Important points in ICDS:

1. Effective Date of ICDS is 1st April, 2015 relevant for FY 2015-16 and AY 2016-17 onwards.
2. All assesees i.e. corporate as well as non-corporate are required to comply with ICDS. No Net Worth or Turnover criteria has been prescribed..
3. Entity need not to maintain Books of accounts for ICDS. ICDS is only for computation of income under the head "PGBP" or "IFOS".
4. ICDS is meant for normal computation of income and not for Minimum Alternate Tax (MAT) computation
5. In the case of conflict between the provisions of the Income-tax Act, 1961 and ICDS the provisions of the Act shall prevail.

Comparison of ICDS with AS and IND AS

Sr	*Particulars*	*ICDS*	*AS*	*IND AS*
ICDS I –Accounting Policies				
1	Fundamental Accounting Assumptions	• Going Concern • Consistency • Accrual	No change	• Going Concern • Accrual
2	Accounting Policies	Specific accounting principles and the methods of applying those principles	No change	No change
3	Consideration in the selection of accounting policy	`	Major considerations • Prudence • Substance over form • Materiality	Major considerations • Policy shall be determined by applying specific IND AS • In absence, the policy shall be determined as per Management's judgement
4	Consideration of change in accounting policy	Accounting policy shall not be changed without reasonable cause	Can change only if required by statue, AS or for more appropriate presentation	Can change only if required by Ind AS or results in providing reliable and more relevant information about the transactions
5	Disclosureof Accounting Policies	• Significant accounting policies shall be disclosed • Material impact due to change in accounting policy shall be disclosed • Disclsure can not be remedy for wrongor inappropriate treatment of an item	No change	No change
6	Fundamental accounting assumption not followed	Specific disclosure required	No change	No change

Sr	Particulars	ICDS	AS	IND AS
ICDS II – Valuation of Inventories				
1	Scope	Excludes ConstructionWIP, Financial Instruments livestock,forest products,oiland minerals&capital spares	No change	No change
2	Definition of Inventory	Assets • Held for sale in the ordinary course • Use in the process of productionfor sale • Material and supplies for consumption or rendering of services	No change	No change
3	Net realizable value	NRV= Selling Price – Estimated cost of completion and necessary to make sale	No change	No change
4	Measurement	Cost or NRV whichever is less	No change	No change
5	Cost of Inventories	Cost of Purchase + Cost of services + Cost of conversion + Other cost of bringing inventory to present location and condition	Specifically excludes duties and taxes which are subsequently recoverable by the entity from the taxing authorities	Same as existing AS
6	Cost of Purchase	Purchase Price + taxes + freight inward + directly attributable expenditure for acquisition – trade discount – rebates	Specifically excludes duties and taxes which are subsequently recoverable by the entity from the taxing authorities	Same as existing AS
7	Cost of Services	Labor cost + cost of other personnel directly engaged (other than supervisory personnel + attributable overheads	Not defined	Not defined
8	Cost of Conversion	Direct costs + Systematic allocation of fixed (normal capacity) and variable (actual production) overheads	No change	No change
9	Interest Costs	Not to include unless required by ICDS on borrowing cost		
10	Exclusion from inventory	• Abnormal wastage • Storage cost • Administrative overheads • Selling costs	No change	No change
11	Cost Formulae	• FIFO & Weighted Average •If impracticable – Retail Method • Written down to NRV on item by item basis	No change	No change
12	Change in method of valuation	Shall not change without reasonable cause	-	-
13	Valuation of inventory in case of certain dissolutions	In case of dissolution of firm, AOP or BOI inventory shall be valued at NRV	No such provision	No such provision
14	Transitional Provision	Closing inventory as on 31.03.2015 shall be the opening inventory .	—-	—-
15	Disclosure	Accounting policy for measurement, cost formulae used , carrying amount of inventory and classificatioo.	No change	No change

Sr	Particulars	ICDS	AS	IND AS
ICDS IV – Revenue Recognition				
1	Scope	Recognition of revenue in the course of ordinary activities from • Sale of goods •Renderingof services • The use of resources yielding interest, royalties or dividends	No change	
2	Sale of goods	Recognise revenue when • the property in goods is transferred • risks and rewards of ownership transferred • No effective control on goods by seller • Reasonable certainty of ultimate collection	No change	Recognise revenue as control of the goods or services underlying a performance obligation is transferred
3	Rendering of services	Recognise as per percentage completion method		
4	Interest, Royalties and Dividend	Interest – as and when accrued Royalties – as per agreement Dividend – as per ITA	No change	
5	Disclosure	• Revenue unrecognized due to uncertainty • Method used to determinestage ofcompletionof service transactions •Service transactionsin process		
ICDS VIII – Securities				
1	Scopre	Deals with securities held as stock in trade. Does not deal with recognition of interestor dividend, securities held by insurance companies and mutual debts		
2	Definition of securities	As per Sec. 2 of SCRA, securities include shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities of a like nature in or of any incorporated company or other body corporate		
3	Recognition and initial measurement	Recognise at actual cost on acquisition including acquisition charge. If acquired in exchange of other security or other asset, recognize at fair value of security so acquired. Pre acquisition interest is deducted from actual cost.		
4	Subsequent measurement of securities	Category wise actual cost or NRV whichever is less		

Sr	*Particulars*	*ICDS*	*AS*	*IND AS*
ICDS V – Tangible Fixed Assets				
1	Definition of tangible fixed asset	An asset being land, building, machinery, plant or furniture held with the intention of being used for the purpose of producing or providing goods or services and not for sale in the ordinary course of business	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	Property plant and equipment are tangible items held for use in production or supply of goods or services, rental to others or for administrative purposes and are expected to be used for more than one period
2	Definition of fair value	Amount at which the asset could be exchanged between knowledgeable, willing parties in an arm's length transaction	Price that would be agreed to in an open and unrestricted market between knowledgeable and willing parties dealing at arm's length who are fully informed and are not under any compulsion to transact.	Price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date
3	Identification of tangible asset	Stand by equipment, Service equipment and capital spares are to be capitalised	No change	No change
4	Components of actual cost	Purchase Price + duties and taxes (excluding subsequently recoverable) +directly attributable expenditure in making asset ready for intended use – trade discount – rebates + Exchange fluctuation + Start up costs + Preoperative expenses	No change	No change
5	Self constructed tangible fixed asset	Internal profit shall be eliminated	No change	No change
6	Non monetary consideration	Fair value of tangible asset	No change	No change
		acquired in exchange shall be the actual cost		
7	Improvements and Repairs	Capitalise if increase in future economic benefits	No change	No change
8	Joint ownership	Jointly owned tangible fixed assets shall be indicated separately in fixed asset register	No such provision	No such provision
9	Consolidated price	Shall be apportioned to various assets on a fair basis	No such provision	No such provision
10	Depreciation	As per ITA	As per CA	As per CA
11	Transfers	As per ITA	Fixed asset is eliminated from FS on disposal and gain or loss on disposal is recognized in P&L.	Same as in AS
12	Disclosure	• Description of block of asset • Rate of deprecation, • Actual cost or WDV, • addition and deduction during the year, in case of addition adjustment onaccount of CENVAT, change in exchange rate , subsidy grant or reimbursement, • depreciation allowable , • WDV at the end of the year		

Sr	*Particulars*	*ICDS*	*AS*	*IND AS*
ICDS VI – Effects of changes in foreign exchange rates				
1	Scope	Deals with •Treatmentof transactions in FC •TranslatingFS of foreign operations • Treatment of FC transactions in the nature of forward exchange contracts		
2	FC transaction – Initial recognition	Record the transaction at Spot rate. Average rate for a week may be used when there is no significant fluctuation	Record the transaction at Spot rate.	Same as AS.
3	Conversion at last day of the PY	Convert monetary items at closing rate and recognize exchange difference in P&L. Convert non monetary items as on date of transaction and the provisions of Section 43A will prevail.	All foreign exchange differences are recognized in P&L.	Same as AS.
4	Forward Exchange Contracts	Amortize premium over the period of the life of contract.	No change	No change
5	Measurement of premium or discount	Difference between exchange rate at the inception of the contract and the forward rate specified in the contract	No change	
6	Exchange difference	Difference in translation of FC at the last date of PY or settlement date and the date of inception of contract or the last day of immediately preceding PY.	No change	
ICDS III – Construction Contracts				
1	Retention money	Recognised on POCM basis	Silent; Recognised only when right to receive such sum established	
2	Revenue recognition during early stage of contract	Revenue to be recognised once contract crosses 25% stage of completion	No guidance; Most contractors apply POCM from day 1	
3	Recognition of actual losses	Allowed on POCM basis	Recognised fully upfront	
4	Provision for anticipated losses	Not allowed (unless actually incurred)	Recognised fully	
5	Pre-construction income (interest, dividend, capital gains)	Not allowed to be reduced from the cost of construction	Reduced from the cost of construction	
6	Contract costs relating to future activity	Recognised as asset irrespective of recovery probability	Recognised as asset if it is probable that such costs are recoverable	

Sr	*Particulars*	*ICDS*	*AS*	*IND AS*
ICDS IX – Borrowing costs				
1	Definition of borrowing costs	Interest and others costs. Specifically includes commitment charges, amortised amount of discounts, premium & anciliary costs & finance charges under finance lease	Interest and other costs incurred by an enterprise in connection with borrowing	
2	Definition of Qualifying Asset	Means Tangible fixed asset, intangible assets & inventories requiring 12 months or more to bring in saleable condition	Asset that necessarily takes a substantial period of time to get ready for its intended use or sale	
3	Borrowing cost eligible for capitalization	Specific borrowing – Capitalise actual cost General borrowing – Use formula Ax(B/C) **A**= General borrowing cost incurred except specific borrowing **B**= (i) Average cost of qualifying asset on first and last day of BS (ii) Not appearing in both BS, 50% of cost of qualifying asset (iii) Appearing in first day BS only, average of cost of qualifyingasset as on first day of BS and dateput to use or completion **C**= Average of total assets on first day and last day of PY, excluding assets directly funded.	Specific borrowings – Actual borrowing cost General borrowing – use capitalization ratefor recognizing borrowingcost eligible for capitalisation	
4	Commencement of capitalisation	Specific borrowing – date on which funds were borrowed General borrowing – the date on which funds are utilised		
5	Cessation of capitalization (in case of asset or part of asset)	In case of tangible fixed asset and intangible asset when first put to use In case of inventory when substantial activities necessary to prepare such inventory for its intended sale are complete		
6	Disclosure	• Accounting policy • Amount of borrowing cost capitalized during PY		

Sr	Particulars	ICDS	AS	IND AS
ICDS X – Provisions, contingent liabilities and contingent assets				
1	Scope	Excludes financial instruments, executory contracts, insurance business or provisions covered by other ICDS		
2	Specific exclusion	• Does not deal with revenue recognition • Provision do not include adjustment to carrying amounts of asset		
3	Definition of provision	Provision is a liability which can be measured only by using a substantial degree of estimation.		
4	Recognition of provision	Recognise when • Present obligation • Reasonable certainty • Reliable estimate	No change	No change
5	Recognition of contingent liability	Not recognised	No change	No change
6	Recognition of contingent assets	Recognise only when the inflow is reasonably certain	No change	No change
7	Measurement of provision	• Best estimate at the end of the PY • Do not discount to PV	No change	
8	Reimbursements	Recognise when the reimbursement are reasonably certain	No change	No change
9	Review	Provisions and Asset and related income shall be reviewed at the end of PY and shall be adjusted on best estimate	No change	No change
10	Use of provision	Shall be used for expenditure for which provision was made originally.	No change	No change
11	Disclosure in case of provision & contingent asset & related income	Nature of obligation, carrying amount at beginning and end, additional provision made, amounts used, unused amounts and expected reimbursements		

Sr	*Particulars*	*ICDS*	*AS*	*IND AS*
ICDS VII – Govrnment Grants				
1	Scope	Deals with treatment of Government Grants such as subsidies, cash incentives, duty drawbacks, waiver, concessions, reimbursements, etc. Does not deal with assistance otherthan government grants and government participation in enterprise.	No change	Applied in accounting for government grants and disclosure of other forms of government assistance
2	Definition of Government Grants	• Assistance by Government in cash or kind to a person for past or future compliance with certain conditions. • Excludes other assistance for value can not be placedand normal trading transactions with the Government	No change	Government assistance is action by government designed to provide anD economic benefit specific to an entity or range of entities qualifying under certain criteria but does not include indirect benefits. Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. Excludes other assistance for value can not be placed and normal trading transactions with the Government
3	Recognition of Government Grants	Recognise only when reasonable assurance of complying conditions and receipt of grant. Recognition can not be postponed beyond actual receipt.	Mere receipt of grant is not conclusive evidence of complying the conditions.	Same as AS
4	Treatment for Government Grants	• Relates to depreciable asset – deduct from cost of asset •Relatestonon depreciable asset – recognize as income as per matching concept • Not directly related to asset – deduct from COA in proportion of COA to all asset •Compensation forexpenseor losses incurred in Previous FYsor immediate financial support – recognize income in the period when becomes receivable • Non monetary asset at concessional rate – at actual cost	Nearly same provisions	• Recognise in Profit or Loss account on systematic basis as related expenses are recognized. • Compensation for expense or losses incurred in previous FYs or immediate financial support – recognize income in the period when becomes receivable • Relates to non depreciable asset – recognize asset at fair value and set grant deferred income
5	Refund of Government Grants	• Other than depreciable assets - First charged to unamortized deferred credit, if deferred credit is not available charge to P&L •Depreciable assets – increase the WDVand prospectively charge the depreciation	No change	
6	Disclosures	• Nature of grants deducted from actual cost or recognized as income • Nature of grants not deducted from actual cost or recognized as income • Nature of grants not recognized during PYs and reasons thereof	Accounting policy and nature of grants	