

AS 12 - ACCOUNTING FOR GOVT. GRANTS

classmate

Date _____
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1 Meaning of Govt. Grant

- * Govt. assistance (support) including subsidiary
- * Such may in cash / in kind
- * For past / future compliance of conditions
- Note :- Govt = any

2 Types of Govt. Grants (Rcvd)

A. Grants Related to Fixed Assets

Monetary Grant

(a) For depreciable F.A (SLM / WDV)

I

Reduce G.G from cost of F.A

50 Lakhs
- 10 Lakhs
40 Lakhs

(OR)

• open the D.G.G & transfer such to P&L during the life of F.A in the ratio of Depⁿ

I-(2)

D.G.G = 13,00,000
F.A = 50
show separately

(b) For non-depreciable F.A (Land)

I

Reduce G.G from cost of F.A

cost = 18,00,000
G.G = 5,00,000
13,00,000

if payment made then F.A to CR

II Transfer G.G to CR

CR 18 Lakhs
CR 5 Lakhs

Non monetary Grant

Case (A)

if free of cost

if payment made then F.A to CR

To CR I-(3)

Case (B)

if at concessional cost

cost = (2500000 - 2000000) = 5,00,000

J.F FA Dn SL To Bank - SL

B. Grant for Revenue expenses

case (A)

For past exp incurred

- Since already trans to P&L
- Govt. G. rcvd will be trans to P&L a/c

case (B)

For future exp open D.G.G a/c

step 1 :- Rcvd G.G to Bank a/c

will be trans to D.G.G a/c

step 2 :- Transfer D.G.G a/c

option 1 (OR)

To P&L a/c as Income

Exp	D.G.G
30 Lakhs	30 Lakhs
I 4	

option 2

- To exp a/c by crediting to exp a/c
- net reduced exp will be trans to P&L a/c

Exp - 30 Lakhs
D.G.G - 10 Lakhs
20 Lakhs
I 4, 11

C. Grant for Promoters contribution

Bank a/c Dn

To CR

I-(5) & (6)

Example: Govt. is giving a grant of ₹10,00,000 To construct & Run school in backward area total cost of liability was 50,00,000.

⇒ cost in hands of Mx. A. = $50,00,000 - 10,00,000 = 40,00,000$
How such accounting will be done in books of Mx. A.

Method 1

Net Approach

Est. life = 5 yrs.
S.V = 5,00,000
F.A = 50,00,000
- G.G = 10,00,000
40,00,000
Depⁿ = $\frac{40,00,000 - 5 \text{ Lakh}}{5}$
= 7,00,000

Year 1 a) on acq. of F.A.

F.A A/c Dr 50 Lakh -
To Bank A/c - 50 Lakh

b) Grant is recvd.

Bank A/c Dr 10 Lakh -
To P.A A/c - 10 Lakh

c) At year end.

• Depⁿ A/c Dr 7 L -
To F.A A/c - 7 L

• P&L A/c Dr 7 L -
To Depⁿ A/c - 7 L

Method 2

Gross Approach

F.A = 50,00,000
G.G will be recorded as D.G.G
G.G = 10,00,000 (income)
Est. life = 5 yrs
S.V = 5,00,000

Depⁿ = $\frac{50 \text{ Lakh} - 5 \text{ Lakh}}{5}$

= 9,00,000

Year 1

a) on acq. of F.A.

F.A A/c Dr 50 Lakh -
To Bank A/c - 50 Lakh

b) on receipt of G.G

Bank A/c Dr 10 Lakh -
To D.G.G A/c - 10 Lakh

c) At year end

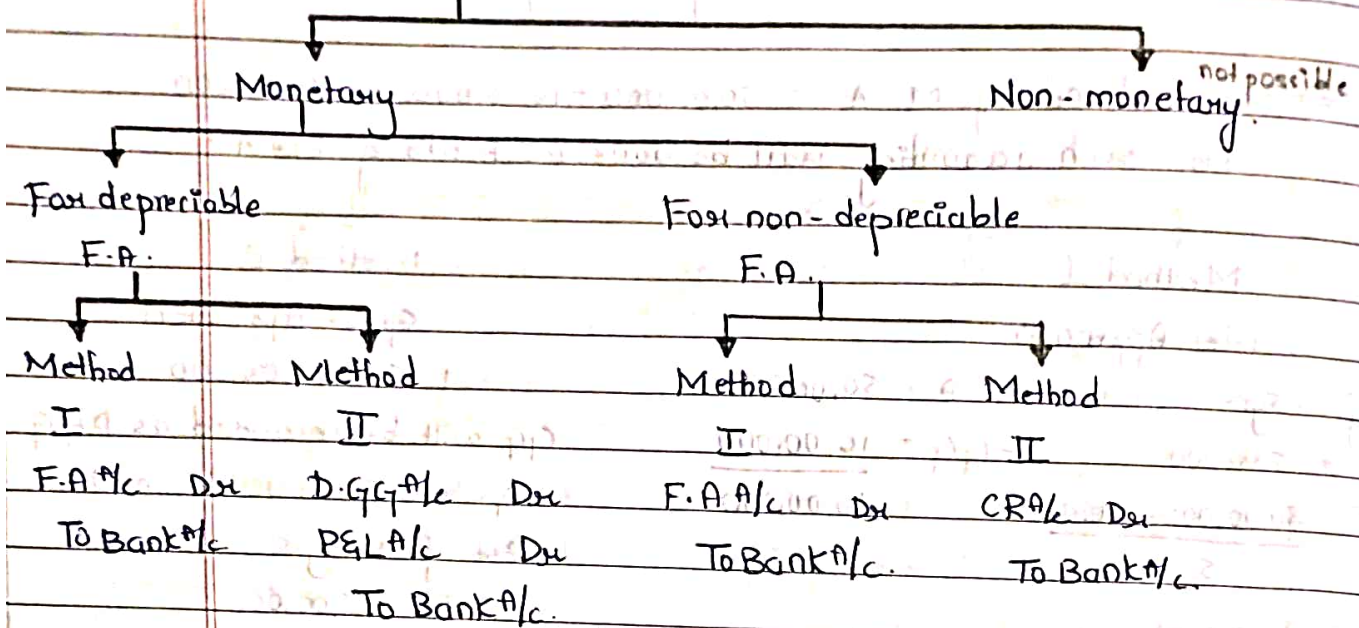
• Depⁿ A/c Dr 9,00,000 -
To F.A A/c - 9,00,000

• P&L A/c Dr 9 L -
To Depⁿ A/c - 9 L

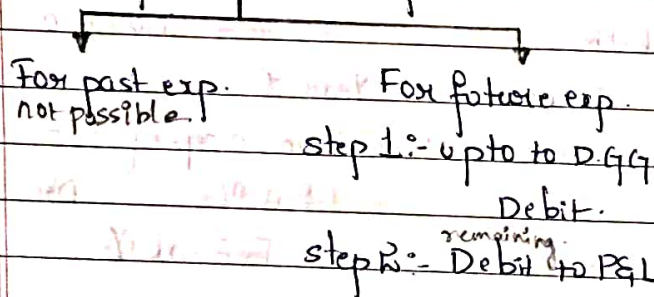
• D.G.G A/c Dr 2 L -
To P&L A/c - 2 L
(10 L ÷ 5)

B. If refund of Govt. Grant:

A. Related to F.A.



B. Grant for Revenue Exp.



C. Promoters contribution

CRA/c Dr
To Bank A/c

Recognition of Govt. Grant in books

Grant can be recognised in book, only if :-

i. conditions satisfied as per requirement

&

ii. There is no uncertainty for its collection.