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INDIA

Navigating the triangle - Ind AS, Indian GAAP and ICDS

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Foreword

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The new accounting standards, collectively known as Ind-AS, as notified by the Ministry of Corporate Affairs, is a step towards converging Indian accounting practices with the globally followed International Financial Reporting Standards (IFRS). While a voluntary adoption of these standards has been allowed from 01 April 2015 onwards, Indian companies are to formally migrate to these standards in phases 01 April 2016 onwards.

For a nation like ours where foreign direct investment (FDI) is emerging to be a prime source of capital for business expansion and growth, aligning our accounting standards with the best international practices is expected to bring in more transparency which can help in attracting more foreign capital. To what extent India Inc. is prepared to embrace these accounting standards is debatable.

However, it is perhaps worthwhile to evolve two sets of accounting standards – one for developed nations and one for developing nations. Under the present IFRS, the valuations are done giving too much weightage on subjective interpretations especially for future projections. We must not forget that historical data are facts, while projections about the future are more of perceptions. For a developing nation like India, migrating to a pure IFRS-type of financial reporting can create confusions. Financial reporting should be based more on facts than on perceptions. Subjective valuations can result in huge deviations in financials from year to year and this will immensely distort the reality.

In this backdrop, this conference is a timely event to take note of these issues. When the migration to Ind-AS is inevitable, the new system should be well attuned to domestic realities rather than blindly adopt rules which do not present a true picture. Finance practitioners in India need to discuss and debate on these issues and subsequently take up these matters with IFRS. In today's age of global slowdown, investors from around the world are on the lookout for good opportunities. The earlier India Inc. can migrate to a pragmatic system of accounting standards which present a transparent picture of the companies' fundamentals based on historical data, the easier it would be for our companies to emerge as attractive investment targets.

Foreword

D. S Rawat
Secretary General
ASSOCHAM

Globalisation has transformed the face of our economy. India's business and trade has spread across different verticals of domestic as well as international markets along with its expansion in numbers and volume. International transactions in global business segment viz. Foreign Direct Investments, Foreign Institutional Investors, Mergers and Acquisitions, Franchising and Business Outsourcing are some of the examples that the country faces at the moment.

In the era of global corporate integrations, leading to growth of Indian companies, financial reporting as an internationally accepted framework is inevitable. To harmonise the Accounting Standards, the Ministry of Corporate Affairs (MCA) has moved swiftly and notified its phase-wise roadmap for adoption of the Indian Accounting Standards (Ind AS) – India's accounting standards converged with the IFRS.

Also, as an outcome to the budget announcement made by the Union Finance Minister, Shri Arun Jaitley, after consultations with Reserve Bank of India (RBI), Insurance Regulatory and Development Authority(IRDA) and Pension Fund Regulatory and Development Authority (PFRDA), the roadmap for implementation of Indian Accounting Standards (Ind AS) has converged with International Financial Reporting Standards (IFRS) for Scheduled commercial banks (excluding RRBs), Insurance Companies and also the Non-Banking Financial Companies (NBFC's).

Implementaion of Ind AS is likely to impact the key performance metrics and hence requires thoughtful communication with the board of directors, shareholders and other stakeholders. Internally, Ind AS implementation can have a wide-ranging impact on a company's processes, systems, controls, income taxes and contractual arrangement etc.

To provide a holistic view of New Indian Accounting Standards, **ASSOCHAM** has come out with a knowledge paper jointly with **Grant Thornton** on the **"Ind AS - Issues and Challenges in Implementation".**

We wish to acknowledge the contribution made by the expert research team of Grant Thornton for their untiring efforts in preparing an extensive in-depth comprehensive report.

I am sure this report will provide a rich insight and adequate knowledge to all the stakeholders.

Vishesh C Chandiok
National Managing Partner
Grant Thornton India LLP

On 16 February 2015, the Ministry of Corporate Affairs ("MCA") notified a roadmap for implementation of Indian Accounting Standards ("Ind-AS"), the IFRS-converged accounting standards in India. Close to its heels, on 31 March 2015, the Central Board of Direct Taxes ("CBDT") notified ten Income Computation and Disclosure Standards (the "ICDS") as the framework for computation of taxable income.

The process for implementation of a separate set of accounting standards for tax purposes was started in 2010 when CBDT established a committee to evaluate the taxation related issues arising from implementation of Ind- AS. It was then that a roadmap for convergence with International Financial Reporting Standards (IFRS) was first announced by the regulators.

While Ind-AS are mandatory from accounting periods beginning on or after 01 April 2016, ICDS are effective from 01 April 2015 and shall accordingly apply for the purpose of computation of taxable income for the previous year 2015-16 (assessment year 2016-17). Assessees following mercantile basis of accounting are required to follow ICDS to compute income chargeable to income-tax under the head "Profits and gains of business or profession" or "Income from other sources".

In case of conflict between the provisions of the Income Tax Act, 1961 (the "Act") and the ICDS, the provisions of the Act prevail to that extent.

Further transitional provision contained in the respective ICDS ensures that same transactions do not get taxed twice.

The introduction of a separate set of accounting principles for tax purposes is expected to increase consistency in tax assessments and reduce interpretational ambiguity which is a major cause for litigation in India.

As ICDS changes the way taxable income will be computed, we present this publication to assist readers in assessing the impact of ICDS on their tax expense. This publication compares key accounting principles given in ICDS with the accounting principles generally accepted in India ("Indian GAAP") and Ind-AS.

At **Grant Thornton,** we understand the importance of aligning financial reporting with regulatory changes and the need for accurate financial reporting. Our professionals have significant expertise in delivering bespoke solutions as they capitalise on their technical knowledge to help dynamic businesses transition to the new financial reporting framework in India as well as its corresponding tax implications.

Contents

Indian GAAP considered in this publication comprises of Accounting Standards (AS) notified under the Companies (Accounting Standards) Rules, 2006 vide notification G.S.R.739 (E) dated 07 December 2006, as amended and to the relevant requirements of the Companies Act, 2013 and selected Guidance Notes issued by the Institute of Chartered Accountants of India ("ICAI") applicable to companies.

There could be potential conflicts between the Act and ICDS. Identifying such conflicts is beyond the scope of this publication.

This publication focusses on recognition and measurement principles contained in ICDS. Further, it does not address industry-specific differences.

This publication should not be considered as a substitute to refer the original text of the ICDS, Indian GAAP and Ind AS and seek tax specialist's advice.

Key differences between ICDS and Indian GAAP

Following are the key differences between ICDS when compared with Indian GAAP:

1. Under ICDS, during early stage of a contract, where the outcome of the contract cannot be estimated reliably, contract revenue is recognised only to the extent of costs incurred. The early stage of a contract cannot extend beyond 25 percent of the stage of completion. Under Indian GAAP, revenue is recognised to the extent that costs have been incurred provided that the costs are recoverable. Under Indian GAAP, there is no bright line to conclude that the contract is no longer at an early stage. This difference may result in delayed recognition of profit for financial reporting purposes as compared to tax purposes if the company cannot estimate reliably the outcome of the contract though the stage of completion is beyond 25 percent.
2. Under ICDS, revenue from service transaction is recognised by following only 'percentage completion method'. Further, percentage of completion is determined using cost expended method. Under Indian GAAP, an entity can use either percentage completion method or completed service method for recognising revenue from service transaction. Unlike ICDS, percentage of completion is determined using either cost expended method or output method. These differences may result in early recognition of revenue for tax purposes when compared to financial reporting purposes.
3. Under ICDS, borrowing costs (excluding the borrowing costs specific to a qualifying asset), when funds are borrowed generally, it is allocated to the qualifying asset cost and other activities in the ratio of average cost of qualifying asset to average total assets (excluding cost of assets funded directly through specific borrowings). Under Indian GAAP, weighted average cost of borrowing is applied on the cost of qualifying asset. This difference may result in higher or lower capitalisation of borrowing costs for tax purposes as compared to financial reporting purposes.
4. Under ICDS, contingent assets are recognised when its realisation is reasonably certain. Under Indian GAAP, contingent assets are recognised when its realisation is virtually certain. This difference will result in earlier recognition of contingent income for tax purposes as compared to financial reporting purposes.

List of ICDS and corresponding Indian GAAP and Ind AS

ICDS	Indian GAAP	Ind AS
ICDS I: 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
ICDS II: Valuation of inventories	AS 2: Valuation of inventories	Ind AS 2: Inventories
ICDS III: Construction contracts	AS 7: Construction contracts	Ind AS 115: Revenue from contracts with customers[1]
ICDS IV: Revenue recognition	AS 9: Revenue recognition	Ind AS 115: Revenue from contracts with customers[2]
ICDS V: Tangible fixed assets	AS 10: Accounting for fixed assets AS 6: Depreciation accounting	Ind AS 16: Property, plant and equipment
ICDS VI: 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
ICDS VII: Government grants	AS 12: Accounting for government grants	Ind AS 20: Accounting for government grants and disclosure of government assistance
ICDS VIII: Securities	AS 13: Accounting for investments	Ind AS 109: Financial instruments
ICDS IX: Borrowing costs	AS 16: Borrowing costs	Ind AS 23: Borrowing costs
ICDS X: Provisions, contingent liabilities and contingent assets	AS 29: Provisions, contingent liabilities and contingent assets	Ind AS 37: Provisions, contingent liabilities and contingent assets

Note 1,2: The National Advisory Committee on Accounting Standards (NACAS) has proposed a deferral of Ind AS 115 Revenue from Contracts with Customers. Consequently, the ICAI has issued exposure drafts of Ind AS 11 -Construction Contracts and Ind AS 18 – Revenue as replacement of Ind AS 115. A final decision in this regard would be taken by the Ministry of Corporate Affairs.

Income Computation and Disclosure Standard I: Accounting policies

Scope:

Deals with significant accounting policies.

ICDS	Indian GAAP	Ind AS
	Selection of accounting policies	
ICDS does not provide any exemption or relaxation for Small and Medium Sized Company.	Entities meeting the conditions to qualify as Small and Medium Sized Company have certain exemption or relaxation in complying with the accounting standards.	Similar to ICDS.
Treatment and presentation of transactions and events are governed by their substance and not merely by the legal form. Further, marked to market loss or an expected loss is not recognised unless the recognition of such loss is in accordance with the provisions of any other ICDS.	Similar to ICDS except that major considerations governing selection and application of accounting policies also include prudence and materiality.	Similar to Indian GAAP.
	Change in accounting policy	
A change in accounting policy cannot be made without a reasonable cause. ICDS does not define the term “reasonable cause”.	Accounting policy is changed in response to new or revised accounting standards or if the adoption of a different accounting policy is required by statute or on a voluntary basis if the new policy is more appropriate.	Similar to Indian GAAP.
Requires prospective application.	Requires prospective application (unless an accounting standard requires otherwise).	Requires retrospective application by adjusting the opening equity and comparatives unless impracticable.

Income Computation and Disclosure Standard II: Valuation of inventories

Scope:

Applies to valuation of inventories, except:

a. Work-in-progress arising under 'construction contract' including directly related service contract which is dealt with by the ICDS on construction contracts;

b. Work-in-progress which is dealt with by other ICDS;

c. Shares, debentures and other financial instruments held as stock-in-trade which are dealt with by the ICDS on securities;

d. Producers' inventories of livestock, agriculture and forest products, mineral oils, ores and gases to the extent that they are measured at net realisable value;

e. 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 on tangible fixed assets.

ICDS	Indian GAAP	Ind AS
	Costs of purchase	
The costs of purchase consist of the purchase price including duties and taxes, freight inwards and other expenditure directly attributable to the acquisition. Trade discounts, rebates and other similar items are excluded in determining cost of purchase.	Similar to ICDS except that duties and taxes, subsequently recoverable from the taxing authorities, and duty drawback does not form part of costs of purchase.	Similar to Indian GAAP.
	Costs of conversion	
When actual level of production approximates to normal capacity, fixed overheads are allocated using actual level of production.	When actual level of production approximates to normal capacity, fixed overheads may be allocated using either actual level of production or normal capacity.	Similar to Indian GAAP.
	Other costs of inventories	
Interest and other borrowing costs are included in the cost of inventories if permitted under ICDS on borrowing costs	Similar to ICDS. Cost of inventories include purchase price for deferred payment term unless interest element is specifically identified in the arrangement.	Similar to Indian GAAP except that difference between the purchase price for normal credit terms and the amount paid, is recognised as interest expense over the period of the financing.

ICDS	Indian GAAP	Ind AS
Techniques for the measurement of cost		
Retail method can be used in the retail trade when it is impracticable to use other costing methods such as First-in, first-out (FIFO) or weighted average cost to measure the cost.	Standard cost or retail method can be used for convenience if it approximates the actual cost instead of FIFO or weighted average cost to measure the cost.	Similar to Indian GAAP.
Net realisable value – write down of materials and other supplies		
Replacement cost is used to measure the net realisable value in circumstance when value of material and other supplies is required to be written down to net realisable value.	Replacement cost may be used as the best available measure of net realisable value in circumstance when value of material and other supplies is required to be written down to net realisable value.	Similar to Indian GAAP.
Reversal of write down of inventory		
There is no specific guidance.	There is no specific guidance. However, reversals may be permitted as AS 5 requires this to be disclosed as a separate line item in the statement of profit and loss.	Reversal of write-down of inventory is permitted. The amount of reversal is limited to the original write down.

Income Computation and Disclosure Standard III: Construction contracts

Scope:

Apply in determination of income for a construction contract of a contractor.

ICDS	Indian GAAP	Ind AS
Combination of contracts		
A group of contracts, whether with a single customer or several customers, is treated as single contract when: a. the group of contracts is negotiated as a single package; b. the contracts are so closely interrelated that they are, in effect, part of a single project with an overall profit margin; and c. the contracts are performed concurrently or in a continuous sequence.	Similar to ICDS.	A contract with same customer and its related parties are combined when one or more of following criteria are met: a. the group of contracts is negotiated as package with single commercial objective; b. the amount of consideration of one contract depends on the price or performance of other contract; or c. the goods or services promised are single performance obligations.
Contract modifications		
An amendment to contract to include the construction of an additional asset is treated as a separate contract when either: a. the asset differs significantly in design, technology or function from the asset or assets covered by the original contract; or b. the price of the asset is negotiated without having regard to the original contract price. If not, amendment is treated as change in estimates and accounted for prospectively	Similar to ICDS.	A contract modification is accounted for either a separate contract or as part of the existing contract depending on the nature of the modification. Modification of a contract is accounted for prospectively if the remaining goods or services are distinct, else through cumulative catch up adjustment.
Segmenting contracts		
Contract which covers construction of number of assets should be treated as separate construction contracts when: a. separate proposal have been submitted for each asset; b. each asset has been subject to separate negotiation and the contractor and the customer have been able to accept or reject that part of the contract relating to each asset; and c. the cost and revenue of each asset can be identified.	Similar to ICDS.	Entities should identify each promise to deliver a good or service in a contract with a customer. A promise constitutes a performance obligation if the promised good or service is distinct. Each performance obligation identified is accounted for separately.

ICDS	Indian GAAP	Ind AS
	Contract revenue	
It is the initial amount of revenue agreed in the contract, including retentions, and variations in contract work, claims and incentive payments to the extent it is probable that they will result in revenue and are capable of being measured reliably.	Similar to ICDS.	It is the amount of consideration an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. It may include fixed amounts, variable amounts, or both. Variable considerations are included in the transaction price to the extent it is highly probable that significant reversals in the amount of cumulative revenue recognised will not occur when uncertainties are subsequently resolved.
Cost of securing the construction contract is included as part of the contract cost where it is separately identified and it is probable that contract will be obtained.	Similar to ICDS.	Unlike ICDS and Indian GAAP, an entity recognises incremental cost of obtaining a contract as an asset if it expects to recover those costs.
	Recognition of contract revenue	
Revenue is recognised based on percentage-of-completion method. However, when the percentage of completion method is deemed in appropriate (e.g. when the outcome of the contract cannot be estimated reliably, referred as "early stage of a contract"), revenue is recognised to the extent that costs have been incurred. Early stage of a contract should not extend beyond 25 percent of the stage of completion.	Revenue is recognised based on percentage-of-completion method. However, when the percentage of completion method is deemed inappropriate (e.g. when the outcome of the contract cannot be estimated reliably, referred as "early stage of a contract"), revenue is recognised to the extent that costs have been incurred provided that the costs are recoverable. The completed contract method is not permitted. Unlike ICDS, there is no bright line to conclude that the contract is no longer at an early stage. Probable losses are recognised as an expense immediately.	Entity recognises revenue when (or as) it satisfies a performance obligation by transferring control of a good or service to a customer. Control may be transferred either at a point in time or over time. Entity that recognises revenue over time should select the method that depicts performance. This may be either an output method (example: units produced) or an input method (example: costs incurred or labour hours). Does not provide specific guidance. However, guidance in Ind AS 37 – Provisions, Contingent Liabilities and Contingent Assets is used to identify and measure onerous contracts.

Income Computation and Disclosure Standard IV: Revenue recognition

Scope:

1. Deals with bases for recognition of revenue arising in the course of the ordinary activities of a person from:
   a. the sale of goods;
   b. the rendering of services;
   c. the use by others of the person's resources yielding interest, royalties or dividends.
2. Does not deal with the aspects of revenue recognition which are dealt with by other ICDS.

ICDS	Indian GAAP	Ind AS
	Definition – revenue	
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 person's resources yielding interest, royalties and dividends.	Similar to ICDS.	Revenue is income arising in the course of an entity's ordinary activities. Income is increase in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities which result in an increase in equity other than relating to contributions from equity participants.
	Revenue recognition	
In a transaction involving sale of goods, revenue is recognised when significant risk and rewards of ownership are transferred and there is a reasonable certainty of its ultimate collection. Revenue from service transaction is recognised using percentage of completion method. Percentage of completion is determined using cost expended method.	Similar to ICDS. Revenue from service transaction is recognised using either percentage of completion method or completed contract method whichever relates the revenue to the work accomplished. Percentage of completion is determined either using cost expended method or output method.	Unlike ICDS and Indian GAAP, Entity recognises revenue when (or as) it satisfies a performance obligation by transferring control of a good or service to a customer. Control may be transferred either at a point in time or over time. Entity that recognises revenue over time should select the method that depicts the performance. This may be either an output method (example: units produced) or an input method (example: costs incurred or labour hours).
	Principal versus agent	
There is no specific guidance on whether a person is acting as a principal or an agent.	Similar to ICDS.	Unlike ICDS and Indian GAAP, specific guidance exists.
	Interest income	
Interest is recognised on a time basis taking into account the amount outstanding and the rate applicable.	Similar to ICDS.	Interest is recognised using the effective interest method.
	Dividend income	
Dividends are recognised in accordance with the provision of the Act.	Dividends are not recognised until a right to receive payment is established.	Similar to Indian GAAP.

Income Computation and Disclosure Standard V: Tangible fixed assets

Scope:

Applies to tangible fixed assets being land, building, machinery, plant or furniture:

a. held with intention of being used for the purpose of producing or providing goods or services; and

b. is not held for sale in the normal course of business.

ICDS	Indian GAAP	Ind AS
	Identification of tangible fixed assets	
Stand-by equipment and servicing equipment are capitalised. Machinery spares are charged to revenue as and when consumed. However, they should be capitalised when use of such spares is only in connection with an item of tangible fixed asset and is expected to be irregular.	Similar to ICDS.	Spare parts, stand-by equipment and servicing equipment should be capitalised only when they meet definition of Property, Plant and Equipment (PPE).
	Components of cost	
There is no explicit guidance on the treatment of expenses incurred during the interval between the date a project is ready to commence commercial production and the date at which commercial production actually begins.	All expenses incurred during such period should be charged to profit and loss statement. Sometimes, such expenditure is also treated as deferred revenue expenditure amortised over a period not exceeding 3 to 5 years after the commencement of commercial production.	Costs incurred on an item of PPE, when an item is capable of operating in the manner intended by management but is not yet brought into use or is operating at less than full capacity, should not be included in the carrying amount of such item.
No specific guidance available on tangible fixed asset purchased on deferred settlement terms.	Fixed assets purchased on deferred settlement terms are not explicitly dealt with in AS 10. Cost of fixed assets include purchase price for deferred payment term unless interest element is specifically identified in the arrangement.	Difference between the purchase price under normal credit terms and the amount paid, is recognised as interest expense over the period of the financing.
There is no specific guidance on whether cost of tangible fixed assets includes costs of its dismantlement, removal or restoration, the obligation for which a person incurs as a consequence of installing the tangible fixed assets.	Similar to ICDS.	The cost of an item of PPE includes such costs.

ICDS	Indian GAAP	Ind AS
	Non-monetary consideration	
The actual cost of a tangible fixed asset acquired in exchange for another asset or for shares or other securities is the fair value of the tangible fixed asset so acquired.	The actual cost of a fixed asset acquired in exchange for another asset, shares or other securities is either fair market value of the asset acquired or fair market value of the securities issued/fair market value of the asset given, as the case may be, whichever is more clearly evident.	Similar to Indian GAAP.
	Transfers or disposals	
Income arising on transfer of a tangible fixed asset is determined in accordance with the Act.	Gain or loss arising on disposal is generally recognised in profit and loss statement unless permitted otherwise.	Similar to Indian GAAP.
	Depreciation	
Depreciation on a tangible fixed asset is computed in accordance with the Act.	Depreciation is based on the 'component' approach; depreciation is charged over the estimated useful life of the asset. Schedule II of the Companies Act specifies the useful life of assets based on their nature. It further requires justification where useful life of asset is different from useful life set out in Schedule II. Depreciation method should reflect the pattern of the future economic benefits associated with the asset.	Depreciation is based on the 'component' approach; depreciation is charged over the estimated useful life of the asset. Similar to Indian GAAP.

Income Computation and Disclosure Standard VI: The effects of changes in foreign exchange rates

Scope:

Deals with:

a. treatment of transaction in foreign currencies;

b. translating the financial statements of foreign operations;

c. treatment of foreign currency transaction in the nature of forward exchange contracts.

ICDS	Indian GAAP	Ind AS
	Functional and reporting currency	
ICDS does not use the term functional currency. Generally, entity's reporting currency is the currency of the country in which it is domiciled.	Similar to ICDS.	Functional currency is defined as the currency of the primary economic environment in which an entity operates. Entities should give priority to number of primary indicators before considering secondary indicators when the indicators are mixed and the functional currency is not obvious.
	Foreign currency	
Foreign currency is a currency other than the reporting currency.	Similar to ICDS.	Foreign currency is a currency other than the functional currency.
	Foreign currency transactions - Recognition of exchange difference on translation	
All exchange differences arising on translation of foreign currency monetary transactions are recognised in profit or loss. However, initial recognition, translation and recognition of exchange differences are subject to provisions of section 43A of Act or Rule 115 of Income-tax Rules, 1962, as the case may be.	Similar to ICDS except exchange differences arising on monetary items that, in substance, forms part of entity's net investment in a non-integral foreign operations are accumulated in equity until the disposal of the non-integral operations. However, an entity also has an option to recognise unrealised exchange differences on translation of certain long-term monetary assets/ liabilities directly in equity or as adjustment to cost of an asset. The amount so accumulated in equity shall be transferred to profit or loss over the period of maturity of such long-term monetary items in an appropriate manner.	All exchange differences arising on translation of foreign currency transactions are generally recognised in profit or loss unless permitted otherwise.

ICDS	Indian GAAP	Ind AS
	Translation of a foreign operations	
The method used to translate the financial statements of a foreign operation depends on whether the foreign operation is integral or non-integral to the reporting entity's operations. Integral operations: Financial statements are translated as if the transactions of the foreign operation had been those of the entity itself Non-Integral operations: Financial statements are translated as follows: a. assets and liabilities, both monetary and non-monetary, at the closing rate; b. income and expenses at actual rate. All resulting exchange differences are recognised as income or expense. However, translation and recognition exchange differences in cases referred to under section 43A of Act or Rule 115 of Income-tax Rules, 1962 are dealt in accordance with such provisions.	Similar to ICDS. Integral operations: Similar to ICDS. Non-Integral operations: Financial statements are translated in a manner similar to ICDS except that: a. income and expenses are translated at actual rate or appropriate rate approximating the actual rate. b. all resulting exchange differences are accumulated in equity until the disposal of the net investment.	Similar to the translation of non-integral foreign operations under Indian GAAP.
	Forward exchange contract	
In respect of forward contracts not intended for trading or speculation purposes: a. 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. b. Exchange differences are recognised as expense or income in the reporting period in which the exchange rates change. In respect of forward contracts intended for trading or speculation purposes or are held to hedge the foreign currency risk of a firm commitment or a highly probable forecast transaction, any premium, discount or exchange difference are recognised at the time of settlement.	Similar to ICDS. In respect of such forward contracts, premium or discount is ignored and at each balance sheet date, contract value is marked to its current market value and any gain or loss arising on such contract is then recognised.	Derivatives are measured at fair value with change in fair value recognised in profit or loss unless they qualify as hedging instruments in a cash flow hedge or in a net investment hedge.

Income Computation and Disclosure Standard VII: Government grants

Scope:

1. Deals with treatment of government grants. The government grants are sometimes called by other names such as subsidies, cash incentives, duty drawbacks, waiver, concessions, reimbursements etc.

2. Does not deal with:
   a. Government assistance other than in the form of government grants; and
   b. Government participation in the ownership of the enterprise.

ICDS	Indian GAAP	Ind AS
Recognition		
Government grants related to depreciable assets are either deducted from the actual cost of the asset or from the written down value of block of assets to which concerned assets belongs to.	Government grants related to depreciable assets are either deducted from the actual cost of the asset or treated as deferred income and transferred to the statement of profit and loss in proportion to depreciation.	Government grants related to assets shall be presented in the balance sheet by setting up the grant as deferred income which is recognised in profit or loss on a systematic basis over the useful life of the asset.
Government grants related to non-depreciable assets, requiring fulfillment of some obligation, are credited to income over the period over which the cost of meeting the obligation is charged to income.	Government grants related to non-depreciable assets are credited to capital reserve. If such grants require fulfillment of some obligation, such grants are credited to income over the period over which the cost of meeting the obligation is charged to income.	Similar to Indian GAAP except that recognition of grants in capital reserve is not permitted.
Government grants are not recognised unless there is a reasonable assurance that the entity shall comply with the conditions attached to them and the grants will be received. Recognition of government grant is not postponed beyond the date of actual receipt.	Similar to ICDS except that recognition may be postponed beyond the date of actual date of receipt.	Similar to Indian GAAP.

ICDS	Indian GAAP	Ind AS
Government grants in the form of non-monetary assets, given at a concessional rate		
Recognised on the basis of their acquisition cost.	Similar to ICDS	Recognised on the basis of their fair value.
Government grants in the form of non-monetary assets, given free of cost		
There is no specific guidance.	Recognised at nominal value.	Recognised on the basis of their fair value.
Government loans at nil rate of interest or rate below market rate of interest		
There is no specific guidance.	There is no specific guidance.	Government loans with below market rate of interest are initially recognised at fair value in accordance with Ind AS 109 and the difference between proceeds received and the initial fair value is accounted as government grant.
Refund of government grants		
Refund of government grants related to depreciable assets is recorded by increasing the actual cost or written down value of the block of assets by the refundable amount. Depreciation on the revised actual cost or written down value is provided prospectively at the prescribed rate.	Refund of government grants related to depreciable assets is recorded either by increasing the actual cost or decreasing capital reserve or deferred income as appropriate by the refundable amount.	Refund of a grant related to an asset shall be recognised by reducing the deferred income balance by the amount refundable.

Income Computation and Disclosure Standard VIII: Securities

Scope:

1. Deals with securities as defined in clause (h) of section 2 of the Securities Contract (Regulation) Act, 1956, other than derivatives referred to in sub-clause (1a) of the clause, held as stock-in-trade.
2. Does not deal with:
   a. the bases for recognition of interest and dividends on securities which are covered by the ICDS on revenue recognition;
   b. securities held by a person engaged in the business of insurance;
   c. 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.

ICDS	Indian GAAP	Ind AS
Recognition and initial measurement of securities		
Securities are initially recorded at actual cost. Actual costs comprises of purchase price and acquisition charges such as brokerage, fees, tax, duty or cess.	Similar to ICDS.	Securities are recorded at their fair value on the date of acquisition. Transaction costs that are directly attributable to the acquisition of financial assets are included in amount recognised on initial recognition, in case of financial asset not designated at fair value through profit or loss.
Non-monetary exchange		
The actual cost of a security acquired in exchange for another asset or for other securities is the fair value of the security so acquired.	The actual cost of a security acquired in exchange for other securities is fair value of the security issued. The actual cost of a security acquired in exchange for another asset is fair value of the asset given up or investment acquired, whichever is more clearly evident.	Securities are recorded at its fair value on the date of acquisition.
Subsequent measurement of securities		
Measured at lower of actual cost or net realisable value. However, securities not listed on a recognised stock exchange or listed but not quoted on a recognised stock exchange with regularity from time to time are valued at initial actual cost. The term "Net realisable value" is not defined in the standard. Actual cost, if not ascertainable by reference to specific identification, the cost of such security is determined on the basis of first-in, first-out method. Comparison of actual cost and net realisable value is done category wise (shares, debt securities, convertible securities and others) and not for each individual security.	Similar to ICDS if securities are classified as current investments. There is no specific guidance for measuring fair value if there no active market exists. There is no specific guidance for determining the cost of securities when same cannot be ascertained by specific identification method. Comparison of actual cost or fair value is performed either on an individual investment basis or by category of investment, but not on an overall (or global) basis.	Depending upon the entity's business model for managing the financial assets and the contractual cash flow characteristics of the securities, securities are measured at: a. amortised cost; or b. fair value through other comprehensive income; or c. fair value through profit or loss. d. Measured on standalone basis. Further, if certain conditions are met, an entity can measure the group of assets with offsetting risk positions on the basis of its net exposure instead of individual positions within the group (portfolio measurement exception).

Income Computation and Disclosure Standard IX: Borrowing costs

Scope:

1. Deals with treatment of borrowing costs.
   Borrowing costs are interest and other costs incurred in connection with the borrowing of funds and include:
   a. commitment charges on borrowings;
   b. amortised amount of discounts or premiums relating to borrowings;
   c. amortised amount of ancillary costs incurred in connection with arrangement of borrowings;
   d. finance charges in respect of assets acquired under finance leases or under other similar arrangements
2. Does not deal with the actual or imputed cost of owner's equity and preference share capital.

ICDS	Indian GAAP	Ind AS
	Definition of borrowing costs	
Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds.	Similar to ICDS except that borrowing costs includes exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.	Similar to Indian GAAP.
	Definition of qualifying asset	
A qualifying asset means: a. land, building, machinery, plant or furniture, being tangible assets; b. know-how, patents, copyrights, trademarks, licenses, franchises or any other business or commercial rights of similar nature, being intangible asset; c. inventories that require a period of twelve months or more to bring to a saleable condition.	A qualifying asset is an asset that necessarily takes substantial period of time to get ready for its intended use or sale. A period of twelve months is considered a substantial period unless a shorter or longer period can be justified.	Similar to Indian GAAP. However, unlike Indian GAAP, there is no bright line for the term 'substantial period'.
	Recognition of borrowing costs	
Borrowings costs attributable to qualifying asset form part of the cost of that asset. Other borrowing costs are recognised in accordance with the provisions of the Act.	Similar to ICDS except that other borrowing costs (i.e. borrowings costs not capitalised as part of the cost of the qualifying asset) are recognised as expense as incurred.	Similar to Indian GAAP.

ICDS	Indian GAAP	Ind AS
Borrowing costs eligible for capitalisation		
Income earned on the temporary investments of the borrowings specific to a qualifying asset is not reduced from the borrowing costs eligible for capitalisation.	Unlike ICDS, income earned on the temporary investments of the borrowings specific to a qualifying asset is reduced from the borrowing costs eligible for capitalisation.	Similar to Indian GAAP.
When funds are borrowed generally, total borrowing costs (excluding the borrowings directly attributable to specific purposes) attributable to the qualifying asset is calculated as below: Total borrowing costs (excluding the borrowings directly attributable to specific purposes) * average of costs of qualifying asset (excluding qualifying assets directly funded out of a specific borrowings) as at the beginning and the end of the year/average amount of total assets (excluding qualifying assets directly funded out of a specific borrowings) as at the beginning and the end of the year.	When funds are borrowed generally, total borrowing costs (excluding the borrowing costs specific to a qualifying asset), eligible for capitalisation is determined by applying capitalisation rate to the expenditure on that asset. The capitalisation rate is weighted average of borrowing costs applicable to the borrowing of the entity that are outstanding during the period, other than borrowing made specifically for the purpose of obtaining a qualifying asset.	Similar to Indian GAAP.
Excess of the carrying amount of the qualifying asset over recoverable amount		
No specific guidance. In general, 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 not written down or written off.	Unlike ICDS, 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 other standards.	Similar to Indian GAAP.
Commencement of capitalisation		
Capitalisation of borrowing costs commences as below: a. when funds are borrowed specifically for a qualifying asset, from the date on which funds were borrowed; b. when funds are borrowed generally and are used for the purpose of a qualifying asset, from the date on which funds were utilised.	Capitalisation of borrowing costs commences when all of the following conditions are met: a. expenditures for the 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.

ICDS	Indian GAAP	Ind AS
Suspension of capitalisation		
There is no specific guidance.	Capitalisation of borrowing cost is suspended during the extended periods in which active development is interrupted.	Similar to Indian GAAP.
Cessation of capitalisation		
Capitalisation of borrowing costs to qualifying assets ceases as below: 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 qualifying assets, other than inventory, when such asset is first put to use.	Capitalisation of borrowing costs to qualifying assets ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.	Similar to Indian GAAP.
When the construction of a qualifying asset is completed in parts and a completed part is capable of being used while construction continues for the other parts, capitalisation of borrowing costs in relation to a part should cease: a. in case of inventory, when substantially all the activities necessary to prepare such part of inventory for its intended sale are complete; and b. in case of qualifying assets, other than inventory, when such part of a qualifying asset is first put to use.	When the construction of a qualifying asset is completed in parts and a completed part is capable of being used while construction continues for the other parts, capitalisation of borrowing costs in relation to a part should cease when substantially all the activities necessary to prepare that part for its intended use or sale are complete.	Similar to Indian GAAP.

Income Computation and Disclosure Standard X: Provisions, contingent liabilities and contingent assets

Scope:

1. Deals with provisions, contingent liabilities and contingent assets, except those:
   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.
2. Does not deal with the recognition of revenue which is dealt with by ICDS- Revenue recognition.
3. Does not address the items such as depreciation, impairment of assets and doubtful debts which are adjustment to the carrying amount of the assets.

ICDS	Indian GAAP	Ind AS
	Recognition of provision	
A provision is recognised for a present obligation as a result of past event if the liability is considered reasonably certain and can be reliably estimated. The term 'reasonable certain' is not defined.	Similar to ICDS except that liability should be probable. Probable means more likely than not.	Similar to Indian GAAP except that constructive obligations are also recognised.
An obligation under proposed law arises only when the legislation is enacted.	Unlike ICDS, the obligation arises when objective evidence exists that the proposed legislation is virtually certain to be enacted.	Similar to Indian GAAP.
	Recognition of contingent assets	
A contingent asset is recognised when the realisation is reasonably certain. Such asset is measured in a manner similar to provisions. The term 'reasonable certain' is not defined.	Contingent asset is recognised when the realisation is virtually certain.	Similar to Indian GAAP.
	Measurement of provisions	
The amount recognised as a provision should be the best estimate of the expenditure required to settle the present obligation at the end of the year. The amount of a provision is not discounted to its present value.	Similar to ICDS.	Similar to ICDS and Indian GAAP. However, where the effect of the time value of money is material, the provision shall be discounted at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

ICDS	Indian GAAP	Ind AS
	Reimbursements	
A reimbursement of expenditure required to settle a provision is recognised when its recovery is reasonably certain. The amount recognised for the reimbursement should not exceed the amount of the related provision. The term 'reasonable certain' is not defined.	Unlike ICDS, recovery should be virtually certain	Similar to Indian GAAP.
	Onerous contracts	
Obligations for onerous contracts are not recognised.	Obligations for onerous contracts are not recognised. If an entity has an onerous contract, the present obligation shall be recognised and measured as a provision. An onerous contract is defined as a contract where the unavoidable costs to meet the obligations exceeds the expected economic benefits.	Similar to Indian GAAP.

About ASSOCHAM

ASSOCHAM

The Associated Chambers of Commerce and Industry of India (ASSOCHAM), India's premier apex chamber, initiated its endeavour of value creation for Indian industries in 1920. Having in its fold more than 400 chambers and trade associations, and serving more than 4.5 lakh members from all over India, it has contributed significantly to the economy by playing a catalytic role in shaping up the trade, commerce and industrial environment of the country. It has significantly contributed in the emergence of new-age Indian corporates, characterised by a new mindset and global ambition for dominating the international business.

Known as the fountain-head of knowledge for the Indian industries, ASSOCHAM has emerged as forceful, proactive, forward looking institution that is equipped to meet the aspirations of corporate India in the new world of business.

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ASSOCHAM is working towards creating a model business environment in India that is at par with the rest of the world and that of a developed economy. It derives its strength from its promoter chambers and other industry/regional chambers/associations spread all over the country.

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