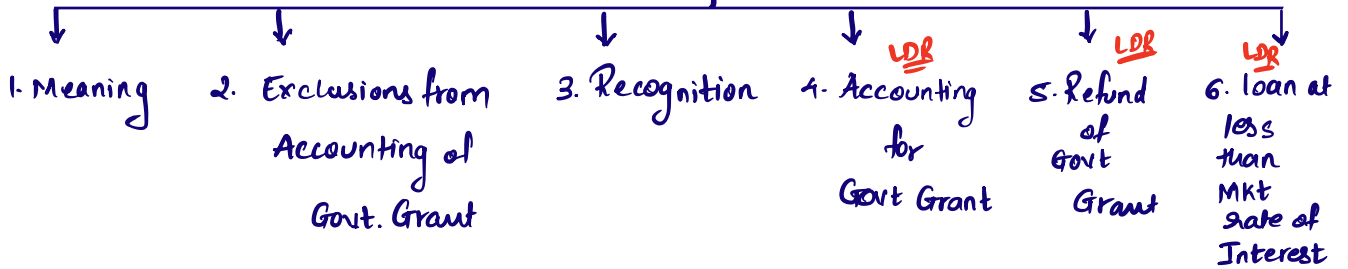


## Ind AS 20 - Accounting for Govt Grant & Disclosure of Govt. Assistance.



### 4. Accounting for Govt Grant

Monetary Grant  
(Cash)

Non-Monetary Grant  
(In kind, eg: PPE, Land)

### DGG - Deferred Govt Grant.

#### Non-Monetary Grant

Depreciable Asset [eg. Machinery]

↳ life: 5yrs

[Fair Value = 10 crores]

Non-Depreciable Asset

[eg: Land]

Next page

Method 1 (immaterial ₹1, ₹10, ₹100)

Record at Nominal Value

J.E.

Mach's Ac Dr ₹1  
    TO GG ₹1

Method 2

Record Both @ Fair Value

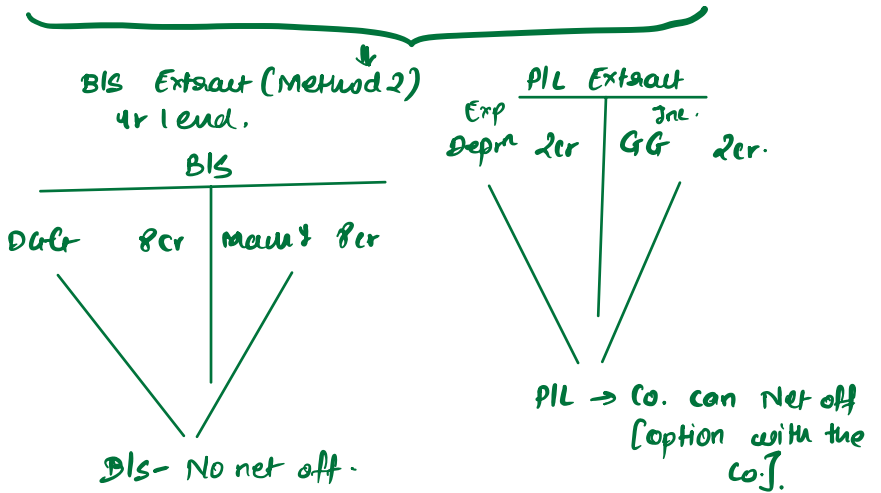
J.E.

Mach's Ac Dr ₹10 cr [B/S Asset]  
    TO DGG Ac ₹10 cr [B/S - Adv Inc (Liab<sup>4</sup>)  
    ↓  
    Deferred Govt Grant

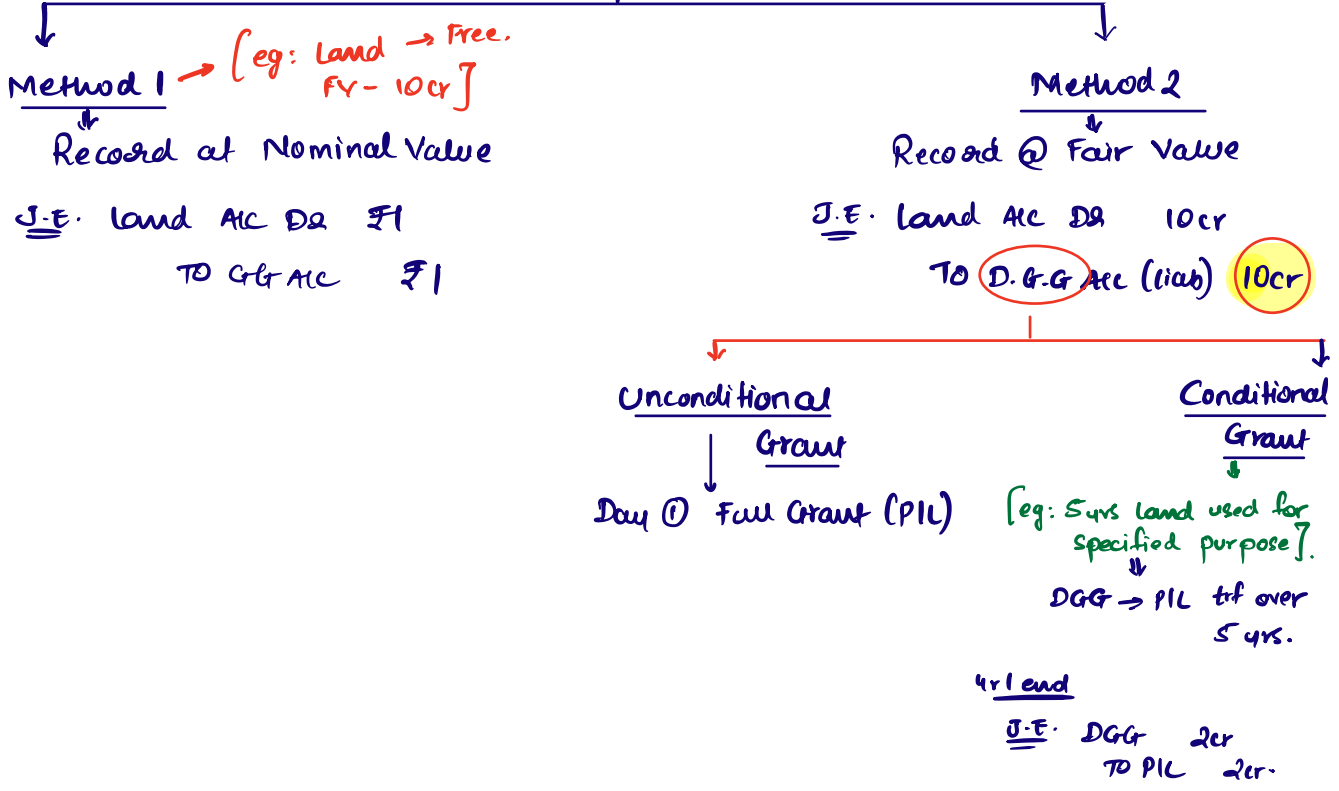
4r lend

① Deprn 2cr  
    TO Machy 2cr

② DGG (Liab) Ac Dr 2cr  
    TO P/L (GG) Ac 2cr

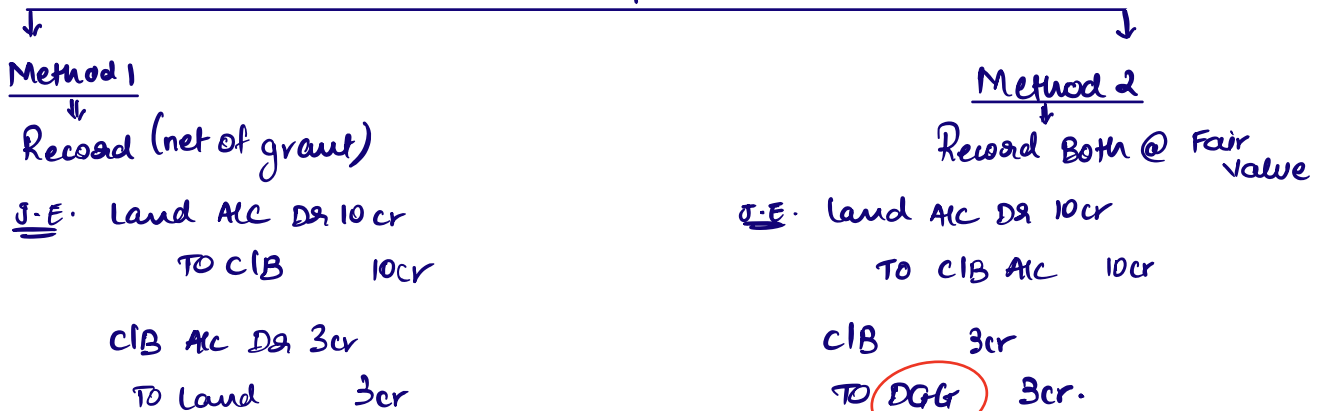


### Non-Depreciable Asset [eg: Land]

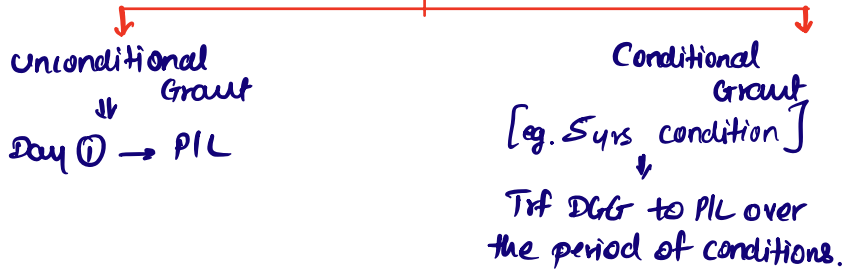




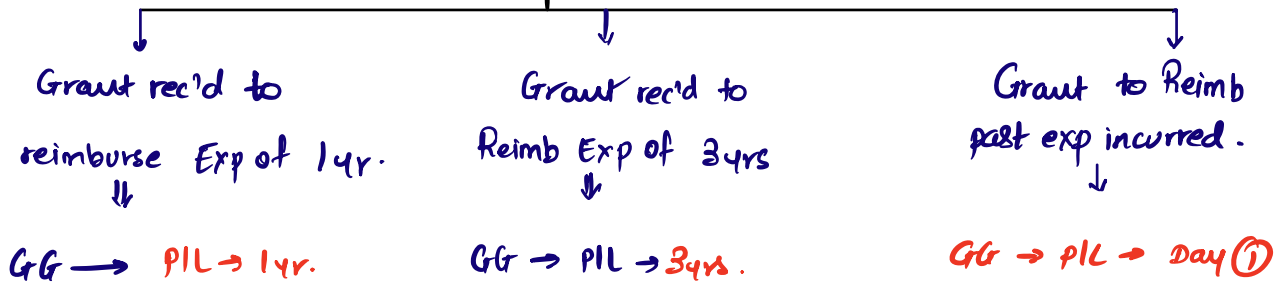
Monetary Grant (Non-Depreciable Asset) [eg. Land 10cr  
Gr 3cr (in cash)]



Land = 7cr.



Grant for any Exp Incurred [eg. Govt reimburses salary exp]



\*

# Refund of Govt Grant

when Grant was rec'd it was fully trf to P/L

J-E (Refund)

P/L (Refund of Gr) A/c Dr.

To C/B A/c

when Grant was rec'd it was trf to D/G  
2/ recog in P/L → over the period.

[eg: Day 0 D/G → 3cr (OTP 5yrs P/L)  
Refund after 3yrs.

D/G Bal after 3yrs = 1.2cr

[3cr - 1.8cr]  
↓  
3yrs P/L]

J-E (Refund after 3yrs)

D.G.G 1.2cr

P/L (B/F) 1.8cr

To C/B A/c 3cr

when Grant was rec'd → It was adjusted against Cost of Asset

J-E (Refund)

PPE A/c Dr.

To C/B A/c

[PPE → CA changes  
↓  
Deprn → changes prosp.]

Loan at less than Mkt Rate of Int → Direct Oves

### Illust 4 (LOR)

Step ① CF [F.L]

4r

0 SOL (inflow)

1-5 (2.5L p.a.) outflow (coupon)

5<sup>th</sup> yr end (SOL) outflow (Princ)

Step ② F.V. of FL (Relationship  $\rightarrow$  Govt Grant  $\downarrow$  Govt helps Co.) FV = PV of FCF @ EIR.

2.5L x A.F of 5yrs @ 12%

(+) SOL x D.F of 5<sup>th</sup> yr @ 12%

= 37,38,328

Step ③ Diff Btw FV & T.P

= 50,00,000 (-) 37,38,328

= 1261672  $\rightarrow$  Govt Grant (D.G.G.) Ind AS 20.

Step 4  $\rightarrow$  EIR = 12%

Step 5  $\rightarrow$  (LAT)  $\rightarrow$  [F.L] H.W

4r Opn Int @ 12% Repayment cu.

1

2

3

4

5

J-E

Day 1 CB A/c DR 50,00,000

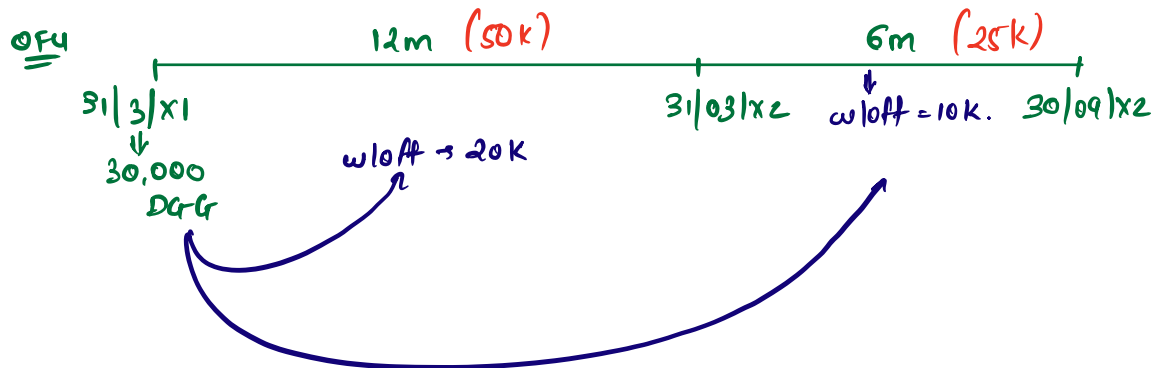
TO Fin Liab A/c 37,37,328

TO DGR A/c 12,61,672

~~loan ke period i.e.  
OTP of 5 yrs~~

Treatment of DGR depends on, for what purpose the loan was used. → Refer illust 5.

Illustration 17



For BIS 2 PL (Extracts) Refer Q.B.

Gr to be trf to PL from DGR

- If no cost Ratio given, then Book GR equally each yr (i.e. in the ratio of yrs)
- If cost ratio is given, then Book in the ratio of cost each year.

Illust 18 (LDR)

Total Grant Reliable = ₹60,000

- 4r1 → 40,000
- 4r2 → 10,000
- 4r3 → 10,000

	4r1	4r2	4r3	
Recruitment cost	30,000	-	-	
Wage Bill	1,00,000	1,10,000	1,20,000	
Total cost	1,30,000	1,10,000	1,20,000	= 3,60,000

Total Grant of 60,000 → will be trf to PIL in the ratio of exp.

J-E (ofu) (NOT asked)

Day 1 CIB AC Dr 40,000  
TO DGG 40,000

4r1 end DGG 21667  
TO PIL 21667  
 $[ \frac{40K \times 130}{360} ]$   
60K

4r2 CIB 10K  
TO DGG 10K  
4r2 end DGG 18333  
TO PIL 18333  
 $[ \frac{60K \times 110}{360} ]$

4r3 CIB 10K  
TO DGG 10K  
4r3 end DGG 20K  
TO PIL 20K.  
 $[ \frac{60K \times 120}{360} ]$

ICAE Soln

4r	DGG ofn	Trf to PIL	Bal
1	40K	(21667)	18333
2	18333 + 10000	(18333)	10,000
3	10,000 + 10,000	(20K)	-

### Ques 4 (LOR)

<u>OFY</u>	Before Jump.	After Jump
	Life	
	4r	4r
Debt Bal w/loft to PIC in Eqn.	1	1
	2	<u>2</u> → Jump.
	3	3
	4	4
	5	<del>5</del>

Debt Bal → Remains  
 ↓  
 w/loft over remains 2yrs.

Kya Jump Ka Impact will come on Debt w/loft → **YES**

Ques 5 → Refer Q.B (Soln)

### Ques 3 (LDR)

Step ① C.F (FL)

4<sup>yr</sup>

0 25L inflow

1-5 NIL Int (coupon 0%)

5<sup>th</sup> 25L outflow

Step ② FV of FL

$$= 25L \times DF \text{ of } 5^{\text{th}} \text{ yr @ } 12\%$$

$$= 14,18,567$$

Step ③ Diff

$$= 25,00,000 (-) 14,18,567$$

$$= 10,81,433 \rightarrow D\&G \rightarrow \text{w/loff to PLL over 5 yrs (life of Asset)}$$

Step 4 EIR - 12%

Step 5 LAT (till Date of Refund)  $\rightarrow$  (FL)

4 <sup>yr</sup> end	op <sup>n</sup>	Int @ 12%	Repay	CL
31/03/12	1418567	170228	-	15,88,795
31/03/13	1588795	190655	-	17,79,450

WN ① D&G Bal (w/loff)

4 <sup>yr</sup>	op <sup>n</sup>	w/loff (PLL)	CL
31/03/12	1081433	(216287)	865146
31/03/13	865146	(216287)	648859



