

# **Overview & Issues ICDS VI – X**

**J B Nagar Study Circle**

**Bhaumik Goda**

**9 July 2017**

# Agenda

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## Context

Brief Overview

ICDS – VI : The effects of changes in foreign exchange rates

ICDS – VII : Government grants

ICDS – VIII : Securities

ICDS IX : Borrowing cost

ICDS X : Provisions, Contingent liabilities & Contingent asset

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# Brief Overview

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- ▶ ICDS shall be applicable for AY 2017-18 onwards and the same are mandatory to be followed by all assessees following mercantile system of accounting (except individual and HUF not covered under tax audit provisions)
- ▶ ICDS applicable to all assessees following mercantile system of accounting for computation of income chargeable under the head 'profits and gains from business or profession' and 'income from other sources' from AY 2016-17 onwards
- ▶ Applicable to NR – say having PE in India or receiving royalty, FTS payments
- ▶ ICDS issued as notification and will be subservient to Act and Rules
- ▶ ICDS applicable irrespective of treatment in books of accounts under Ind-GAAP or Ind-AS
- ▶ ICDS not applicable to MAT but applicable to AMT
- ▶ Non compliance with ICDS gives power to tax authorities to assess income on 'best judgement basis'
- ▶ Potential penalty exposure for 'mis-reporting' or 'under-reporting' of income unless bonafide are proved
- ▶ No separate set of books of accounts needs to be maintained but sufficient documentation needs to be maintained to prove compliance with ICDS

# Brief Overview

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- ▶ Legislative documents
  - ▶ Notification No S.O.3079 (E) dated 29 September 2016 notifying revised ICDS
  - ▶ Circular No 10/2017 providing clarifications to ICDS
- ▶ Tax Audit form and ITR Form amended to enable disclosure and computation of income pursuant to ICDS
- ▶ Transitional provisions introduced with intent that there is neither 'double taxation' of income due to application of ICDS nor there should be escapement of income due to application of ICDS

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# ICDS VI - The effects of changes in foreign exchange rates



# Key comparison

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Sr No	Points	ICDS – VI	AS-11
1	Revenue Monetary item	<ul style="list-style-type: none"><li>• Converted into INR by applying closing rate</li></ul>	<ul style="list-style-type: none"><li>• Reported using the closing rate</li><li>• Exchange difference recognised in P&amp;L A/C</li></ul>
2	Revenue non-monetary items	<ul style="list-style-type: none"><li>• Converted into reporting currency using exchange rate at the date of transaction</li></ul>	<p><u>Carried at historical cost</u></p> <ul style="list-style-type: none"><li>• Exchange rate at the date of transaction</li></ul> <p><u>Carried at fair value</u></p> <ul style="list-style-type: none"><li>• Exchange rate that existed when such rate was determined</li></ul>

# Key comparison

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Sr No	Points	ICDS – VI	AS-11
3	Capital Monetary item (relating to import of asset)	<ul style="list-style-type: none"><li>Requires recognition in P&amp;L subject to section 43A</li></ul>	<ul style="list-style-type: none"><li>Requires recognition in P&amp;L</li><li>Option provided to adjust difference to capital asset of accumulate in FCMITDA</li></ul>
4	Capital Monetary item (not relating to import of asset)	<ul style="list-style-type: none"><li>Requires recognition in P&amp;L subject to section 43A</li></ul>	<ul style="list-style-type: none"><li>Requires recognition in P&amp;L</li><li>Option provided to adjust difference to capital asset of accumulate in FCMITDA</li></ul>

# Key comparison

Sr No	Points	ICDS – VI	AS-11
5	Forex derivatives (hedging-capital account)	<ul style="list-style-type: none"><li>• Premium/discount amortized over the life of contract</li><li>• Restated on MTM basis at year end and difference is recognised in P&amp;L</li><li>• Profit/loss on cancellation or renewal is also recognised in P&amp;L</li></ul>	<ul style="list-style-type: none"><li>• Requires recognition in P&amp;L</li><li>• Option provided to adjust difference to capital asset of accumulate in FCMITDA</li></ul>
6	Forex derivatives (hedging-capital account)	<ul style="list-style-type: none"><li>• Same as above</li></ul>	<ul style="list-style-type: none"><li>• Same as above</li></ul>



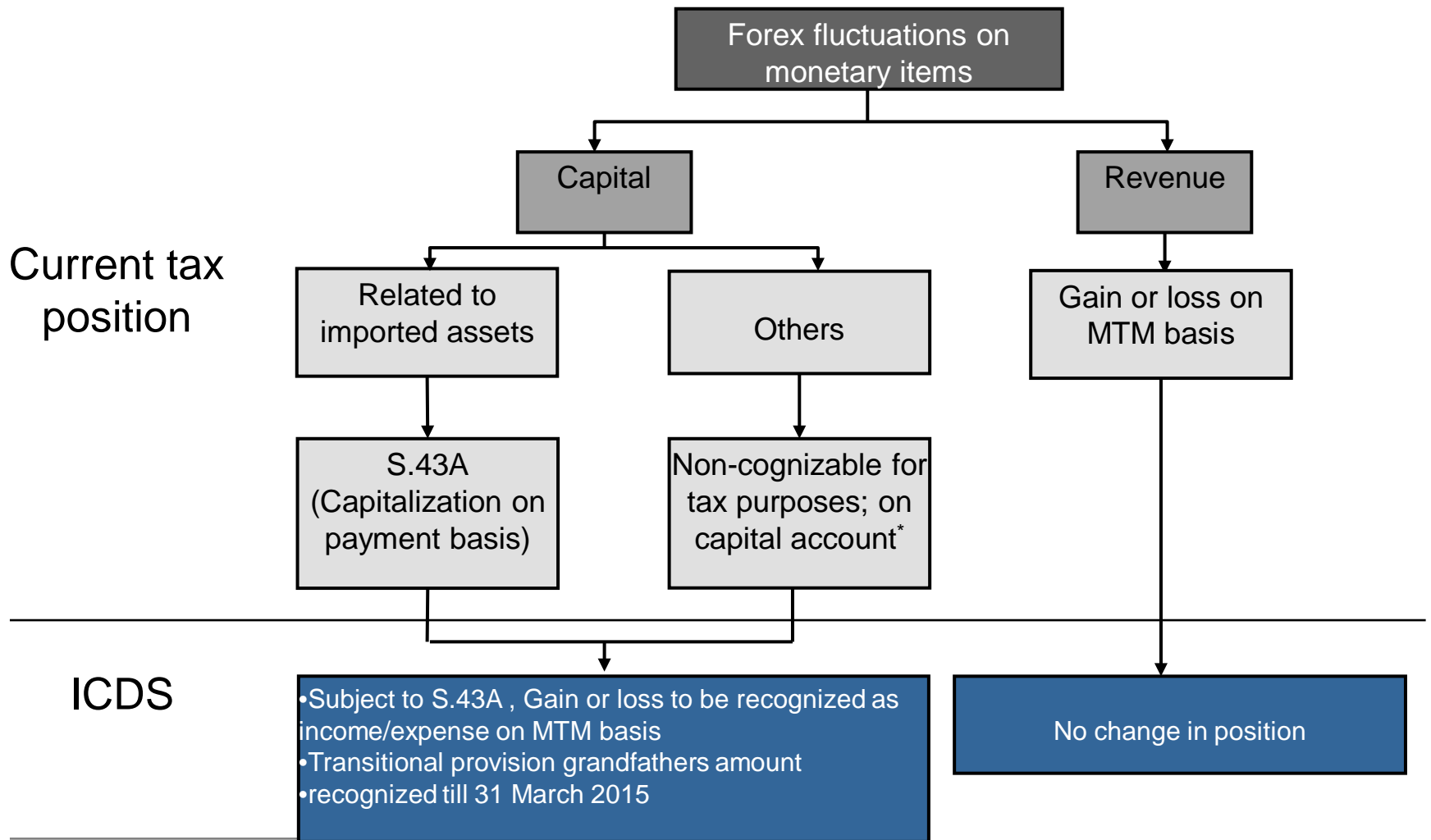
# Key comparison

Sr No	Points	ICDS – VI	AS-11
7	Trading/Speculation	<ul style="list-style-type: none"> <li>Recognises gain/loss on actual settlement</li> </ul>	<ul style="list-style-type: none"> <li>Recognises gain/loss on MTM basis</li> </ul>
6	Foreign operations	<ul style="list-style-type: none"> <li>Does not distinguish between integral and non-integral operations</li> <li>Includes branch but not JV/Subsidiaries</li> <li>Treatment as if transaction is with self</li> </ul>	<ul style="list-style-type: none"> <li>Bifurcates between integral/non-integral operations</li> <li>Includes JV/Subsidiaries</li> </ul>

## Transition Provisions

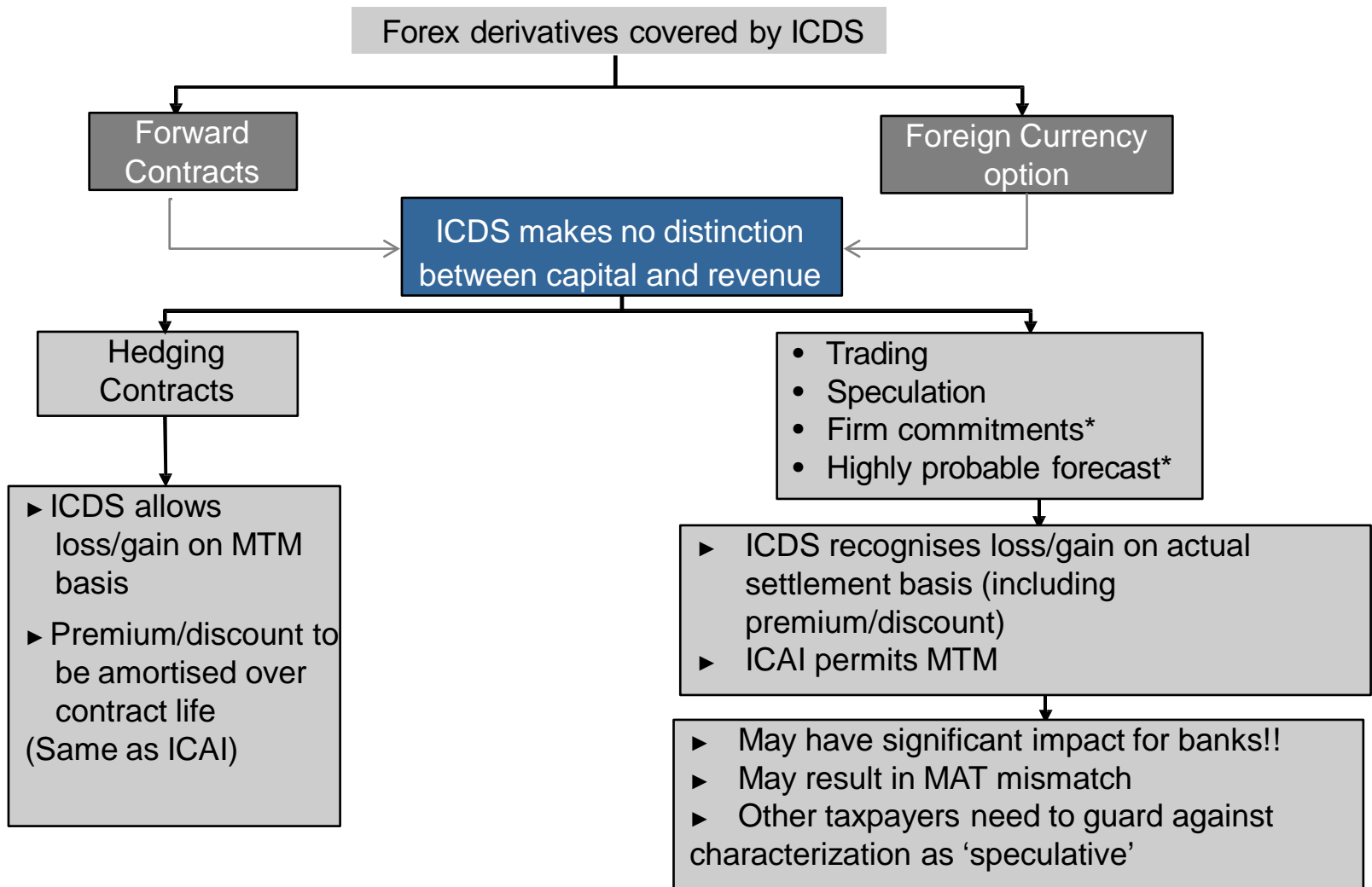
- All foreign currency transactions undertaken on or after 1 April 2016 be recognised in accordance with ICDS VI
- Prior year transactions be recorded in accordance with ICDS VI after taking into account amount recognised on the last day of the previous year ending 31 March 2016

# Snapshot



\* ICDS treatment is in conflict with SC decisions

# Snapshot



\* ICAI AS- 11 excludes these contracts. ICDS explains firm commitment to mean assets/liabilities which exists by end of previous year

# Case Study - 1

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## Fact pattern

- ▶ ICO is Indian MNC of foreign parent having following foreign exchange exposure
  - ▶ Exports - USD 2 mn
  - ▶ Imports – USD 1 mn
  - ▶ ECB – USD 1 mn for acquiring P&M from overseas
  - ▶ ECB – USD 1 mn for acquiring P&M from domestic supplier
  - ▶ Loan to Foreign subsidiary as quasi capital – USD 1 mn
- ▶ ICO follows IGAAP and is desirous of understanding impact of ICDS
- ▶ Assume exchange rate as follows

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<b>Date</b>	<b>Rate</b>
Spot	1 USD = INR 60
Year end	1 USD = INR 63
Settlement date	1 USD = INR 65

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# Case Study - 1

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## MTM gain/loss on import/export

- ▶ Since spot rate was INR 60 and year end closing rate is INR 63, there will be a gain on export and loss on imports

## ICDS Provisions

Points	ICDS – VI	AS-11
Revenue Monetary item	<ul style="list-style-type: none"><li>• Converted into INR by applying closing rate</li></ul>	<ul style="list-style-type: none"><li>• Reported using the closing rate</li><li>• Exchange difference recognised in P&amp;L A/C</li></ul>

## Impact Analysis

- ▶ No impact of ICDS on account of parity in treatment
- ▶ Ratio of SC decision in Woodward Governor remains unchanged

# Case Study - 1

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## ECB to acquire foreign asset

- ▶ ICO borrowed ECB to acquire foreign asset
- ▶ Assume loan repaid in June 2017

## ICDS Provisions

Points	ICDS – VI	AS-11
Capital Monetary item (relating to import of asset)	<ul style="list-style-type: none"><li>• Requires recognition in P&amp;L subject to section 43A</li></ul>	<ul style="list-style-type: none"><li>• Requires recognition in P&amp;L</li><li>• Option provided to adjust difference to capital asset of accumulate in FCMITDA</li></ul>

## Impact analysis

- ▶ Gain/loss debited to P&L added to income
  - ▶ Difference between spot price and settlement price (INR 5) added to cost in terms of section 43A
  - ▶ Treatment similar to pre-ICDS
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# Case Study - 1

## ECB to acquire domestic asset

- ▶ ICO borrowed ECB to acquire domestic asset
- ▶ Assume loan repaid in June 2017

## ICDS Provisions

Points	ICDS – VI	AS-11
Capital Monetary item (not relating to import of asset)	<ul style="list-style-type: none"><li>• Requires recognition in P&amp;L subject to section 43A</li></ul>	<ul style="list-style-type: none"><li>• Requires recognition in P&amp;L</li><li>• Option provided to adjust difference to capital asset of accumulate in FCMITDA</li></ul>

## Impact analysis

- ▶ Section 43A not applicable to domestic assets
- ▶ ICDS requires debit in P&L account
- ▶ Conflict in judicial position which held that foreign exchange on capital items is capital in nature and not allowable
- ▶ Similar conclusion for foreign exchange fluctuation on loan to FCO

## Case Study - 2

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On 01-01-16, XYZ Ltd. borrowed loan from USA to purchase asset from India, payment to be made \$ 100,000 on 30-06-16. On 01-01-16 itself it entered into a forward exchange contract to mitigate the risks associated with changes in exchange rates. The company follows Para 46A for the accounting purpose. The exchange rates (Rs. per US \$) are as below:

Period	1-1-2016	31-3-2016	30-6-2016
Spot Rate	60	63	65
Forward Rate (for 6 months)	62		
Forward Rate (for 3 months)		64	



# Case Study - 2

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Particulars	F.Y. 2015-16		
	Accounting Purpose	Income-tax purpose	
		Pre-ICDS	Post-ICDS
<b>Premium</b>	1 [62-60]/2 (capitalized as per Para 46A over period of contract)	Nil (Non-cognizable for the tax purpose)	*(1) [62-60]/2 (deducted from Net Profit as per books to arrive at PGBP)
<b>Forward Exchange Gain</b>	(3) [63-60] (reduced from value of asset as per Para 46A)	Nil (Non-cognizable for the tax purpose)	*3 [63-60] (Added to Net Profit as per books to arrive at PGBP)
<b>Loss due to increase in Liability</b>	3 [63-60] (capitalized as per Para 46A)	Nil (Non-cognizable for the tax purpose)	*(3) [63-60] (deducted from Net Profit as per books to arrive at PGBP)

# Case Study - 2

Particulars	FY. 2016-17		
	Accounting Purpose	Income-tax purpose	
		Pre-ICDS	Post-ICDS
<b>Premium</b>	1 [62-60]/2 (capitalized as per Para 46A over period of contract)	Nil (Non-cognizable for the tax purpose)	*(1) [62-60]/2 (deducted from Net Profit as per books to arrive at PGBP)
<b>Forward Exchange Gain</b>	(2) [65-63] (reduced from value of asset as per Para 46A)	Nil (Non-cognizable for the tax purpose)	*2 [65-63] (Added to Net Profit as per books to arrive at PGBP)
<b>Loss due to increase in Liability</b>	2 [65-63] (capitalized as per Para 46A)	Nil (Non-cognizable for the tax purpose)	*(2) [65-63] (deducted from Net Profit as per books to arrive at PGBP)

\* To the extent, ICDS suggests revenue treatment of exchange fluctuations on capital account, it is in conflict with the provisions of the Act and settled position by the Supreme Court in the case of TISCO-(1998) 231 ITR 285 (SC)

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# ICDS VII – Government Grants



# Key points

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Sr No	Points	ICDS – VII	Issue
1	Recognition	<ul style="list-style-type: none"><li>• Should not be recognised unless there is reasonable assurance<ul style="list-style-type: none"><li>• Person shall comply with conditions attached to them</li><li>• Grants shall be received</li></ul></li><li>• Recognition shall not be postponed beyond the date of actual receipt</li></ul>	AS 12 states: <ul style="list-style-type: none"><li>• Should not be recognised unless there is reasonable assurance<ul style="list-style-type: none"><li>• Person shall comply with conditions attached to them</li><li>• Grants shall be received</li></ul></li><li>• Mere receipt of grant is not necessarily a conclusive evidence that conditions attaching to the grant have been or will be fulfilled</li></ul>

# Key points

Sr No	Points	ICDS – VII	Issue:
2	Grant related to depreciable asset	<ul style="list-style-type: none"> <li>Reduce from actual cost of asset or from WDV of block of asset</li> </ul>	AS 12 <ul style="list-style-type: none"> <li>Option to either               <ul style="list-style-type: none"> <li>Reduce from asset or</li> <li>As deferred income over the useful life of asset</li> </ul> </li> </ul>
3	Grant related non-depreciable asset subject to fulfilment of conditions	<ul style="list-style-type: none"> <li>Recognised as income over the same period over which cost of meeting such obligations is charged to income</li> </ul>	Exp 10 to sec 43(1): Cost of asset acquired by assessee has been met directly or indirectly by CG or SG or ...then, so much of cost as is relatable to such subsidy or grant or reimbursement shall not be included in actual cost of asset

# Key points

Sr No	Points	ICDS – VII	Issue:
3	Grant related non-depreciable asset subject to fulfilment of conditions	<ul style="list-style-type: none"><li>Recognised as income over the same period over which cost of meeting such obligations is charged to income</li></ul>	<ul style="list-style-type: none"><li>Preamble of ICDS states that it is applicable to income chargeable under head 'B&amp;F' and 'IFOS'</li><li>Gains arising on sale of non-depreciable asset will be chargeable under CG</li></ul>

# Key points

Sr No	Points	ICDS – VII
4	Promoters contribution	<ul style="list-style-type: none"><li>• Apportioned between asset in ratio of asset value to all the assets</li></ul>
5	Grant to compensate expenses or losses incurred in previous financial year or for the purpose of giving immediate financial support	<ul style="list-style-type: none"><li>• Recognised as income over the period for which it is receivable</li></ul>
6	Other grants	<ul style="list-style-type: none"><li>• Income over period necessary to match them with the related costs which they are intended to compensate</li></ul>

# Key points

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Sr No	Points	ICDS – VII
5	Grant in the form of non-monetary asset at concessional rate	<ul style="list-style-type: none"><li>Accounted on the basis of their acquisition cost</li></ul>

## Transition Provisions

- Grant which meets recognition criteria for the previous year commencing on or after 1 April 2016 shall be recognised in accordance with provisions of this standard after considering grants if any recognised in previous year ending 31 March 2016

## Disclosure and refund mechanism

- ICDS provides for disclosure and refund mechanism of grants



# Issues

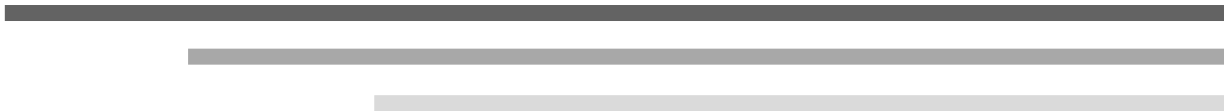
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## Taxability of following grants

- ▶ Duty credit entitlement certificate
- ▶ Loan at concessional rate
- ▶ Free technical or marketing advise
- ▶ Stamp duty waiver

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# ICDS VIII – Securities



# Key points

Sr No	Points	ICDS – VIII	Issue
1	Scope	<ul style="list-style-type: none"> <li>• Applies to securities held as stock in trade</li> <li>• Includes shares of companies in which public are not substantially interested</li> </ul>	AS 12 <ul style="list-style-type: none"> <li>• Accounting of current, long term investment but excludes securities held as 'stock in trade'</li> </ul>
2	Initial recognition	<ul style="list-style-type: none"> <li>• Actual price paid including brokerage, fee, tax, duty or cess</li> <li>• Acquired in exchange               <ul style="list-style-type: none"> <li>• for other securities – fair value of security so acquired</li> <li>• For other asset – fair value of security so acquired</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Cost should include STT</li> <li>• Sec 36(1)(ix) grants deduction specifically and hence care should be taken not to take separate deduction</li> </ul>

# Key comparison

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Sr No	Points	ICDS – VIII	Issue
3	Broken period interest	<ul style="list-style-type: none"><li>• Pre-acquisition interest – reduced from cost</li><li>• Post-acquisition – to be offered as income</li></ul>	<ul style="list-style-type: none"><li>• Treatment tilts in favour of law propounded by Vijaya Bank (187 ITR 541)</li><li>• No separate taxation of pre-acquisition interest</li></ul>
4	Year end valuation	<ul style="list-style-type: none"><li>• Actual cost of NRV whichever is lower</li><li>• Comparison to be done category wise and not for each security</li><li>• Unlisted shares valued at cost</li></ul>	<ul style="list-style-type: none"><li>• Is treatment contrary to real income theory ?</li><li>• Refer next slide</li></ul>

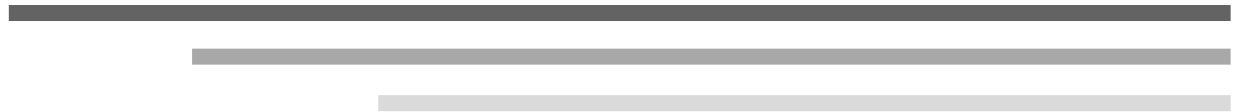
# Illustration of bucket approach

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Security	Category	Cost	NRV	Lower of Cost or NRV	ICDS Value
A	Share	100	75	75	
B	Share	120	150	120	
C	Share	140	120	120	
D	Share	200	190	190	
		560	535	505	535

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# ICDS IX – Borrowing Cost



# Brief Overview

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- ▶ ICDS IX deals with treatment of borrowing cost (BC). Stated alternatively, ICDS IX does not deal with deductibility borrowing cost
- ▶ Deductibility of BC is inter-alia dealt with by following provisions:
  - ▶ Section 36(1)(iii)
  - ▶ Section 14A
  - ▶ Section 40(a)(ia)
  - ▶ Section 43B
  - ▶ Section 94B
- ▶ Per ICDS – V components of tangible fixed asset comprises of its purchase price, import duties and taxes, excluding those subsequently recovered and any directly attributable expenditure on making the asset ready for its intended use
  - ▶ BC is not specifically included but may qualify within omnibus category of ‘any directly attributable expenditure
- ▶ ICDS is applicable for computation of income chargeable under the head ‘B&F’ and ‘IFOS’
  - ▶ Interest under House Property not dealt with by ICDS IX

# Key points

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## Definition of BC

- BC are interest and other costs incurred by a person in connection with borrowing of funds and include:
  - Commitment charges on borrowings
  - Amortised amount of discounts or premium relating to borrowings
  - Amortized amount of ancillary costs incurred in connection with the arrangement of borrowings;
  - Finance charges in respect of assets acquired under finance leases or under other similar arrangements

## Issues :

- ▶ Sec 36(1)(iii) deals with 'interest' whereas other cost are dealt with by sec 37(1). BC includes interest and 'other cost'
- ▶ Per SC in case of ICDS, lessor is entitled to depreciation in case of finance lease. As corollary, 'total' payment by lessee should be considered as rent for tax purpose. Reference to finance charges of assets acquired under finance lease is contrary to Act
- ▶ Ratio of Taparia Tools (55 taxmann.com 361) and Madras Industrial Estate (225 ITR 802)



# Key points

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## Issues :

- ▶ Treatment of following
  - ▶ Supplier credit
  - ▶ Corporate Guarantee
  - ▶ Pre-payment charges
  - ▶ Brokerage
  - ▶ Appraisal fees
  - ▶ Bill Discounting
- ▶ FAQ Qs 21 considers Bill discounting as part of BC whereas Del HC in case of Cargill Global (335 ITR 94) considered discounting charges as arising out of sale and not interest
- ▶ AS 16 considers foreign exchange fluctuation as part of BC whereas ICDS excludes

# Key points

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Sr No	Points	ICDS – VII	Issue
2	Qualifying asset	<ul style="list-style-type: none"><li>• QA means:<ul style="list-style-type: none"><li>• Land, building, machinery, plant or furniture, being tangible assets</li><li>• Know-how, patents, copyrights, trade marks, licenses, franchises or any other business or commercial rights of similar nature being intangible asset</li><li>• Inventories that require period of twelve months or more to bring them to saleable condition</li></ul></li></ul>	<ul style="list-style-type: none"><li>• Having classified as tangible asset, capitalisation begins only if conditions in subsequent slides are met</li></ul>

# Key points

Sr No	Points	ICDS – VII	Issue
3	Recognition	<ul style="list-style-type: none"> <li>• BC that are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalised as part of the cost of that asset</li> <li>• Amount of BC eligible for capitalisation shall be determined in accordance with this ICDS</li> <li>• Other BC shall be recognised in accordance with Act</li> </ul>	<ul style="list-style-type: none"> <li>• Sec 43(1) states ‘actual cost’ means the actual cost of the assets to the assessee</li> <li>• Sec 43(6) – WDV means in case of asset acquired in previous year, the actual cost to the assessee</li> <li>• ICDS refers to acquisition, construction, production</li> <li>• Varied phraseology               <ul style="list-style-type: none"> <li>• Sec 36(1)(iii) – in respect of</li> <li>• BG – in connection with</li> <li>• Recognition – “directly attributable to”</li> </ul> </li> </ul>

# Key points

Sr No	Points	ICDS – VII	Issue
Specific Borrowing			
4	Capitalisation	<ul style="list-style-type: none"> <li>Actual borrowing cost incurred during the period on the funds borrowed</li> </ul>	
5	Commencement of capitalisation	<ul style="list-style-type: none"> <li>Date on which fund is borrowed</li> </ul>	<ul style="list-style-type: none"> <li>Actual utilisation is irrelevant</li> <li>Income from short term deployment taxable</li> </ul>
6	Cessation of Borrowing Cost	<ul style="list-style-type: none"> <li>Inventory – when substantially all the activities necessary to prepare such inventory for its intended sale are complete</li> <li>Others – when asset is put to use</li> </ul>	<ul style="list-style-type: none"> <li>Difficulty will arise when asset forms part of larger capitalisation and asset cannot be put to use without completion of other asset</li> </ul>

# Key points

Sr No	Points	ICDS – VII	Issue
General Borrowing			
4	Capitalisation	<ul style="list-style-type: none"> <li>As per <math>A * B/C</math> formula discussed later</li> </ul>	
5	Commencement of capitalisation	<ul style="list-style-type: none"> <li>Date on which funds were utilised</li> </ul>	<ul style="list-style-type: none"> <li>Contrast to specific borrowing where capitalisation commences from date of borrowing irrespective of use</li> </ul>
6	Cessation of Borrowing Cost	<ul style="list-style-type: none"> <li>Inventory – when substantially all the activities necessary to prepare such inventory for its intended sale are complete</li> <li>Others – when asset is put to use</li> </ul>	<ul style="list-style-type: none"> <li>Difficulty will arise when asset forms part of larger capitalisation and asset cannot be put to use without completion of other asset</li> </ul>

# Key points

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<b>(A) = borrowing costs incurred during the previous year except specific borrowing</b>	
<b>(B) = Cost of qualifying assets</b>	
Appearing on first and last day	Average cost of qualifying asset as on first and last day
Not appearing in Balance sheet on first day or both first and last day	Half of cost of qualifying asset
Not appearing on last day	Average cost of qualifying asset as on first day and on the date of put to use or completion, as the case may be.
Excludes extent to which qualifying asset are directly funded out of specific borrowings	
<b>(C) =Average of total assets on the first and last day of the year (other than those directly funded)</b>	

**QA shall be such asset that necessarily require a period of twelve months or more for its acquisition, construction or production**

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# Key points

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## Issues in part 'A' of Formula :

- ▶ Part 'A' is all expansive to include all BC even if not for QA
  - ▶ Should it be read down as done by Tribunal in context of pre-amended Rule 8D to section 14A
- ▶ Principle of Beneficial allocation as applied in context of section 14A be applied to ICDS say – INR 10 mn used out of Over draft balance for asset which takes 5 years to complete. Receipt of INR 6 mn from customer giving rise to negative balance of INR 4 mn. Should interest be restricted to INR 4 mn ?

## Issues in part 'B' of Formula :

- ▶ Cost to be considered as per values appearing in Balance Sheet which is inclusive of BC as computed under AS 16
- ▶ Strictly read, does not cover case of business newly started during the year
- ▶ Stress on asset appearing in Balance sheet. Treatment of under-constructed asset destroyed by fire or write off in books on account of break down

# Key points

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## Issues in part 'C' of Formula :

- ▶ Reference to 'total assets'
  - ▶ Fixed assets less depreciation
  - ▶ Investment less impairment
  - ▶ Miscellaneous expenditure
  - ▶ Accumulated losses
- ▶ Situation in case of first year of adoption of Ind – AS . Which values to be adopted ?
- ▶ ICDS IX may result in deferred tax asset which can be computed after giving effect to 'part C'. Part 'C' requires total of all the assets which results in circuitous link

## Other Issues:

- ▶ Interplay between section 14A, section 43B, section 40(a)(ia) section 94B
  - ▶ FAQ No 20 states that capitalisation of borrowing cost shall apply for that portion of BC which is otherwise allowable as deduction under the Act
  - ▶ Position in Year 2 when Act permits expenditure on payment basis
  - ▶ BC needs to be applied on asset by asset basis
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# Key points

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## Other issues :

- ▶ Reference to word 'necessarily require period of twelve months' not clear. Does it mean estimated time or actual time
- ▶ Treatment of BC in case where asset is estimated to be completed in 11.5 months but takes 12.5 months to get completed in a case where construction is spread across two financial year
- ▶ No suspension of BC in case of unforeseen circumstances say flood, earthquake etc unlike Construction PE where period of 12 months excludes such events

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# ICDS X – Provisions, Contingent Liabilities & Contingent Assets



# Key points

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Sr No	Points	ICDS – VII	Issue
1	Recognition of provision	<ul style="list-style-type: none"><li>• Provision shall be recognised when:<ul style="list-style-type: none"><li>• Person has present obligation as a result of a past event</li><li>• It is reasonably certain that an outflow of resources embodying economic benefits will be required to settle the obligation; and</li><li>• A reliable estimate can be made of the amount of obligation</li></ul></li><li>• No provision to be recognised for cost that need to be incurred in future</li></ul>	<ul style="list-style-type: none"><li>• Reference to ‘reasonably certain’ vis-à-vis ‘economic benefits’</li></ul>

# Key points

Sr No	Points	ICDS – VII	Issue
1	Recognition of provision	<ul style="list-style-type: none"> <li>Where details of proposed new law have yet to be finalised, an obligation arises only when the legislature is enacted</li> </ul>	<ul style="list-style-type: none"> <li>Deduction for known event e.g withdrawal of BS 3 vehicle effective from 1 April 2017</li> </ul>
2	Recognition of Contingent Liabilities	<ul style="list-style-type: none"> <li>Shall not be recognised</li> </ul>	
3	Contingent asset	<ul style="list-style-type: none"> <li>Contingent asset to be assessed continually and when it becomes reasonably certain that inflow of economic benefit will arise, the asset and related income are recognised in the PY in which the change occurs</li> </ul>	<ul style="list-style-type: none"> <li>'Reasonable certainty' v/s 'virtual certainty' in AS 29</li> <li>Arguably still subject to accrual principle</li> <li>Impact in case of consumer dispute</li> </ul>

# Case Study – Consumer dispute

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## Fact pattern

- ▶ ICO is contesting case of price escalation and matter is before HC

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<b>Court</b>	<b>Status</b>
Consumer Forum	Lost
Tribunal	Lost
High Court	Won
Supreme Court	Pending

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- ▶ Situation 1 : Matter is pending before HC
- ▶ Situation 2 : Matter won in SC. Court granted 200 days time to consumer to pay
- ▶ Situation 3 : Matter won but law changed retrospectively next month in favour of customers. Lawyers has opined that law is unconstitutional

# Thank you

## Contact Details :

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