estimate of the value of economic benefit arising at the end of the year. The amount and related income shall not be discounted to its present value.</p> <p>An asset and related income recognised shall be reviewed at the end of each year and adjusted to reflect the current best estimate.</p>	No guidance included	No guidance included
Provisions, Contingent Liabilities and Contingent Assets – Reimbursement	<p>Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when it is reasonably certain that reimbursement will be received if the entity settles the obligation.</p> <p>Therefore, the term “virtually certain” under Indian GAAP and Ind AS is replaced with “reasonably certain”.</p>	Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement should be recognised when, and only when, it is virtually certain that reimbursement will be received if the enterprise settles the obligation.	Similar to Indian GAAP

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