



IAS 20 GOVERNMENT GRANTS

IAS 20 GOVERNMENT CONTRACTS

Effective date periods beginning on or after 1st January 1984

OBJECTIVE

The objective is to prescribe accounting for and disclosure of government grants and other forms of government assistance.

SCOPE

IAS 20 applies to all government grants and other forms of government assistance. **But does not include-**

- Govt assistance that is provided in the form of benefits in determining taxable income.
- Does not cover government grants covered by IAS 41 (Agriculture)

TYPES OF GOVERNMENT GRANT

GRANTS RELATED TO INCOME-

- A grant receivable as compensation for-
- immediate financial support.
 - with no future related costs

should be recognized as income in the period in which it is receivable. A grant relating to income may be reported separately as other income or deducted from the related expense.

GRANTS RELATED TO ASSETS-

- Grant relating to assets may be presented in following two ways-
- As deferred income
 - By deducting the grant from the PPE.

RECOGNITION FOR GOVERNMENT GRANT

A govt grant is only recognized only when there is reasonable assurance that-

- The entity will comply with any conditions attached to the grant.
- The grant will be received.

The grant is recognized as income over the period necessary to match the related costs for which they are intended to compensate on a systematic basis.

Non- monetary grants, such as land or other resources are usually accounted for at fair value.

DISCLOSURE

- Accounting policy adopted for grants, including method of balance sheet presentation.
- Nature and extent of grants recognized in the financial statements
- Unfulfilled conditions and contingencies attaching to recognized grants.

Asset Purchased- Rs. 1000000
Govt. Grant- Rs. 400000

It can be disclosed by two methods-

Balance sheet	
Fixed Assets	1000000
Govt Grant	-400000
Net Cost	600000
Depreciation(600000/5)	120000
Cost(less) Depreciation	480000

**Recognized in P/L
in debit side as
depreciation
120000**

Balance sheet			
Deferred Income	400000	Fixed Assets	1000000
Write off(400000/5)	80000	Depreciation	200000
	320000		800000

Profit/Loss			
Dep	200000	Write back of Gov. grant	80000