

IFRS IN BRIEF

IAS 20 Accounting for Government Grants and Disclosure of Government Assistance

SCOPE

This standard applies in the accounting for and disclosure of Government Grants and other assistance. It does not cover:

- Assistance provided that relate to determination of taxable profits or are determined or limited based on the income tax liability of the entity. Refer to IAS 12 *Income Taxes*
- Government participation or ownership in the entity
- Government grants captured by IAS 41 *Agriculture*

GOVERNMENT GRANTS

Government grants is assistance provided by a government to the entity in exchange for past or future compliance with certain conditions. It excludes transactions that cannot be distinguished from the normal operations of the entity.

Government grants, both monetary and non-monetary are recognised at fair value when there is reasonable assurance that both

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

Government grants shall be recognised in profit or loss on a systematic basis over the period in which the entity recognises the costs for which the grants are designed to compensate for.

If the expenses have been incurred in a prior period, then the grant shall be

recognised in the profit or loss immediately when it becomes receivable.

GRANTS RELATED TO ASSETS

Government grants relating to construction or acquisition of long-term assets shall be recognised in the statement of financial position either as deferred income, or as a reduction in the carrying amount of the associated asset.

Grants related to assets are recognised in profit or loss as the asset is realised in profit or loss. For example grants relating to property, plant and equipment are recognised in profit and loss as the equipment is depreciated.

GRANTS RELATING TO INCOME

Grants other than those that relate to assets, shall be recognised in the income statement as either other income or as a reduction in the related expense.

REPAYMENTS OF GOVERNMENT GRANTS

A government grant that becomes repayable shall be treated as a change in accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

GOVERNMENT ASSISTANCE

Where entities receive government assistance which cannot reasonably have a value placed upon them or transactions with governments that cannot be distinguished from normal operations of the entity, entities should consider whether details of such assistance

requires disclosure to ensure that the financial statements are not misleading.

DISCLOSURES

Disclosures for government grant includes the accounting policy adopted,

the nature and extent of government grants recognised, as well as any other government assistance that the entity has benefited from, and unfulfilled conditions and other contingencies attached.

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