INCOME COMPUTATION AND DISCLOSURE STANDARDS

(ICDS)

NOTE:

The income computation and disclosure standards as specified in the Annexure to be followed by all assesses, following the **mercantile system of accounting**, for the purposes of computation of income chargeable to income-tax under the head “Profit and gains of business or profession” or “Income from other sources”.

This Income Computation and Disclosure Standard is applicable for computation of income chargeable under the head “Profits and gains of business or profession” or “Income from other sources” and not for the purpose of maintenance of books of accounts. In the case of conflict between the provisions of the Income-tax Act, 1961(‘the Act’) and this Income Computation and Disclosure Standard, the provisions of the Act shall prevail to that extent.

Refers to important points of ICDS

Refers to disclosure required

ICDS – I ACCOUNTING POLICIES

Replied by	Area covered	Requirement	Provided (yes/no)	Remarks if any
Audit staff	Accounting assumption	Following accounting assumption 1. Going concern 2. Consistency 3. Accrual If following fundamental accounting assumption not followed then disclosure shall be made in notes to accounts otherwise specific disclosure not required.		
Audit staff	Accounting policies	All significant accounting policies adopted by person shall be disclosed in notes to accounts.		
Audit staff	Change in Accounting policies	1. Is any change in accounting policies of the company? 2. If any change, mention financial effect of change of accounting policy if material. *(# Specific accounting principles and the methods of applying those principles. For example inventory valuation, cost or NRV, whichever is less is a policy. In notes to accounts we prescribe the accounting policies adopted by the company, if there is any change then it should be mention in notes to accounts).* **Note: In general it provides that accounting policy shall not be changed without a reasonable cause.**		
Audit staff	Substance vs. legal form	Preference should be given to substance of the transaction rather to legal form. For example in case possession of the building obtained by the company but legal documents not yet ready. Now as per ICDS, the building should be shown in asset and not as advance for capital assets.		
Account staff of company and verified by audit staff	Marked to market loss	Marked to market loss or expected loss should not be recognized in income statement unless specifically mentioned by other ICDS.		

ICDS – II VALUATION OF INVENTORY

Replied by	Area covered	Requirement	Provided (Yes/No)	Remarks if any
Account staff of company	What to include in inventory	Inventories are assets, 1. Held for sale in ordinary course of business; 2. In process of production for such sale; 3. In the form of materials or supplies to be consumed in the production process or in the rendering of services.		
Account staff of company	Measurement of inventory	Inventories shall be valued at cost, or net realizable value, whichever is lower. (Disclosure in notes to accounts required of policy related to valuation of inventory)		
Account staff	Cost of purchase	The cost of purchase shall consist of purchase price **including duties and taxes**, freight inward and other expenditure directly attributable to the acquisition. (*in case where entity booked purchase excluding of duties and taxes then to ensure compliance of ICDS, all duties and taxes should be added back in purchase*).		
	Cost of conversion (work in progress)	**Fixed overhead** shall be charged into inventory on the basis of normal capacity of production facilities under normal circumstances. In case there is low production or idle plant, then unallocated overhead shall be recognized as an expense in period in which they incurred. In case of abnormal high production then allocated overhead rate should be decreased so that inventories are not measured above cost. **Variable overhead** shall be charged on the basis of actual use of production facilities.		
	Other costs	Interest and borrowing cost should not be included in costs of inventories if inventories not require a period of twelve months or more to bring in saleable conditions.		
	Costs not include in valuation of inventory	1. Abnormal wastage of material, labour or other costs 2. Storage costs, unless necessary in production process		

Replied by	Area covered	Requirement	Provided (Yes/No)	Remarks if any
		3. Administrative overhead that do not contribute in bringing inventories to current location and conditions. 4. Selling costs		
	Valuation of inventory in case of service provider	The costs of services in the case of a service provider shall consist of a labour and other costs of personnel directly engaged in providing the services including supervisory personnel and attributable overheads.		
Account staff of the company	Inventory valuation – Cost formula	Three method prescribed by ICDS 1. Specific identification 2. FIFO Method 3. Weighted average cost method **RETAIL METHOD** Where it is impracticable to use the costing methods referred above, the **retail method can be used in the retail trade for measuring inventories** of large number of rapidly changing items that have similar margins. An average margin for each department has to be worked out and reduced. The cost of inventory is determined by reducing from the sales value of inventory, the appropriate percentage gross margin. **STANDARD COST METHOD** Permits the use of standard costing method where results approximate with actual cost. Also requires a confirmation that results approximates the actual cost. **CHANGE IN METHOD OF VALUATION** Provides that the method of valuation once adopted by a person in any previous year shall not be changed without a reasonable cause. (Disclosure in notes to accounts required of formula used for valuation purpose)		
	Subsequent valuation of inventory	Material and other supplies held for use in the production of inventories shall not be written down below the cost, where the finished goods in which they shall be incorporated are expected to be sold at or above the cost.		

Replied by	Area covered	Requirement	Provided (Yes/No)	Remarks if any
		In other case, value of material shall be replacement cost of such material.		
	Special provision in relation to dissolution	In case of dissolution of a partnership firm or association of person or body of individuals, notwithstanding whether business is discontinued or not, the inventory on the date of dissolution shall be valued at the net realizable value.		
	Disclosure in notes to accounts	Total carrying amount of inventories and its classification in Raw Material, work in progress and finished goods as appropriate to person.		

Treatment of excise duty u/s 145A in case of valuation of inventory

Particulars	Quantity	Base Amount	Duty included	Expenses side	Income side
Opening Stock	10	100	20	20	
Purchase of Raw Material	90	900	180	180	
Manufacturing cost		800	-		
Excise duty (on finished goods)			60	60	
Sales	60	1500	180		180
Closing Stock - Raw Material	20	200	40		40
Closing Stock - Finished goods	20	400	60		60
				260	280
Difference on account of opening and closing stock of Raw Material				**20**	

ICDS – III CONSTRUCTION CONTRACTS

Replied by	Area covered	Requirement	Provided (Yes/No)	Remarks if any
	Covered in Construction contract	Contract specifically negotiated for construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of design, technology or function.		

Replied by	Area covered	Requirement	Provided (Yes/No)	Remarks if any
		Includes 1. Contract for rendering of services which are directly related to construction contracts 2. Contract for destruction or restoration of assets		
	Types of construction contracts	1. Fixed price contract Where contractor agrees to a fixed price contract price or a fixed rate per unit of output may be subject to escalation clause. 2. Cost plus contract Contract in which the contractor is reimbursed for allowable or otherwise defined costs, plus a mark up on these costs or a fixed fee. 3. Combination of above two Contract where price fixed at cost plus margin with an agreed maximum price.		
	Combining and segmenting of contract for ICDS	1. Contract should be considered separate contract if separate proposal have been submitted for each asset, each contact has been subject to separate negotiation and the costs and revenue of each contract can be identified. 2. A group of contract should be considered as single contract, if negotiated as single contract, closely interrelated and performed concurrently. 3. In case contract provides for additional asset at the option of the customer and addl. Asset differs significantly from original contract and price also negotiated without having regard to original contract then addl. Contract will be considered as single contract.		
	Contract revenue	**Thumb rules** - Revenue shall be recognized only when there is reasonable certainty of its ultimate collection. 1. Contract revenue shall comprise of initial amount of revenue agreed, variation, claims and incentive payments if it is probable they will result in revenue. 2. If any revenue already recognized then any		

Replied by	Area covered	Requirement	Provided (Yes/No)	Remarks if any
		subsequent write off should be recognized as an expense in income statement. 3. **Reversal of revenue shall be written off in the books of account in line with the provisions of section 36(1)(vii) of the act relating to bad debts**.		
	Contract costs	1. Costs relates directly 2. Cost attributable to contract activity in general and can be allocated to contract 3. Other costs specifically chargeable to customer as per terms of contract 4. Part of borrowing cost relates to contract 5. Costs shall be reduced by any incidental income directly related to contract. 6. Costs incurred to secure the contract also included, in case cost incurred in current year but contract obtained in subsequent year then costs should be shown as an expense 7. **If any expense incurred that is related to future activity then those expense should be shown as an asset. These costs represent an amount due to customer and are classified as contract work in progress.**		
	Recognition of contract revenue and expenses	Contract revenue and cost related to construction contract should be recognized on the basis of stage of completion of the contract at the reporting date. (amount of revenue and expense recognized should be disclosed in notes to accounts)		
	Stage of completion- how to determine?	Stage of completion shall be determined with reference to - Portion of contract costs incurred for work performed up to reporting date in comparison to total contract costs, or - Survey of work performed, or - Completion of a physical proportion of contract work. In case stage of completion determined on the basis of cost incurred then following should not be considered		

Replied by	Area covered	Requirement	Provided (Yes/No)	Remarks if any
		- Costs that relates to future activity on the contract - Advance payment made to subcontractor (method used to determine stage of completion should be disclosed in notes to accounts)		
	Exemption provided for uncertainty	During early stages of contract (**not beyond 25% of stage of completion**), it might be not possible to reliably estimate the outcome of the contract then contract revenue is recognized only to the extent of costs incurred.		
	Change in estimate	Where there is change in estimate of contract costs or contract revenue then effect of change should be considered in previous year when estimate changed and in subsequent years.		
	Disclosure in Notes to accounts	Following disclosure should be made for contract in progress at reporting date in notes to accounts: - Amount of costs incurred and recognized profits up to reporting date - Amount of advance received - Amount of retentions.		

ICDS – IV REVENUE RECOGNITION

Replied by	Area covered	Requirement	Provided (Yes/No)	Remarks if any
	Revenue covered	Revenue arising in the ordinary course of business of a person from - The sale of goods; - Rendering of services; - The use by others of the person's resources yielding interest, royalties or dividends. In agency relationship, the revenue is the amount of commission and not the gross inflow of cash, receivables or other consideration.		
	Recognition of revenue in case of sale of goods	Revenue shall be recognized when - Seller transferred to buyer the property in goods		

Replied by	Area covered	Requirement	Provided (Yes/No)	Remarks if any
		for a price ‘**or’** - Significant risks and rewards of ownership have been transferred to buyer **and** - Seller retains no effective control of the goods transferred **Certainty of collection of revenue** Revenue shall be recognized when there is reasonable certainty of its ultimate collection. If reasonable certainty lacking at the time of raising any claim then it should be deferred or postponed to the extent uncertainty involved. **Where services provided over a specified time** Assessee may opt to recognize revenue on straight line basis over the specfied period. In case where service contract duration is not more than 90 days, revenue may be recognised on the basis of completed service contract method. **Effect of section 145A(1)(a)** For computing income from business, sale of goods shall be valued on inclusive of duties and taxes basis. Taxes such as VAT/sales tax/excise shall be included in revenue from sales of goods. Deduction in respect of these taxes can be claimed on payment basis under section 43B. (policy in relation to timing of revenue recognition should be mention in notes to accounts)		
	Recognition of revenue in case of rendering of services	**Thumb rule** – revenue from service transactions shall be recognized by the percentage of completion method. **Effect of section 145A(1)(a)** As per section 145A(1)(a) of the act requires that taxes collected from buyer on sale of goods shall be included in valuation of sale of goods. Section 145A(1)(a) does not apply to amounts received from rendering of services.		
	Recognition of revenue in case of other income	**Interest –** shall accrue on time basis determined by amount outstanding and rate applicable**.** **Royalties-** shall accrue in accordance with the terms of relevant agreement and shall be recognized on that basis. **Dividends** – shall be recognized as income in the previous		

Replied by	Area covered	Requirement	Provided (Yes/No)	Remarks if any
		year in which dividend declared, distributed or paid, whichever is happened earlier. **Interest on refund of tax, cess or duty to be recognised on cash basis in year of receipt.** (policies in relation to following should be disclosed in notes to accounts)		
	Disclosure in notes to accounts	- Sale of goods, amount not recognized as revenue due to lack of reasonable certainty of its ultimate collection. - Rendering of services, method used for determination of completion of service. Service transaction in progress at reporting date - Costs incurred and recognized profits - Amount of advance received - Amount of retentions.		

ICDS – V TANGIBLE FIXED ASSETS

Replied by	Area covered	Requirement	Provided (Yes/No)	Remarks if any
	Tangible fixed assets	An asset being land, building, machinery, plant or furniture held with the intention of being used for - Purpose of producing or - providing goods or services and - is not held for sale in the normal course of business.		
	Identification of tangible fixed assets	- assets defined above - stand by equipment and servicing equipment are to be capitalized. - Spares shall be charged to the revenue as and when consumed. - When spares can be used only in connection with an item of tangible fixed asset and their use is expected to be irregular, they shall be capitalized.		

Replied by	Area covered	Requirement	Provided (Yes/No)	Remarks if any
	Cost of tangible fixed assets	Cost of an tangible assets shall comprised of - Purchase price - Duties and taxes (not recoverable subsequently from govt. authorities) - Expenditure directly attributable to making asset ready for its intended use. - Foreign exchange fluctuation (gain/ loss) - Administrative and general overhead are to be excluded from cost of fixed assets. - Expenditure incurred on start up, commissioning, test runs and experimental production shall also be capitalized. (disclosure required of policy adopted to determine the value of tangible fixed asset)		
	Self constructed fixed asset	Cost of construction that relate directly to the specific tangible fixed asset and costs that are attributable to construction activity in general and can be allocated to the specific tangible fixed asset shall be included in actual cost.		
	Asset acquired in exchange	Exchange of fixed asset - Cost of asset shall be fair value of asset so acquired in exchange		
	Improvement and repairs	Addition in existing fixed asset - When expenditure that increases the future economic benefit beyond its previously assessed standard of performance. - Addition or extension to an existing which is of capital nature and becomes an integral part of fixed asset. Addition treated as separate fixed asset - Any addition or extension, which has separate identity and is capable of being used after exiting fixed asset is disposed of, shall be treated as separate fixed asset.		
	Jointly controlled fixed asset	Where a person owns fixed assets jointly with others. The following should be shown - Proportion in actual cost		

Replied by	Area covered	Requirement	Provided (Yes/No)	Remarks if any
		- Accumulated depreciation and - Written down value and - Shall be indicated separately in fixed asset register (disclosure required in fixed asset register)		
	Consolidated price paid for group of asset	Where several assets are purchased for consolidated price, the consideration shall be apportioned to the various assets on a fair basis.		
	Transfer of capital asset	In case, where fixed asset transfer out of block of asset then no capital gain arise till block of asset becomes negative or block ceases to exist. When consideration exceeds balance in block of asset then same will be considered as Short term capital gain.		
	Disclosure in notes to accounts	- Description of block of assets or block of assets - Rate of depreciation - Actual cost or written down value - Addition or deletion during the previous year, date of put to use, including adjustment on account of cenvat credit, government grants and currency fluctuation. - Depreciation allowable - Written down value at year end. - Jointly owned fixed assets shall be indicated separately in fixed assets register.		

ICDS – VI EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES

Replied by	Area covered	Requirement	Provided (Yes/No)	Remarks if any
	Standard deals with	- Treatment of transactions in foreign currencies; - Translating the financial statements of foreign operation - Treatment of foreign currency transactions in the nature of forward exchange contracts.		
	Foreign currency transactions	Transaction which is denominated in or requires settlement in a foreign currency, including transactions arising when a		

Replied by	Area covered	Requirement	Provided (Yes/No)	Remarks if any
		person:— - buys or sells goods or services whose price is denominated in a foreign currency; or - borrows or lends funds when the amounts payable or receivable are denominated in a foreign currency; or - becomes a party to an unperformed forward exchange contract; or - Otherwise acquires or disposes of assets, or incurs or settles liabilities, denominated in a foreign currency.		
	Monetary items	"Monetary items" are money held and assets to be received or liabilities to be paid in fixed or determinable amounts of money. Cash, receivables, and payables are examples of monetary items;		
	Initial recognition	Foreign currency transactions shall be recorded on basis of exchange rate on the date of the transaction. (It is possible that an average rate for a week or month at the date of transaction may be used for all transaction if exchange rate not fluctuates significantly.		
	Subsequent recognition on last day of previous year	- Foreign currency monetary items shall be converted into reporting currency by using the closing rate. Where closing rate does not reflect with reasonable accuracy, the amount in reporting currency that is likely to be realized from or required to be disburse, owing to restriction on remittances or closing rate is unrealistic and it's not possible effect an exchange of currencies at that rate, then transaction shall be reported at amount likely to receive or disburse.		
	Recognition of exchange difference	In respect of monetary items, exchange differences arising on the settlement thereof or on conversion thereof at last day of the previous year shall be recognized as income or expense in that previous year. Point to be noted In respect of non-monetary items, exchange differences		

Replied by	Area covered	Requirement	Provided (Yes/No)	Remarks if any
		arising on conversion thereof at the last day of the previous year shall not be recognized as income or as expense in that previous year. *Points to be considered in case of asset purchase -Section 43A* - *Assessee acquired any asset in any asset in any p/y from a country outside India* - *Increase/decrease in the liability at the time of making of payment towards the whole or part of the cost* - *Due to change in exchange rate during the previous year* - *Irrespective of the method of accounting followed by the assessee, is to be added to, or as the case may be, deducted from the cost of the asset as acquired.*		
	Treatment of exchange difference	**Monetary items** Shall be translated by applying the closing rate. **Non monetary items** Shall be converted into reporting currency by using the exchange rate at the date of the transaction. Non monetary item being inventory carried at net realisable value shall be reported using the exchange rate that existed when the value was determined. If item covered under sec. 43A then treatment will be as per section 43A itself.		
	Forward exchange contract	- Any premium or discount (measured by difference b/w exchange rate at the date of inception and rate specified in forward contract) arising at inception of contract shall be amortized over the life of contract. - Any profit or loss arising on cancellation or renewal shall be recognized as income or expense for the previous year. The above provision applicable if it is not intended for		

Replied by	Area covered	Requirement	Provided (Yes/No)	Remarks if any
		trading or speculation purposes and is entered into to establish the amount of amount of reporting currency required or available at settlement date of transaction. The above provision not applicable to the contract that is entered to hedge the foreign currency risk of a firm commitment or highly probable forecast transaction (**any premium, discount or exchange difference shall be recognized at the time of settlement**). **Exchange differences in case of forward contract** If transaction settled during the previous year, exchange rate at last day of previous year or the settlement date and foreign currency amount as per contract. AND The same foreign currency amount translated at the date of inception of the contract or the last day of the immediately preceding year, whichever is later.		

ICDS – VII GOVERNMENT GRANTS

Replied by	Area covered	Requirement	Provided (Yes/No)	Remarks if any
	What it not covers	- Government assistance other than in the form of government grants; and - Government participation in ownership of the enterprises.		
	Government grants	Government grants are assistance by government in cash or in kind to a person for past or future compliance with certain conditions. Exclude those form of government assistance which cannot have a value placed upon them AND which cannot be distinguished from normal trading transaction of the person.		
	Recognition of grants	Grant should not be recognized until there is reasonable assurance that I) The person shall comply with conditions attached **and**		

Replied by	Area covered	Requirement	Provided (Yes/No)	Remarks if any
		II) Grant shall be received.		
	Treatment of government grants	Relates to depreciable asset - Deduct from written down value of block of assets Related to non depreciable asset or asset required fulfillment of certain conditions - Government grant shall be recognized as income over the period over which cost of meeting such obligation is charged to income Grant is of such a nature that it cannot be directly relates to particular asset - Grant should be deducted from WDV or actual cost of asset in proportion of total asset Government grant presenting compensation for expenses or losses incurred in previous year - Shall be recognized as income of period in which it is receivable Grants not covered in above situation - Shall be recognized as income over the period to match with the related cost to compensate. Government grants in the form of non monetary assets, given at concessional rate, shall be accounted for on the basis of their acquisition cost. (Disclosure should be made of treatment done in financial statement)		
	Treatment of government grant as per Income Tax Act	As per finance act, 2015, definition of section 2(24) which given inclusive definition of income amended and new clause (xviii) inserted. Now INCOME specifically includes "assistance in form of subsidy or grant or cash incentive or duty drawback or waiver or concession or reimbursement by CG or a SG or any authority in cash or in kind to assessee. **Excluding subsidy, grant or reimbursement which is taken into account for determination of the actual cost of the asset in accordance with the provision of explanation 10 to clause (1) of section 43.**		
	Refund of government grants	In case of government grants credited to deferred income		

Replied by	Area covered	Requirement	Provided (Yes/No)	Remarks if any
		account, refund amount should be first applied against unamortized deferred credit remaining in account. In case of government grants, credited against WDV or actual cost of fixed asset, refund amount should be first debited to WDV or actual cost of fixed assets. Depreciation will be calculated prospectively. (disclosure should be made of grant refunded and treatment thereof)		
	Disclosure in notes to accounts	- Nature of government grants should be recognized. - If not recognized as deduction or income during the previous year then amount and reason thereof.		

ICDS – VIII SECURITIES

Replied by	Area covered	Requirement	Provided (Yes/No)	Remarks if any
	ICDS applied to	Standards deals with securities held as stock in trade.		
	Recognition and initial measurement of securities	Initially – securities shall be recorded at actual cost. Cost shall comprise - Purchase price and brokerage charges, fees, tax, duty or cess. Security acquired in exchange - Fair value of security so acquired Pre-acquisition interest - Interest bearing security, interest if any accrued but not paid up to date of acquisition of such security shall be deducted from cost of acquisition of security.		
	Subsequent measurement	At end of previous year, security held as stock in trade should be valued - Actual cost or net realizable value, whichever is lower. - Comparison of actual cost or net realizable value shall be done on category wise and not on individual security wise (like shares, debt securities,		

Replied by	Area covered	Requirement	Provided (Yes/No)	Remarks if any
		debentures etc.) In case where securities not listed or listed but not trading, shall be valued at actual cost initially recognized. Where it is not possible to identify individual security trading, cost of such security shall be determined on the basis of First in First out basis.		

ICDS –IX BORROWING COSTS

Replied by	Area covered	Requirement	Provided (Yes/No)	Remarks if any
	Borrowing Costs	Interest and other costs incurred by a person in connection with the borrowing of funds and include: - Commitment charges on borrowing - Amortized amount of discounts or premium - Ancillary cost related to arrangement of borrowing - Finance charges in respect of asset acquired under finance lease If fund borrowed for acquisition of assets and not used, invested then income from investment should be treated as other income and not to net off from cost of borrowing.		
	Qualifying asset	1. Land, building, machinery, plant or furniture, being tangible asset 2. Know-how, patents, copyrights, trademarks, licenses, franchises or any other business or commercial rights of similar nature, being intangible asset. Even not require 12 months to aquire or develop. 3. Inventory that requires a period of twelve months or more to bring them to saleable condition.		
	Recognition	Borrowing cost that directly attributable to acquisition, construction or production of qualifying asset shall be capitalized as part of cost of fixed asset.		

Replied by	Area covered	Requirement	Provided (Yes/No)	Remarks if any
		Other borrowing cost shall be recognized as per provision of the income tax act.		
	Borrowing cost- how to capitalized?	**A. <u>Funds specifically Borrowed</u>** The amount of borrowing cost to be capitalized on that asset. **B. <u>Only where asset necessarily require 12 months or more to develop or to construct</u>** <u>To the extent fund are borrowed generally utilized for the purpose of acquisition, construction or producing of fixed asset</u> Borrowing cost = A X $\frac{B}{C}$ A= borrowing cost incurred during the previous year B= - Qualifying asset appearing on balance sheet, first day and last day of previous year, average cost. - Qualifying asset not appearing in balance sheet, nor appear on first day half of the cost of qualifying asset. - Qualifying asset does not appear in balance sheet on last day of previous year, the average cost of qualifying asset up to date of put to use. C= average of total asset as appearing on first day and last day of previous year except those assets which are directly funded out of specific borrowing.		
	When to commence capitalization	Capitalization of borrowing costs shall be commence - Fund specifically borrowed for asset, the date on which funds were borrowed. - General borrowing, from the date when funds were utilized.		
	Cessation of capitalization	Capitalization of borrowing cost shall cease - When such asset is put to use - When substantially all the activities necessary to prepare such inventory for its intended sale are		

Replied by	Area covered	Requirement	Provided (Yes/No)	Remarks if any
		complete. When construction of qualifying asset is completed in part is capable of being used while construction continue for other parts - When such part of a qualifying asset is first put to use - When substantially all the activities necessary to prepare such inventory for its intended sale are complete.		
	Disclosure	- Accounting policy in relation to borrowing cost. - Amount of borrowing cost capitalized during the previous year		

ICDS –X PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Replied by	Area covered	Requirement	Provided (Yes/No)	Remarks if any
	Not covered under ICDS	Provisions, contingent liabilities and contingent asset, except those - Resulting from financial instrument - Resulting from executor contract - Arising in insurance business from contracts with policyholder Provisions which are adjustment to the carrying amounts of assets and are not addressed in this ICDS.		
	Provision vs liability	Provision – liability which can be measured only by using a substantial degree of estimation. Liability – present obligation of the person arising from past events, settlement of which is expected to result in an outflow from the person of resources embodying economic benefit.		
	Contingent liability	I. A **possible obligation** that arises from past events and existence of which will be confirmed only by the occurrence or nonoccurrence of one or more		

Replied by	Area covered	Requirement	Provided (Yes/No)	Remarks if any
		uncertain future events not wholly within the control of the person; or II. Present obligation that arises from past events but not recognized because - It is not reasonably certain that an outflow of resources or - Reliable estimate of the amount of obligation cannot be made.		
	Recognition - Provision	Provision should be made when all conditions are met a. A person has present obligation b. It is reasonably certain that an outflow of resources will be required to settle the obligation c. A reliable estimate can be made of obligation		
	Contingent liability	A person shall not recognize a contingent liability.		
	Contingent asset	Person shall not recognize contingent asset except when it is certainly reasonable that inflow of resources will flow to person.		
	Measurement	The provision should be best estimate of the expenditure required to settle present obligation. The amount should not be discounted to its present value. The amount recognized as asset and its related income shall be best estimate of value of economic benefit arise. The amount should not be discounted to its present value.		
	Reimbursements	- Where expenditure of estimated outflow required will be reimbursed by other party. The reimbursement shall be recognized when it is reasonably certain that reimbursement will be received. Reimbursement amount should not exceed amount of provision. - An obligation, for which a person is jointly and severally liable, is a contingent liability to the extent that it is expected that the obligation will be settled by other parties.		
	Review of provision	- Provision shall be reviewed at the end of each previous year and adjusted to reflect current best estimate.		

Replied by	Area covered	Requirement	Provided (Yes/No)	Remarks if any
		- If it is reasonably certain that outflow of resources no longer required, the provision should be reversed.		
	Disclosure in notes to accounts	Following disclosure should be made of each class of provision: - Nature of obligation - Carrying amount at beginning and at end - Amount used, that is incurred against the provision, during the year - Amount reversed during the year - Amount of reimbursement against provision made Following disclosure should be made of each class and related income: - Nature of obligation - Carrying amount at beginning and at end - Additional amount of asset and related income recognized during the year - Amount of asset and related income reversed during the year		