



Government Grant : → Assistance by Government  
→ receivable in cash/kind  
→ for past or future compliance with certain conditions.

\* Assistance by government :- reduction in costs which cannot have value placed upon it } not covered by AS-12.

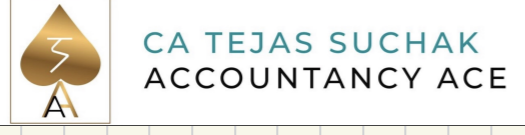
Recognition of Government Grant :- Reasonable assurance :-



1. Compliance with conditions attached to grant. AND
2. Grant will be received.

\* Mere receipt of grant is not sufficient evidence that conditions attached to the grant will be complied/fulfilled.  
Such money received will be first treated as a liability- Advance received from Government until we have reasonable assurance regarding compliance of conditions attached.

Type of Government Grant :-



1. Monetary Grant.
2. Non-monetary Grant.

Various types of Monetary Grants :-

1. Related to Depreciable f.A.

Initial Recognition



- a. Bank a/c Dr. / Grant Receivable a/c Dr.  
To, fixed Asset a/c
- b. Bank a/c Dr. / Grant Receivable a/c Dr.  
To, Deferred Government Grant a/c

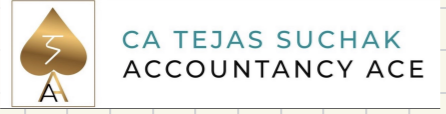
(D/G/G will be written off to P&L in proportion to depreciation :- D/G/G a/c Dr.  
To, P&L a/c)

Refund of Grant

- a. Fixed Asset a/c Dr.  
To, Bank a/c / Grant refund payable a/c
- b. D/G/G (extent of balance) Dr.  
P&L Dr.  
To, Bank / Grant refund payable a/c

2. Related to Non-Depreciable Fixed Assets

Initial Recognition



1. Bank a/c Dr.  
To, fixed Asset a/c
2. Bank a/c Dr.  
To, Capital Reserve a/c

Refund of Grant

1. Fixed Assets Dr.  
To, Bank / Grant Payable
2. Capital Reserve Dr. (extent of balance)  
P&L Dr.  
To, Bank / Grant Payable a/c

3. Bank a/c Dr.  
To, D/G/G a/c

(This can be done only if there are some associated in proportion to which D/G/G can be written off to P&L a/c.)

3. D/G/G a/c Dr. (extent of balance)  
P&L a/c Dr.  
To, Bank / Grant Payable



3. Related to Promoters Contribution

Initial Recognition

Bank / Grant Receivable Dr.  
To, Capital Reserve a/c

Refund of Grant

Capital Reserve a/c Dr.  
P&L Dr.  
To, Bank / Grant payable



4. Grant related to Revenue

Initial Recognition



Refund of Grant

1. Bank / Grant receivable Dr.  
To, P&L a/c
2. Bank / Grant receivable Dr.  
To, D/G/G a/c  
(Related costs → proportion to this write off to P&L a/c)

1. P&L a/c Dr.  
To, Bank / Grant payable
2. D/G/G (extent of balance) Dr.  
P&L Dr.  
To, Bank / Grant Payable

5. Grant related to revenue :- No associated present / future costs

\* Related costs to the grant have already been incurred in the past.

Initial Recognition

1. Bank / Grant Receivable Dr.  
To, P&L a/c

Refund of Grant

1. P&L a/c Dr.  
To, Bank / Grant Payable a/c



## Various types of Non-monetary Grants

LSI

### 1. Asset is given at a concessional rate

#### Initial Recognition

fixed Asset a/c Dr.  
To, Bank a/c  
[Concessional Rate]



#### Refund of Grant

##### If the asset is to be returned

1. Bank a/c Dr. (Amt from govt)  
P&L a/c Dr. (difference)  
To, fixed asset (Carrying Amt)

##### If the concession amount is to be repaid

2. fixed Asset Dr. [Concession amount]  
To, Bank / Grant payable [refundable]

### 2. Asset is given free of cost



#### Initial Recognition

fixed Asset Dr. (Token amt.)  
To, Bank

#### Refund of Grant

##### If the asset is to be returned

P&L Dr. [Token amount]  
To, fixed asset

##### If the concession amount is to be repaid

fixed Asset Dr. [Amount to be]  
To, Bank / Grant payable [refunded]