



श्री अरुण शर्मा

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AS-12

government grant

#1

Government

includes SG,
CG, other
local &
international
bodies.

grant.

assistance in
cash or
in kind.

Recognition

→ It should be recog.
in f/s when

- i) Condition relating to grant are satisfied
- ii) There is certainty of collection of grant.

objective

To learn
accounting for

- i) receipt of grant
- ii) Refund of grant.

#2 Types of grant.

a) specific grant.



Bailout
 ↓
 entity from losses
 Liquidity

Business promotion
 ↓
 income

Promoters Contribution
 ↓
 Capital Contrib. by govt to work in backward area

JIF for Cr. Cr.

i) need.

Bank Dr
 To PIL (Dr)

Bank Dr
 To grant
 Grant Dr
 To PIL

Bank Dr
 To C.R.

ii) refund.

PIL (Dr) Dr
 To bank

PIL Dr
 To Bank

C.R. Dr
 To bank

B) Expense



Reason



Grant is allowed to meet some specific expense.

Treatment



→ Gr. received shall be treated as liability until expended.

→ Gr. rec'd. shall be transfer to

P/L (or) in proportion to expense incurred.

Receipt



i) Bank Dr
To grant (Liability)

ii) Exp. Dr
To Bank.

iii) P/L Dr
To Exp.

iv) Grant (Liability) Dr
To P/L.

Refund.



Grant Liability Dr
P/L Dr
To Bank

Expensed part.

Unexpended part.

eg: Grant rec'd. → ₹ 10

Exp. incurred → ₹ 0

Entire amount Refunded in sec. year

Yr 1

Yr 2

CIB 10

Grant Liabi Dr 2



To Grant 10
Liability

PIL Dr 8

To Bank 10
HD
MENTORING
HARSHIT DWIVEDI
CA FOUNDATION | CA INTERMEDIATE | CA FINAL

Exp Dr 8
To CIB 8

PIL Dr 8
To Exp 8

Grant Liability/Dr 8
To PIL 8

C) Fixed Asset.

Free

Concessional rate

(FA = 100 at ₹ 30)

need →

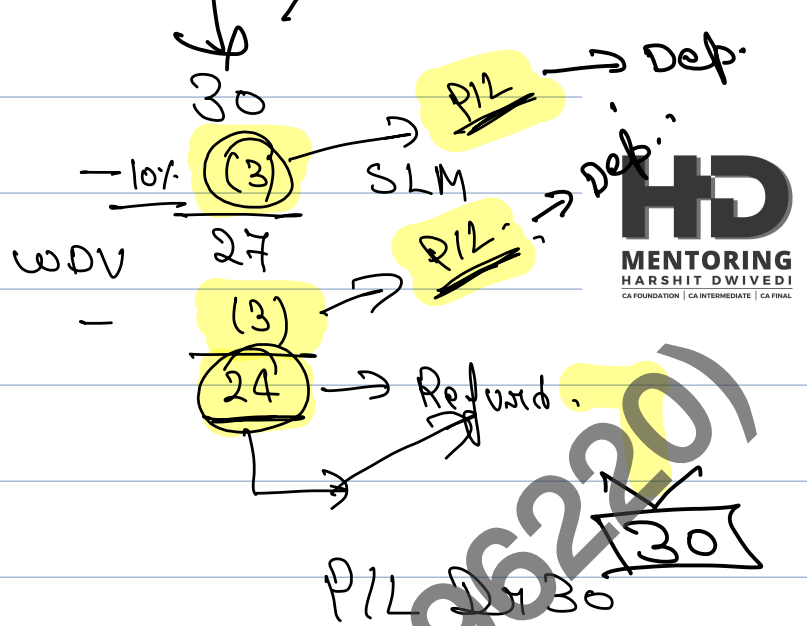
F.A. Dr
To Cap. Res.
(@ ₹ 1 or ₹ 10)

F.A. Dr 30
To CIB. 30

refund →

Cap. Res. Dr
To F.A.

Dep. PIL Dr 30
To F.A. 30



D) Grt in Cash for F.A.

Deferred grant (D.G.)

F.A = 500, Grt = 300
 life = 3 years, Refund after 3yr

Net asset method

- D.G. is set off against F.A.
- Net bal. of F.A. is depreciated
- at the time of refund entire amount is debited to F.A.

receipt. i) CIB Dr 300
 To D.G. 300

purch. ii) F.A Dr 500
 To CIB 500

Dep iii) Dep Dr 300

receipt. CIB Dr 300
 To D.G. 300



To F.A. 300

purch. ii) F.A Dr 500

To CIB 500



$$\left(\frac{500}{5} \times 3 \Rightarrow 300 \right)$$

iii) Set off. Dr 300

To F.A. 300

try DIB to iv)
PIL

Dr Dr 180

To PIL 180

(in ratio of Dep.)

$$\left(\frac{300}{5} \times 3 \Rightarrow 180 \right)$$

means we purch. FA of 500. And we got g.g. of ₹ 300 which means we have invested ₹ 200
(500 - 300 ⇒ 200)
↓
Cost.

iv) Dep. Dr 120

To F.A. 120

$$\left(\frac{200}{5} \times 3 \Rightarrow \underline{\underline{120}} \right)$$

Refund.

v) Dr Dr 120
PIL Dr 180
To CIB 300

v) Refund.

F.A Dr 300

To CIB 300

Bal. of F.A.

$$\Rightarrow 500 - 300 - 120$$

$$\Rightarrow 80 + 300$$

$$\Rightarrow \underline{\underline{380}}$$

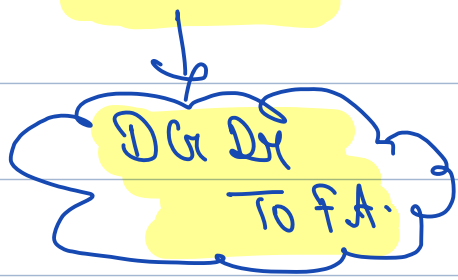
Advance With HD (8871296220)



Dep. over sem. 2 year



eg 2. GrGr = 300, life 5 years
 PM = 1500, Dep \Rightarrow 20% on WDV
 Refund after 3 years
 Show entry for Refund & Dep for year 4. if GrGr's Credited P.M.



Soln:-

| | | |
|------|-------------|---------|
| Yr 1 | PM | 1500 |
| | - GrGr | (300) |
| | | <hr/> |
| | | 1200 |
| | - Dep @ 20% | (240) |
| | | <hr/> |
| | | 960 |
| Yr 2 | - Dep @ 20% | (192) |
| | | <hr/> |
| | | 768 |
| Yr 3 | - Dep @ 20% | (153.6) |
| | | <hr/> |
| | | 614.4 |

Advance With HD (881296220)

+ Refund.

300 →

PTM 2x 300
To CIB-300

914.4 → w/off in 2 years

Yr 1 Dep. (914.4 ÷ 2 yrs)

(457.7)

457.7



Advance With HD (8871296220)