



AS-12: ACCOUNTING FOR GOVERNMENT GRANTS

MH govt → scheme → Co. SKW solar plant
 That Co. will get ₹15000/kw as subsidy Assistance / support

Meaning of Grant: Assistance by Government in cash or kind to enterprise for past or future compliance with certain conditions

RECOGNITION CRITERIA → Accounting kab karengey

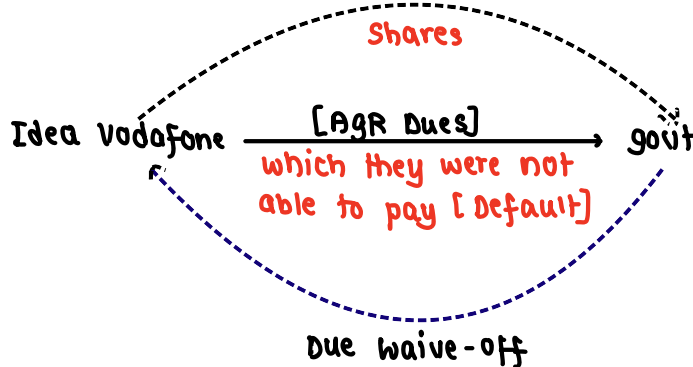
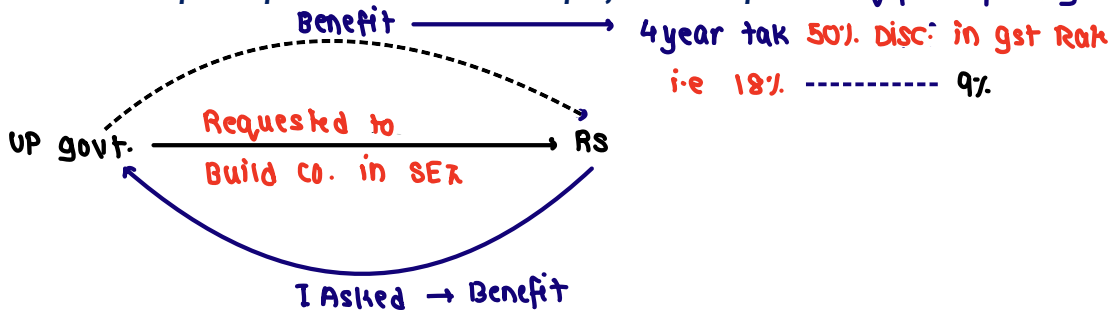
When there is a reasonable assurance / certainty that

- a) The enterprise will comply with the conditions attached to them and
- b) The Grant will be received

NON-APPLICABILITY OF AS-12

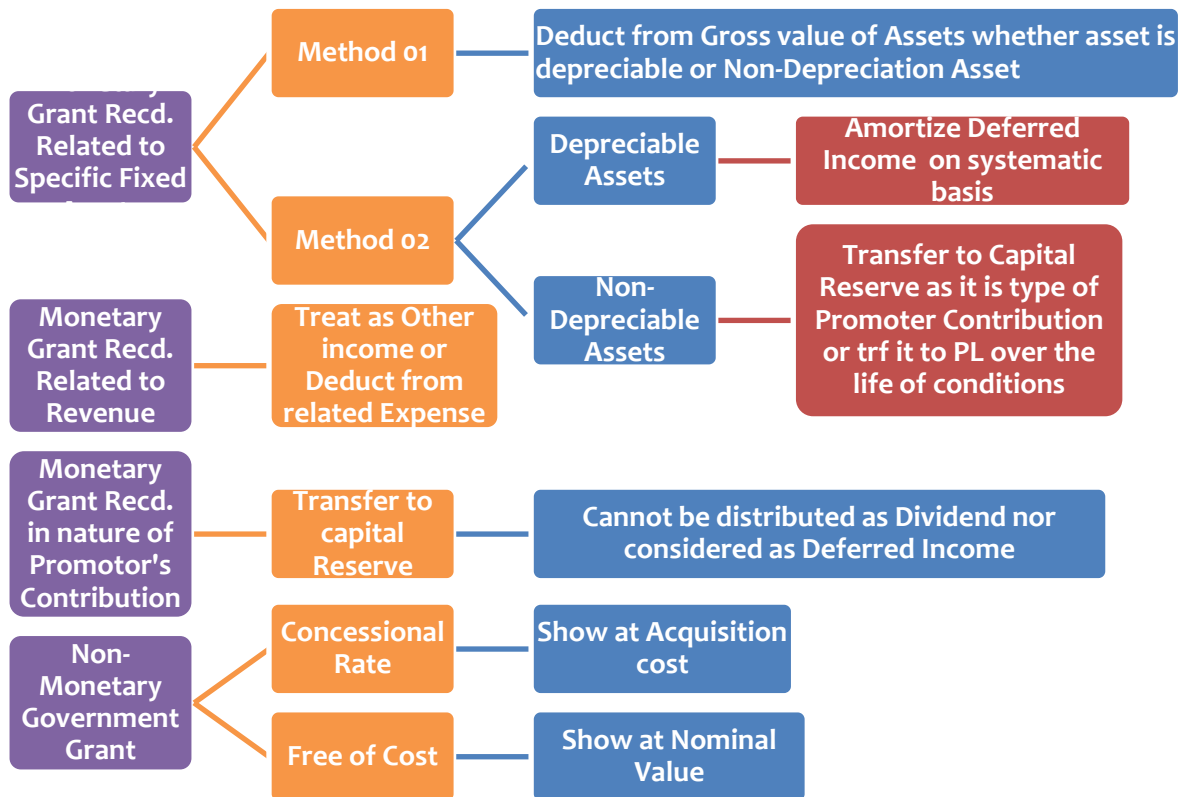
This standard does not deal with

- a) Government assistance other than in the form of Government Grants
 (i.e. Tax Holiday for SEZ / Startup)
- b) Government participation in the ownership of the enterprise [Eq. participation]



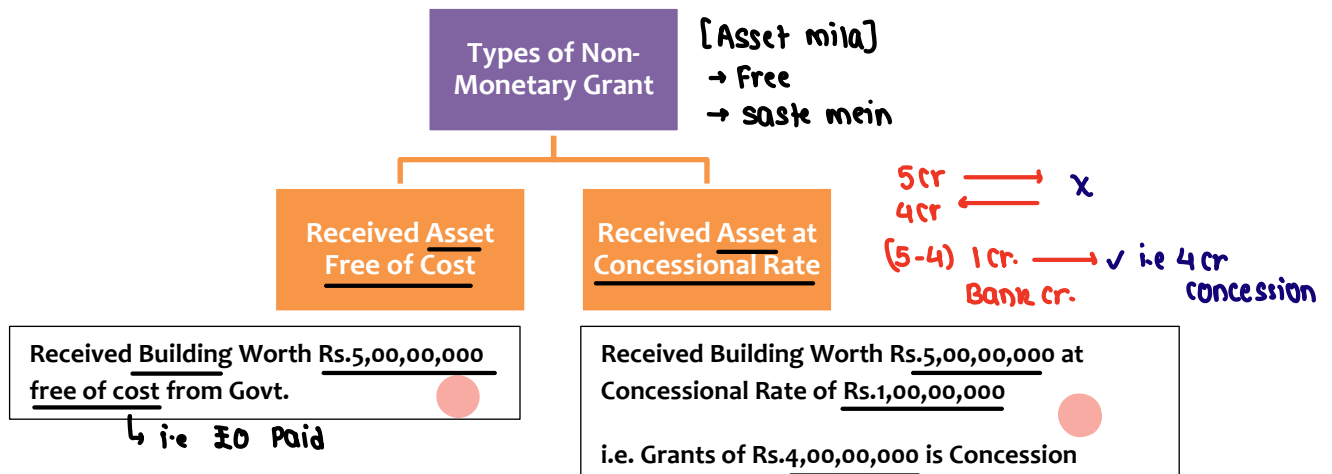
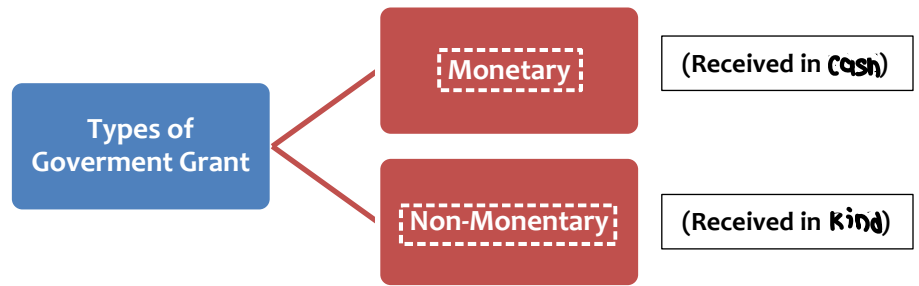


TREATMENT OF GOVERNMENT GRANT





TREATMENT OF GOVERNMENT GRANT (Detailed Discussion)



Journal Entries:

(a) Received Asset Free of Cost – Record Asset at Nominal Value

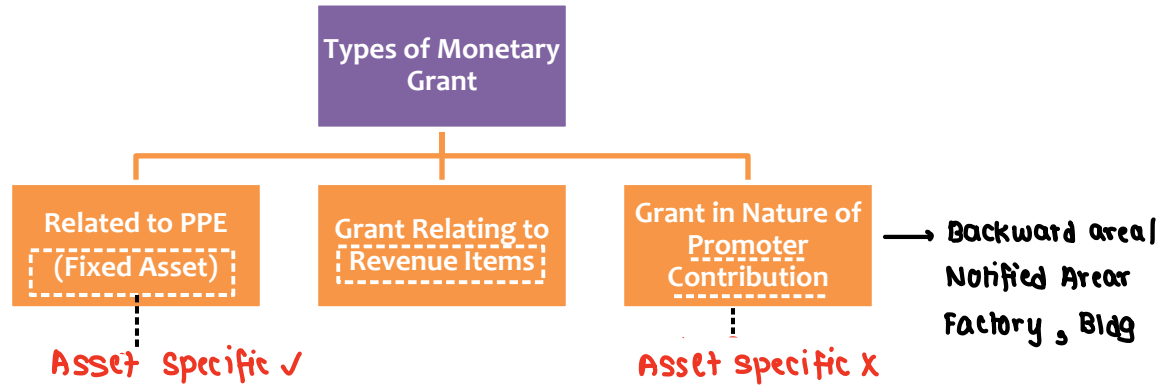
Building A/c	Dr.	Rs.1 / Rs.10 / Rs.100	
	To Govt. Grant A/c (Capital Reserve)		Rs.1 / Rs.10 / Rs.100

↳ PAL A/c x

(b) Received Asset at Concessional Rate – Record Asset at Amount Paid Nominal Value

Building A/c	Dr.	1,00,00,000	→ COA
	To Bank A/c	1,00,00,000	

Note: Depreciation will be Charged on Rs.1,00,00,000



a) Monetary Grant Received in Related to Fixed Asset 50L → paid Bank Cr.
20L ← Recd. Bank Dr.

Depreciable Asset – suppose Life 5 year (Company Purchase a Building worth Rs.50,00,000 and Govt. Grant Received Rs.20,00,000)	Non-Depreciable Asset (Company Purchase a Land worth Rs.50,00,000 and Govt. Grant Received Rs.20,00,000)
Option 1 – Reduce from Cost	Option 1 – Reduce from Cost
Option 2 – Treat Grant as Deferred Income	Option 2 – If Company doesn't wish to reduce cost
<p>Building A/c Dr. 50L To Bank A/c 50L</p> <p>Bank A/c Dr. 20L To Building A/c 20L</p> <p>Depn. A/c Dr. 6L To Building A/c 6L</p> <p>P&L A/c Dr. 6L To Depn. A/c 6L</p>	<p>Land A/c Dr. 50L To Bank A/c 50L</p> <p>Bank A/c Dr. 20L To Land A/c 20L</p> <p>If Grant is conditional Condition exist for 10 yr Bank A/c Dr. 20L To DGG* A/c 20L</p> <p>DGG* A/c Dr. 2L To P&L A/c 2L</p> <p>If Grant is unconditional Bank A/c Dr. 20L To Govt. Grant 20L (Capital Reserve)</p>
<p>Building A/c Dr. 50L To Bank A/c 50L</p> <p>Bank A/c Dr. 20L To DGG* A/c 20L ↳ BSL</p> <p>Depn. A/c Dr. 10L To Building A/c 10L</p> <p>P&L A/c Dr. 10L To Depn. A/c 10L</p> <p>DGG* A/c Dr. 4L To P&L A/c 4L</p>	<p>Land A/c Dr. 50L To Bank A/c 50L</p> <p>Bank A/c Dr. 20L To Land A/c 20L</p> <p>If Grant is conditional Condition exist for 10 yr Bank A/c Dr. 20L To DGG* A/c 20L</p> <p>DGG* A/c Dr. 2L To P&L A/c 2L</p> <p>If Grant is unconditional Bank A/c Dr. 20L To Govt. Grant 20L (Capital Reserve)</p>

*DGG → Deferred Government Grant A/c

option 1 → Expense → PL → ₹ 6L [inform of Depn]

option 2 → Expense → PL → ₹ 10L [inform of Dep]

Income → Dgg → ₹ 4L
₹ 6L

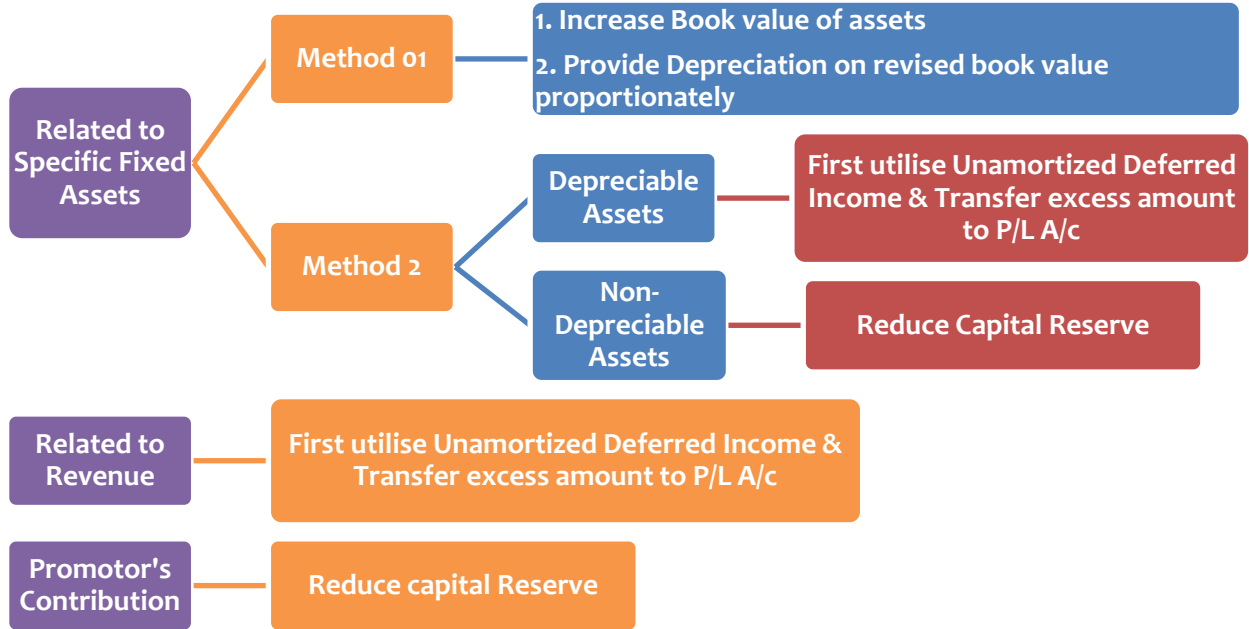
NET COST ₹ 30L
30L/5
= ₹ 6L

Preferred
20L/10



TREATMENT OF REFUND OF GOVERNMENT GRANT

Treatment: Refund of Government Grant shall be treated as **Extraordinary item** as per AS-05



Example → Building → purchase → cost ₹ 50L
 Grant → ₹ 20L → Reduce from cost
 Depn Rate → 10% SLM
 After 2 year grant Refund

1st year

(1) Building A/c Dr. 50L
 To Bank A/c 50L

(2) Bank A/c Dr. 20L → After 2nd year → Refund
 To Building A/c 20L ∴ Building A/c Dr. 20L
 To Bank A/c 20L

(3) Depn A/c Dr. 3L
 To Building 3L
 [30L x 10%]

∴ Revised Depn = 10% x [30L (-) 3L (+) 3L + 20L]
 = 4.4L p.a

(4) P&L A/c Dr. 3L
 To Depn A/c 3L

2nd year

(1) Depn A/c Dr. 3L
 To Building 3L
 [30L x 10%]

(2) P&L A/c Dr. 3L
 To Depn A/c 3L



DISCLOSURE REQUIREMENTS

Kya राजा ! Ab Disclose कर ले ?

- ✓ Accounting Policy adopted for Government Grant, including methods of presentation in the Financial Statements
- ✓ Nature and Extent of Government Grant recognized in the Financial Statements, including grants of Non-Monetary Assets