

AS 12: Accounting for Government Grants

Meaning

Assistance by Govt. in cash/kind for compliance with certain conditions

Recognition

When there is reasonable assurance that

- * Enterprise will comply with conditions &
- * Grants will be received

Scope Exclusion

- * Govt. participation in ownership of enterprise
- * Assistance other than Govt-Grant

Grant Related to Specific Fixed Assets

Recognition

Method 1

Deduction from gross value of Asset

Bank A/c - Dr
To Fixed Asset

Method 2

Depreciable Assets

Deferred Income

Bank A/c - Dr
To Deferred Govt. Grant
Recognised in P&L A/c
on systematic basis
(ie. Ratio of Dep.)

Non Depreciable Assets

Capital Reserve

Bank A/c - Dr
To Capital Reserve

Refund

If Method 1

- * Increase Book value of Asset

Fixed Asset A/c - Dr
To Bank A/c

- * Provide Depreciation on Revised Book value prospectively

If Method 2

Depreciable Assets

Utilize unamortize deferred credit & excess t/fd. to P&L A/c

Def. Govt. Grant A/c - Dr
P&L A/c (Bal. fig.) - Dr
To Bank A/c

Non Depreciable Assets

Reduce Capital Reserve

Grant Related to Revenue

Recognition

Credit in P&L A/c either separately or under head 'Other Income'

Alternatively: Deduction from related expense

(If entire grant received in year \pm & revenue exp. to be incurred for $> \pm$ year, use Deferred Govt. Grant)

Refund

First utilize unamortized deferred credit
Excess transferred to P&L A/c

Def. Govt. Grant A/c - Dr
P&L A/c (Bal. fig.) - Dr
To Bank A/c

Refund of Grant is Extraordinary Item as per AS-5

Promoter's Contribution

Given with reference to total investment in undertaking or contribution towards total capital outlay & no repayment is ordinarily expected thereof. Example: capital subsidy, Inv. in backward area, etc.

Recognition

Capital Reserve

(Cannot be distributed as dividend nor considered as deferred income)

Refund

Reduce Capital Reserve

Non Monetary Government Grant

Concessional Rate

Acquisition Cost

Free of Cost

Nominal value

Grant Receivable as Compensation for Expense/Loss

Recognised in P&L A/c of period in which receivable as extraordinary item