KEY DIFFERENCES BETWEEN THE ACCOUNTING STANDARDS BETWEEN ICAI AND THE RECOMMENDATIONS

Accounting Standard	As per Institute of Chartered Accountants of India	Corresponding Tax Accounting standard
AS-1 (Disclosure of Accounting Policies)	Requires Recognition of Expected losses i.e principle of prudence	Expected losses or mark-to-market losses shall not be recognised unless permitted by any other TAS.
	The concept of materiality for selection of accounting policies is recognised.	The concept of materiality has not been incorporated
	Accounting policies may be changed if it is considered that the change would result in a more appropriate presentation.	Accounting policies shall not be changed without a reasonable cause.
AS-2 (Valuation of Inventories)	ICAI has not prescribed any method of valuation of inventories in the case of a service provider.	Method of valuation of inventories of a service provider incorporated in the TAS. The services shall be valued at cost and specific formula has been prescribed for calculating the cost.
	Standard cost method or the retail method may be used for convenience if the results are approximate to the actual cost.	The standard cost method is not recommended by the Committee.
	AS-2 is silent on the valuation of inventory at the time of dissolution of a partnership firm, association of persons and body of individuals.	The inventory on the date of dissolution shall be valued at the net realisable value.
	The method of valuation of inventories may be changed if it is considered that the change would result in a more appropriate presentation.	The method of valuation of inventory once adopted by a person in any previous year shall not be changed without a reasonable cause
AS-4 (Contingencies and Events Occurring After the Balance Sheet Date)	It provides for specific disclosures in respect of events occurring after the balance sheet date that do not require an adjustment.	Adjustments to the assests, liabilities, income, expenses shall be made for such events that provide additional information materially affecting determination of amounts.
AS-5 (Prior Period Expense)	Merely provides for separate disclosure of prior period items.	Prior period expenses shall not be allowable as a deduction in the previous year unless it is proved that it has accrued during the said previous year.
AS-7 (Construction Contracts)	AS-7 is silent about treatment of accrual of income in respect of the retention money.	The retention money shall accrue to the person for computing revenue based on the percentage of completion method.
	Reversal of revenue on account of uncertainty arising on realisibilty of contract revenue which was already recognized as income.	Before reversal of revenue, the sum shall be written off in the books of account in line with the provisions of Section 36 (1) (vii) of the Act relating to the bad debts.
	There is an uncertainty about treatment of borrowing costs relatable to the construction contracts.	The TAS on the Borrowing Costs provides for treatment of borrowing costs relating to the construction contracts.

	The pre-construction income in the nature of interest, dividend and capital gains shall not reduce the cost of construction.	Such income shall not be reduced from the contract costs but shall be treated and taxed as income in accordance with the applicable provisions of the Act.
	Expenses should be capable of being measured reliably.	These condition is been removed in the TAS.
	Contract costs which relate to future activity shall be recognized as an asset when it is probable that such costs are recoverable.	The TAS provides for recognizing such costs as an asset. If such costs are not realisable then the same may be allowed under provisions of the Act.
	Contract revenues are recognized if it is possible to reliably measure the outcome of a contract.	These condition is been removed in the TAS.
	The losses including the probable / expected losses shall be recognized fully and not in proportion to the percentage of completion.	The losses incurred shall also be allowed only in proportion to the stage of completion. Future or anticipated losses shall not be allowed unless such losses are actually incurred.
	Revenue shall not be recognized during early stages of contract.	TAS provides that once a contract crosses 25 % of stage of completion, the revenue in respect of such contact shall be recognized.
AS-9 (Revenue Recognition)	Both the “proportionate completion method” or “completed service contract method” for recognition of revenue from service transactions are recognized	Service transactions shall only be recognised by following the “percentage completion method.
	Where the ability to assess the ultimate collection with reasonable certainty is lacking, AS-9 provides for postponement of recognition of revenue in relation to any claim.	The postponement of revenue due to uncertainty is restricted to claims for price escalation and export incentives.
	As per ICAI, dividends are not recognised in the statement of profit and loss until a right to receive payment is established.	As per TAS, the same to be recognized in accordance with the provisions of the Act
AS-10 (Accounting for Fixed Assets)	AS-10 deals with accounting for all fixed assets subject to certain exceptions such as forest, wasting assets and livestock.	The applicability of TAS is restricted to tangible fixed assets being land, building, machinery, plant or furniture to make the same consistent with the definition of ‘block of assets’ as provided in the Act
	In case of Barter of two assets, AS-10 provides that the fair value of the asset/securities given up or fair value of the asset acquired, whichever is more clearly evident, should be recorded as actual cost.	To provide certainty and consistency, the TAS provides that lower of the fair value of the asset/securities given up, or the asset acquired shall be recorded as actual cost.
	As regards, capitalisation of expenditure incurred on improvement and repairs, AS-10 provides that only those expenses which increase the future benefits from the existing asset should be capitalised.	Expenditure which brings into existence a new asset or results into a new or different advantage that increases future benefits from existing asset is to be capitalised.
	Provides guidance for revaluation of assets	The Act does not recognise the concept of revaluation of assets
	Provides guidance on retirement and disposal of assets.	The Act contains specific provisions relating to retirement and disposal of tangible fixed assets, the same are not incorporated in the TAS .

AS-11 (The Effects of Changes in Foreign Exchange Rates)	Provides guidance on initial and subsequent recognition of foreign currency transactions and the resultant exchange differences.	The TAS expressly provides that these provisions will be subject to Section 43A of the Act and Rule 115 of the Income-tax Rules, 1962.
	Exchanges differences arising on translation of the financial statements of non-integral foreign operations should be accumulated in a foreign currency translation reserve in the balance sheet.	Exchange differences shall be recognised for the purpose of computation of income, since there is no difference between Integral and Non- integral operations as per IT Act.
	Forward exchange or similar contracts entered into for trading or speculation purposes should be mark-to-market at each balance sheet date and the resultant exchange differences should be recorded in profit or loss.	As per the synopsis to TAS, such Mark-to-market gains or losses are unrealised in nature, all such gains or losses shall be recognised only on settlement. It is pertinent to note that the said difference actually does not appear in the TAS prescribed.
AS-12 (Government Grants)	There are 2 approaches, 'Capital Approach' under which, a Government grant is treated as a part of share holders' funds and the 'Income approach' under which, a government grant is taken to income over one or more periods.	The government grants should be treated either as revenue receipt or they should be reduced from the cost of fixed assets based on the purpose for which such grant or subsidy is given.
	Provides that mere receipt of a grant is not necessarily conclusive evidence that the conditions attached to the grant have been or will be fulfilled.	Provides that recognition of Government grant shall not be postponed beyond the date of actual receipt.
AS-13 (Accounting for Investments)	It does not apply to stock-in-trade but the manner in which they are accounted for is quite similar to current investments	TAS modifies the provisions of AS-13 relating to valuation of securities to include shares held as stock in trade.
AS-16 (Borrowing Costs)	Borrowing costs may include exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to interest costs.	This provision has been removed in the TAS .
	Qualifying Asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale	The definition of Qualifying Asset in the TAS is modified to include three classes of assets viz. tangible assets, intangible assets & inventories.
	The borrowing costs on Qualifying Assets should be capitalised when it is probable that they will result in future economic benefits and can be reliably measured.	This provision is removed from the TAS .
	Provides that judgment should be used for determining whether general borrowings have been utilised to fund Qualifying Assets.	TAS provides a specific formula for capitalising borrowing costs relating to general borrowings.
	Income on temporary investments of funds borrowed should be reduced from borrowing costs eligible for capitalisation.	This provision is removed from the TAS .
	Provides for commencement, cessation and suspension of capitalisation of borrowing costs based on specified conditions.	The conditions relating to commencement and cessation have been aligned to the provisions of the Act, and the concept of suspension is removed.
AS-19 (Leases)	Application of AS-19 could result in a different classification of a lease into an operating lease or a finance lease by the lessor and the lessee.	Inclusive definitions of finance lease laid down. Further, there is a requirement of a joint confirmation regarding classification of the lease with lessee and lessor.
	Concepts of Gross Investment and Net	

	AS-19 proposes adjustment in the sale price only in the cases of artificially low rate of interest.	The TAS provides for adjustment in case of artificially high rate of interest as well.
	Adjustment in the recognition of income/ expense on account of changes in estimates of the residual value is provided .	the TAS provides that adjustments in the residual shall be carried out only at the end of the lease term.
	Provisions relating to sale and lease back transactions are included.	This provision is removed from the TAS .
AS-26 (Intangible Assets)	In case of a Barter, the fair value of the asset/securities given up or fair value of the asset acquired, whichever is more clearly evident, should be recorded as actual cost.	Lower of the fair value of the asset/securities given up, or the asset acquired shall be recorded as actual cost.
	Provides guidance on amortisation, retirement and disposal of intangible assets, and intangible assets acquired on amalgamation.	As the act contains special provisions relating to these areas, it is not incorporated in the TAS
AS-29 (Provisions, Contingent Liabilities and Contingent Assets)	It stipulates recognition of a provision when it is probable that an outflow of economic resources will be required to settle an obligation.	The TAS replaces the condition of “probable” with “reasonably certain” for recognising a provision.
	It provides for recognition of a contingent asset when the realisation of related income is virtually certain.	The TAS replaces the condition of “virtually certain” with “reasonably certain” for recognition of income.
	There are provisions regarding restructuring costs.	It is not incorporated in the TAS, as there are specific provisions for restructuring expenses.