



IAS 20 ACCOUNTING FOR GOVERNMENT GRANTS AND DISCLOSURE OF GOVERNMENT ASSISTANCE

FACT SHEET

This fact sheet is based on existing requirements as at 31 December 2015 and it does not take into account recent standards and interpretations that have been issued but are not yet effective.

IMPORTANT NOTE

This fact sheet is based on the requirements of the International Financial Reporting Standards (IFRSs). In some jurisdictions, the IFRSs are adopted in their entirety; in other jurisdictions the individual IFRSs are amended. In some jurisdictions the requirements of a particular IFRS may not have been adopted. Consequently, users of the fact sheet in various jurisdictions should ascertain for themselves the relevance of the fact sheet to their particular jurisdiction. The application date included below is the effective date of the initial version of the standard.

IASB APPLICATION DATE (NON-JURISDICTION SPECIFIC)

IAS 20 is applicable for annual reporting periods commencing on or after 1 January 1984.

SCOPE / OBJECTIVE

IAS 20 is applied in accounting for, and in the disclosure of, government grants and in the disclosure of other forms of government assistance.

Government grants are sometimes called by other names such as subsidies, subventions or premiums.

RECOGNITION AND MEASUREMENT

Government grants, including non-monetary grants at fair value, shall not be recognised until there is a reasonable assurance that:

- the entity will comply with the conditions attaching to the grants, and
- the grants will be received.

The receipt of funds does not of itself provide conclusive evidence that the conditions attaching to the grant have been or will be met.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate; i.e. match income and expenses.

If the grant relates to expenses or losses already incurred by the entity, or to provide immediate financial support to the entity with no future related costs, the income is recognised in the period in which it becomes receivable.

Grants are recognised at their fair value and after recognition, any related contingent liability or contingent asset is treated in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Non-monetary Government grants

Where the grant is received in the form of a transfer of a non-monetary asset; the acceptable accounting methods are either:

- assess the fair value of the non-monetary asset and record the grant and asset at this value, or
- record both the asset and grant at a nominal amount.

Presentation of grants

Grants related to assets

Government grants related to assets, including non-monetary grants at fair value, shall be presented in the statement of financial position either by setting up the grant as deferred income, or by deducting the grant in arriving at the carrying amount of the asset.

Grants related to income

Grants related to income are presented as part of profit or loss, either separately or under a general heading "other income" or deducted in reporting the related expense.

Repayment of Government Grants

A government grant that becomes repayable shall be accounted for as a change in an accounting estimate (IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*).

Repayment of a grant related to income shall be applied first against any unamortised deferred credit recognised in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or when no deferred credit exists, the repayment shall be recognised immediately in profit or loss.

Repayment of grants related to assets shall be recognised by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised in profit or loss to date in the absence of the grant shall be recognised immediately in profit or loss.

Forgivable loans

Forgivable loans from the government are treated as government grants when there is reasonable assurance that the entity will meet the terms for the forgiveness of the loan.

DISCLOSURES

Refer to Appendix 1 for a checklist to assist with the IAS 20 disclosure requirements.

DEFINITIONS

Fair value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Forgivable loans	Loans which the lender undertakes to waive repayment of under certain prescribed conditions.
Government	Government, government agencies and similar bodies whether local, national or international.
Government assistance	Action by government designed to provide an economic benefit specific to an entity or range of entities qualifying under certain criteria. It does not include benefits provided only indirectly through action affecting general trading conditions, such as the provision of infrastructure in development areas or the imposition of trading constraints on competitors.
Government grants	Assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the entity.
Grants related to assets	Government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets. Subsidiary conditions may also be attached restricting the type or location of the assets or the periods during which they are to be acquired or held.
Grants related to income	Government grants other than those related to assets.

RELATED INTERPRETATIONS

- SIC 10 *Government Assistance – No Specific Relation to Operating Activities*

AUSTRALIAN SPECIFIC REQUIREMENTS

The Australian equivalent standard is AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance* and is applicable for annual reporting periods commencing on or after 1 January 2005. The Australian equivalent interpretation is Interpretation 110 *Government Assistance – No Specific Relation to Operating Activities*.

This Standard applies only to for-profit entities in Australia.

REDUCED DISCLOSURE REQUIREMENTS (RDR)

On 30 June 2010, the Australian Accounting Standards Board published AASB 1053 *Application of Tiers of Australian Accounting Standards* (and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*) which established a differential reporting framework, consisting of two Tiers of reporting requirements for preparing general purpose financial statements:

- a. Tier 1: Australian Accounting Standards; and
- b. Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.

A Tier 2 entity is a 'reporting entity' as defined in SAC 1 *Definition of the Reporting Entity* that does not have 'public accountability' as defined in AASB 1053 and is not otherwise deemed to be a Tier 1 entity by AASB 1053.

RDR is applicable to annual periods beginning on or after 1 July 2013.

Disclosure requirements under Tier 2 are the same as those under Tier 1 for this standard.

APPENDIX 1 – DISCLOSURE CHECKLIST

This checklist can be used to review your financial statements. You should complete the “Yes / No / N/A” column about whether the requirement is included. To ensure the completeness of disclosures, provide an explanation for “No” answers.

CODE		YES / NO / N/A	EXPLANATION <i>(If required)</i>
IAS 20.39	Has the following information on government grants been disclosed: <ul style="list-style-type: none"> a. the accounting policy adopted for government grants including, the methods of presentation adopted in the financial statements; b. the nature and extent of government grants recognised in the financial statements; and an indication of other forms of government assistance from which the entity has directly benefited; and c. any unfulfilled conditions and other contingencies attaching to government assistance that has been recognised? 		

OTHER MATTERS

LEGAL NOTICE

© CPA Australia Ltd (ABN 64 008 392 452), 2011. All rights reserved. Save and except for direct quotes from the Australian Accounting Standards Board (AASB) and accompanying documents issued by the Australian Accounting Standards Board (AASB) ("AASB Copyright"), all content in these materials is owned by or licensed to CPA Australia. The use of AASB Copyright in these materials is in accordance with the AASB's Terms and Conditions. All trademarks and trade names are proprietary to CPA Australia and must not be downloaded, reproduced or otherwise used without the express consent of CPA Australia. You may access and display these pages on your computer, monitor or other video display device and make one printed copy of any whole page or pages for personal and professional non-commercial purposes only. You must not: (i) reproduce the whole or part of these materials to provide to anyone else; or (ii) use these materials to create a commercial product or to distribute them for commercial gain.

AASB Standards may contain IFRS Foundation copyright material ("IFRS Copyright"). Enquiries concerning reproduction of IFRS Copyright material within Australia should be addressed to The Director of Finance and Administration, AASB, PO Box 204, Collins Street West, Victoria 8007. All existing rights in this material are reserved outside Australia. Requests to reproduce IFRS Copyright outside Australia should be addressed to the IFRS Foundation at www.ifrs.org.

© CPA Australia Ltd (ABN 64 008 392 452), 2010. All rights reserved. Save and except for direct quotes from the International Financial Reporting Standards (IFRS) and accompanying documents issued by the International Accounting Standards Board (IASB) ("IFRS Copyright"), all content in these materials is owned by or licensed to CPA Australia. The use of IFRS Copyright in these materials is in accordance with the IASB's Terms and Conditions. All trademarks and trade names are proprietary to CPA Australia and must not be downloaded, reproduced or otherwise used without the express consent of CPA Australia. You may access and display these pages on your computer, monitor or other video display device and make one printed copy of any whole page or pages for personal and professional non-commercial purposes only. You must not: (i) reproduce the whole or part of these materials to provide to anyone else; or (ii) use these materials to create a commercial product or to distribute them for commercial gain. Requests to reproduce IFRS Copyright should be addressed to the IFRS Foundation at www.ifrs.org.

DISCLAIMER

CPA Australia Ltd has used reasonable care and skill in compiling the content of these materials. However, CPA Australia Ltd makes no warranty that the materials are complete, accurate and up to date. These materials do not constitute the provision of professional advice whether legal or otherwise. Users should seek their own independent advice prior to relying on or entering into any commitment based on the materials. The materials are purely published for reference purposes alone and individuals should read the latest and complete standards.

LIMITATION OF LIABILITY

CPA Australia, its employees, agents and consultants exclude completely all liability to any person for loss or damage of any kind including but not limited to legal costs, indirect, special or consequential loss or damage (however caused, including by negligence) arising from or relating in any way to the materials and/or any use of the materials. Where any law prohibits the exclusion of such liability, then to the maximum extent permitted by law, CPA Australia's liability for breach of the warranty will, at CPA Australia's option, be limited to the supply of the materials again, or the payment of the cost of having them supplied again.