Accounting for Government Grant (AS-12)

[Assistance by Government in cash / kind to enterprise for compliance with certain conditions]

- **Related to specific Fixed Asset**
  - Method 1 → Deduction from Gross value of asset
  - Method 2
    - Depreciable Assets → Deferred Income (Systematic basis)
    - Non-Depreciable Assets → Capital Reserve
- **Related to Revenue** → Other Income or Deduction from related expense
- **Promoter's Contribution** → Capital Reserve [Cannot be distributed as dividend nor considered as deferred income]
- **Non Monetary Govt. Grant**
  - Concessional Rate → Acquisition Cost
  - Free of Cost → Nominal Value

Refund of Grant

[To be treated as Extraordinary Item as per AS-5]

- **Related to Specific Fixed Asset**
  - **If Method 1**
    - * Increase Book value of Asset
    - * Provide Depreciation on Revised Book value prospectively
  - **If Method 2**
    - **Depreciable Assets**
      - First utilize unamortize deferred credit. Excess tfd. to P&L A/c
    - **Non-Depreciable Assets**
      - Reduce Capital Reserve
- **Related to Revenue**
  - First utilize unamortize deferred credit. Excess tfd. to P&L A/c
- **Promoter's Contribution**
  - Reduce Capital Reserve