



श्री जयशंकर
श्री शरदचरणमः
शुभं कुरुते



INDAS 20

Government Grant & Disclosure of government assistance.

#1 Government is CG / SG / local bodies / international bodies
↓
municipalities ↓ WHO

#2 Assistance V/S Grant

↓
provides economic benefit to specific industry or entity.

↓
Cash / Kind

↓
No money
↓
value associated

↓
transfer of resources to an entity after compliance of past or future conditions.

↓
it can be given in 3 ways.
↳ cash



eg → Speedy work paper,
 free 24 x 7 electricity,
 free wifi etc.

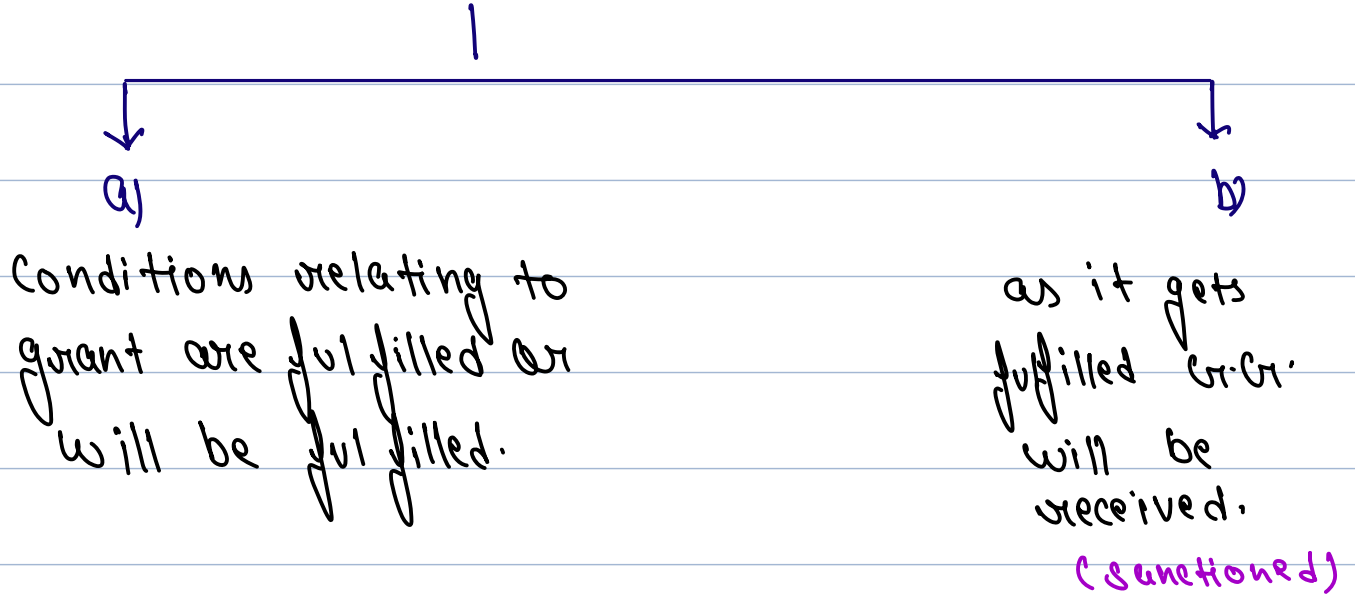
↳ Kind
 ↳ Loan



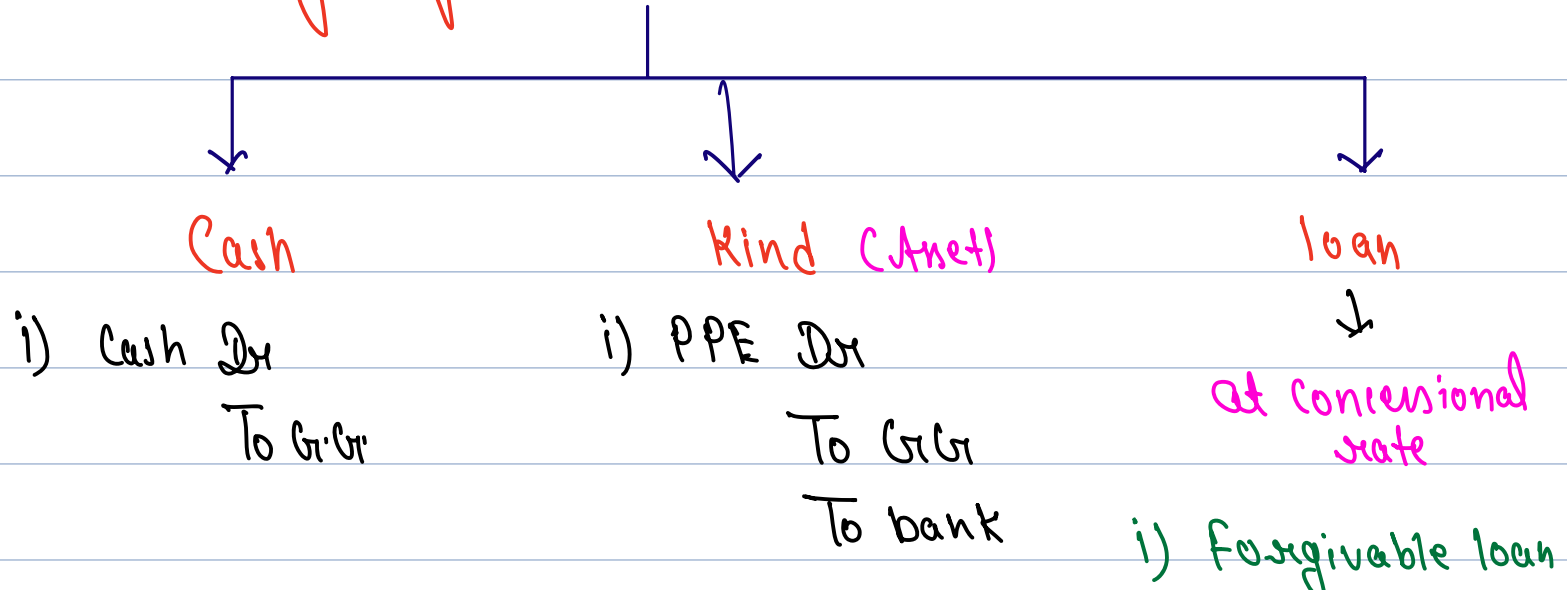
(Disclosure req.)

#3 Gr.Gr. Recognition Criteria

- ↳ Accrual basis.
- ↳ when ??



#4 Alling for Gr.Gr.



i) Cr. Cr. Dr
To D. Cr.



ii) Cr. Cr. Dr
To D. Cr.

i) Cash Dr
To Cr. Cr. xxx
(loan)

ii) D. Cr. Dr
To PIL
(amortised)

iii) D. Cr. Dr
To PIL
(amortised)

ii) Cr. Cr. Dr
To D. Cr.
iii) D. Cr. Dr
To PIL
(amortised)

iv) Refund
D. Cr. Dr
PIL Dr
To Bank.

iv) Refund

→ Same.

note :- if PPE is
recd. free of cost
then nominal value
option is available.

ii) concessional Rate.
↓
Apply ACM
Under IND AS
109.
(Amortised cost method)
↓
Loan recd. xx
- PV of cfs.
at EIR. (xx)
Cr. Cr. xx

a) Bank Dr
To loan
To Cr. Cr.

#5 Presentation of Cr. Cr.

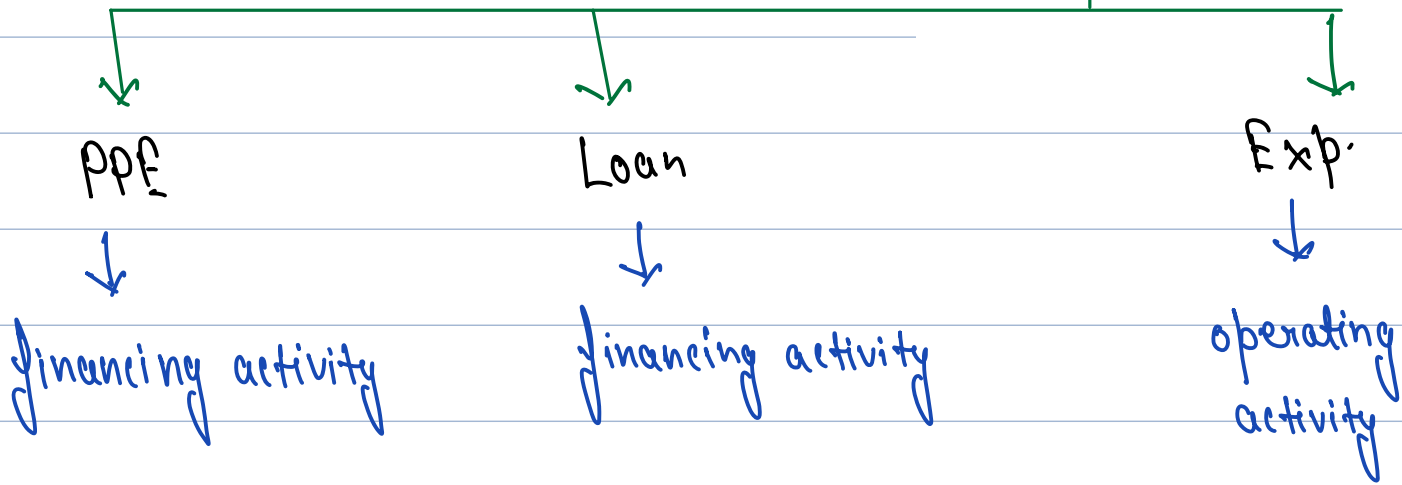
a) D. Cr. → under other equity → Separately shown in SOCFE.

∩

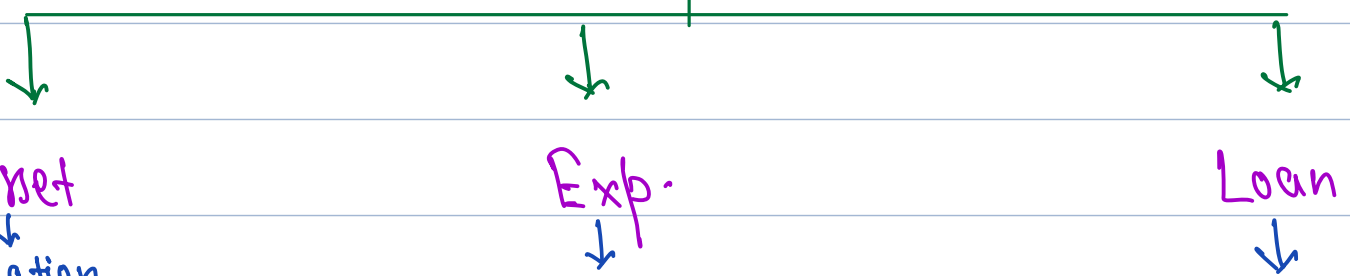
Amortised to PIL as other income



b) Govt. grant received in cash → Cash flow statement



#6 Amortisation principles for:



a) Depreciation

Dr should be w/off in ratio of amount of Depreciation

b) Non Depreciable (land)

- w/o any condition w/off Dr. to PIL immediately.
- with condition to construct w/off Dr to PIL over construction period in SLM.

iii) with condition to construct

a) w/o any condition w/off Dr. to PIL immediately.

b) with conditions fulfilled in Past w/off Dr to PIL immediately.

c) Condition to incur w/off Dr in ratio of exp. incurred.

a) **Forgivable loan** w/off Dr when forgivable loan conditions are completed.

b) **Concessional rate** write off Dr in ratio of
a) Int.
b) SLM
c) immediately

to maintain for n years.



w/iff Dep over n
years in SLM

or
Dep. of constructed
asset.

note :- if Cr.Cr. is recorded as asset, then Cr.Cr. should be w/o on principles of Dep./Non dep. assets.

7 Cr.Cr. does not include

↳ minimum price protection

↳ Income tax benefits

↳ govt. participation in ownership.

↳ Agriculture.

eg 1 :- Received Cr.Cr. for PPE = ₹ 20 Cr.
Purchased PPE for ₹ 100 Cr (life = 5 yrs)
Refund of Cr.Cr. after 3 years
show a/cing as per IND AS 20.

Gross

Net

i) Cash Dr 20
To Cr.Gr. 20

i) CIB Dr 20
To CrGr 20

ii) CrGr Dr 20
To DGr 20

ii) CrGr Dr 20
To DGr 20

iii) PPE Dr 100
To CIB 100

iii) PPE Dr 100
To CIB 100

iv) Dep. on PPE = $\frac{100}{5} = 20 \times 3 \text{ yrs}$
= 60

iv) DGr Dr 20
To PPE 20

v)

Amortise Cr.Gr. for 3 years

Dep. on PPE

$$\frac{20}{5} \times 3 = 12$$

$$\Rightarrow \frac{80}{5} \times 3 = 48$$

DGr Dr 12
To PIL. 12

Dep. Dr 48
To PPE 48

v) Refund.

DGr. Dr 8
PIL Dr 12

To CIB 20

vi) Refund.

PPE Dr 8
PIL Dr 12

To CIB 20

Question # 6 (SM)

A Limited received from the government a loan of ₹ 50,00,000 @ 5% payable after 5 years in a bulleted payment. The prevailing market rate of interest is 12%. Interest is payable regularly at the end of each year.

Calculate the amount of government grant and Pass necessary journal entry. Also examine how the Government grant be realized.

Solⁿ :-

Step 1 Cash flows

year	Inflow / outflow
0	+ 5000000
1	- 250000
2	- 250000
3	- 250000
4	- 250000
5	- 250000 - 5000000

Step 2 EIR = 12%

Step 3 f.v. of loan (FL)

$$= 250000 \times PVA_f @ 12\% \text{ for } 5 \text{ yrs} + 5000000 @ 12\% \text{ for } 5^{\text{th}} \text{ year.}$$

$$= 3738200$$

Step 4. Calⁿ of Gr.G.

Actual loan	5000000
- f.v. of loan	(3738200)



$$1 \text{ diff} = \text{Gr} = \underline{1261800}$$



Step 6 Entry

Bank	Dr	5000000	
	To	Gr	1261800
	To	FL	3738200

Step 7 LAT (r.w.)

Year	Op bal.	Int @ 12%	Inst.	Cl. bal.
1	3738200	448584	(250000)	3936784
2	3936784			
3				
4				
5				

Question # 7 (SM)

Continuing with the facts given in the question 6, state how the grant will be recognized in the statement of profit or loss assuming:

- (a) the loan is an immediate relief measure to rescue the enterprise
- (b) the loan is a subsidy for staff training expenses, incurred equally, for a period of 4 years
- (c) the loan is to finance a depreciable asset

Soln

a) trf. to P/L immediately 1261800

b) SLM Over 4 yrs in equal installment

$$= \frac{1261800}{4} = 315450 \text{ p.a.}$$

c) in ratio of Depreciation, it will be amortised.



Question # 5

(SM)

A Limited wants to establish a manufacturing unit in a backward area and requires 5 acres of land. The government provides the land on a leasehold basis at a nominal value of ₹ 10,000 per acre. The fair value of the land is ₹1,00,000 per acre.

Calculate the amount of the Government grant to be recognized by an entity

Solⁿ :-

In the books of A Ltd

Land Dr 500000 (1L x 5)

To Gov 450000 (90000 x 5)

To Bank 50000 (10000 x 5)

Question # 2

(SM)

Government gives a grant of ₹ 10,00,000 for research and development of H1N1 vaccine to A Pharmaceuticals Limited. There is no condition attached to the grant.

Examine how the Government grant be realized

Solⁿ :- ₹ 1000000 grant recognised immediately to so P/L.

Question # 3

(SM)

Government gives a grant of ₹ 10,00,000 for research and development of H1N1 vaccine to A Pharmaceuticals Limited even though similar vaccines are available in the market but are expensive. The entity has to ensure by developing a manufacturing process over a period of 2 years that the costs come down by at least 40%.

Examine how the Government grant be realized.

Solⁿ :- ₹ 1000000 grant should be recognised immediately as D.G. is charged to so P/L over period of 2 years.

Question # 4**(SM)**

A village of artisans in a district got devastated because of an earthquake. A Limited was operating in that district and was providing employment to the artisans. The government gave a grant of ₹ 10,00,000 to A Limited so that 100 artisans are rehabilitated over a period of 3 years. Government releases ₹2,00,000.

Examine how the Government grant be realized.

Solⁿ :- A Ltd will recognise ₹ 1000000 as Cr Cr. & it will be D. Cr. which will be charged to SOPIL over 3 years.
The manner in which grant is received does not impact a/cing under this IND AS.

Question # 8 (SM)

A company receives a cash grant of ₹ 30,000 on 31 March 20X1. The grant is towards the cost of training young apprentices. Training programme is expected to last for 18 months starting from 1 April 20X1. Actual costs of the training incurred in 20X1-20X2 was ₹ 50,000 and in 20X2-20X3 ₹ 25,000.

State, how this grant should be accounted for?

Solⁿ :-

i) Cash/Bank Dr 30000
To Cr Cr 30000

(being grant received)
ii) Cr Cr Dr 30000
To D Cr 30000

(being grant recognised as D. Cr.)

iii) D Cr. 20000

To P/L 20000



iv) DG 10000

To P/L 10000

Question # 15

(SM)

A Ltd. has received a grant of ₹ 10,00,00,000 in the year 20X1-20X2 from local government in the form of subsidy for selling goods at lower price to lower income group population in a particular area for two years. A Ltd. had accounted for the grant as income in the year 20X1-20X2. While accounting for the grant in the year 20X1-20X2, A Ltd. was reasonably assured that all the conditions attached to the grant will be complied with. However, in the year 20X5- 20X6, it was found that A Ltd. has not complied with the above condition and therefore notice of refund of grant has been served to it. A Ltd. has contested but lost in court in 20X5-20X6 and now grant is fully repayable. The accounting done in previous years was not incorrect and was not an error as per Ind AS 8.

Analyse how should A Ltd. reflect repayable grant in its financial statements ending 20X5-20X6?

ANSWER:-

Paragraph 32 of Ind AS 20, states that a government grant that becomes repayable shall be accounted for as a change in accounting estimate (see Ind AS 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.

The following journal entries should be passed:

S. NO	PARTICULARS	NATURE OF ACCOUNT		AMOUNT (IN ₹ CRORES)
(i)	Repayment of Government Grant To Grant repayable	Expenses (P/L) Balance sheet (Liability)	Dr.	10 10
(ii)	Grant payable To Bank	Balance sheet (Liability) Balance sheet (Asset)	Dr.	10 10

Assuming that no deferred credit balance exists in the year 20X5-20X6, therefore repayment recognised in P&L.

#8

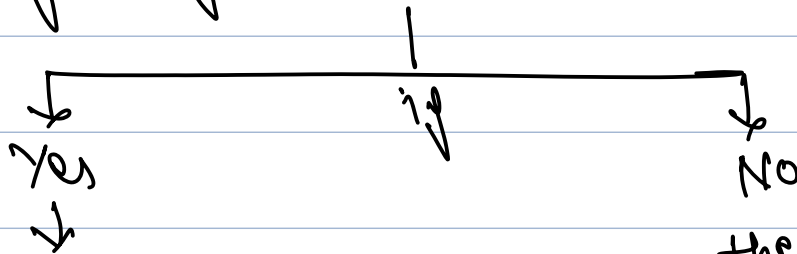
First time adaptation (IND AS 101)



Previous GAAP → AS 12.

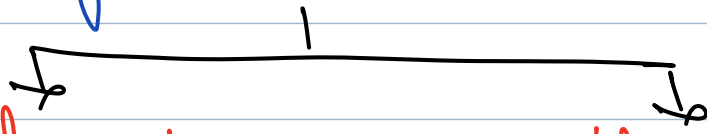


entity first will determine whether entity is govt co or not.



then determine whether GR received is either by govt. or shareholder.

then issue.



if as shareholder then its not a grant.

if from govt. then

Retrospectively Apply IND AS to principles.

it will be regarded as equity contribution as previously done in AS-12.

all grants to be recognised as income over systematic basis over periods in which entity recognise expense.

Grant can be classified as Capital or income grant



but not permit recognition
of promoters
Contributions as
related to STFs.



- go through all Q. of HD textbook along with volume 3 Q.
- Refer RTPs latest from Jan 26 onwards.