

# 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 1 & revenue exp. to be incurred for > 1 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