

ED/Ind AS/2018/01

Exposure Draft of

**Amendments to Ind AS 20, Accounting for
Government Grants and Disclosure of Government
Assistance**

(Last date for Comments: January 24, 2018)



Issued by

Accounting Standards Board

The Institute of Chartered Accountants of India

Exposure Draft

Amendments to Ind AS 20, Accounting for Government Grants and Disclosure of Government Assistance

Following is the Exposure Draft of the Amendments to Ind AS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, issued by the Accounting Standards Board of the Institute of Chartered Accountants of India for comments.

The Board invites comments on any aspect of this Exposure Draft. Comments are most helpful if they contain a clear rationale and, where applicable, provide suggestions for alternative wording.

Comments can be submitted using one of the following methods, so as to be received not later than January 24, 2018.

1. Electronically: Click on <http://www.icai.org/comments/asb/> to submit comments online. (Preferred method)
2. Email: Comments can be sent to commentsasb@icai.in
3. Postal: Secretary, Accounting Standards Board, The Institute of Chartered Accountants of India, ICAI Bhawan, Post Box No. 7100, Indraprastha Marg, New Delhi – 110 002.

Further clarifications on any aspect of this Exposure Draft may be sought by e-mail to asb@icai.in.

Amendments to Ind AS 20, Accounting for Government Grants and Disclosure of Government Assistance

Amendments are proposed in Ind AS 20 to allow the options to present non-monetary government grants at nominal value and government grants related to assets by deducting the same from the carrying amount of the asset.

For this purpose, paragraphs 23-28 and 32 are amended. Paragraphs 33 and 40-48A have been added. Deleted text is struck through and new text is underlined.

Non-monetary government grants

- 23 A government grant may take the form of a transfer of a non-monetary asset, such as land or other resources, for the use of the entity. In these circumstances, it is usual to assess the fair value of the non-monetary asset and to account is assessed and for both grant and asset are accounted for at that fair value. An alternative course that is sometimes followed is to record both asset and grant at a nominal amount.

Presentation of grants related to assets

- 24 Government grants related to assets, including non-monetary grants at fair value, shall be presented in the balance sheet either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.
- 25 [Refer Appendix 1] Two methods of presentation in financial statements of grants (or the appropriate portions of grants) related to assets are regarded as acceptable alternatives.
- 26 One method recognises the grant. The grant set up as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset.
- 27 [Refer Appendix 1] The other method deducts the grant in calculating the carrying amount of the asset. The grant is recognised in profit or loss over the life of a depreciable asset as a reduced depreciation expense.
- 28 The purchase of assets and the receipt of related grants can cause major movements in the cash flow of an entity. For this reason and in order to show the gross investment in assets, such movements are often disclosed as separate items in the statement of cash flows regardless of whether or not the grant is deducted from the related asset for presentation purposes in the balance sheet.

Repayment of government grants

- 32 A government grant that becomes repayable shall be accounted for as a change in accounting estimate (see Ind AS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*). Repayment of a grant related to income shall be applied first against any unamortised deferred credit recognised in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or when no deferred credit exists, the repayment shall be recognised immediately in profit or loss. Repayment of a grant related to an asset shall be recognised by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that

would have been recognised in profit or loss to date in the absence of the grant shall be recognised immediately in profit or loss.

- 33 ~~[Refer Appendix 1]~~ Circumstances giving rise to repayment of a grant related to an asset may require consideration to be given to the possible impairment of the new carrying amount of the asset.

Transitional provisions

- 40 ~~[Refer Appendix 1].~~

40A ~~An entity availing the option of presentation of non-monetary government grants at nominal value and of government grants related to assets by deducting the same from the carrying amount of the asset shall either:~~

- ~~(i) adjust its financial statements for the change in accounting policy in accordance with Ind AS 8; or~~
- ~~(ii) apply only to the grants or portions of grants becoming receivable or repayable after the effective date of the amendments.~~

Effective date

- 41-48 ~~Refer Appendix 1.~~

48A ~~Paragraphs 23-28 and 32 are amended; and paragraph 33 and paragraphs 40-48A have been added to allow the option of presentation of non-monetary government grants at nominal value and of government grants related to assets by deducting the same from the carrying amount of the asset. An entity shall apply these amendments for the annual periods beginning on or after April 1, 2018¹.~~

¹ ~~Since these amendments to Ind AS will be notified by the Ministry of Corporate Affairs (MCA), the effective date as mentioned in paragraph 48A, is subject to the notification of MCA with the same effective date.~~

Appendix 1

Note: This Appendix is not a part of the Indian Accounting Standard. The purpose of this Appendix is only to bring out the major differences, if any, between Indian Accounting Standard (Ind AS) 20 and the corresponding International Accounting Standard (IAS) 20, Accounting for Government Grants and Disclosure of Government Assistance, and SIC 10 Government Assistance- No Specific Relation to Operating Activities, issued by the International Accounting Standards Board.

Comparison with IAS 20, Accounting for Government Grants and Disclosure of Government Assistance and SIC 10

- ~~1~~ IAS 20 gives an option to measure non-monetary government grants either at their fair value or at nominal value. Ind AS 20 requires measurement of such grants only at their fair value. Thus, the option to measure these grants at nominal value is not available under Ind AS 20.
- ~~2~~ IAS 20 gives an option to present the grants related to assets, including nonmonetary grants at fair value in the balance sheet either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset. Ind AS 20 requires presentation of such grants in balance sheet only by setting up the grant as deferred income. Thus, the option to present such grants by deduction of the grant in arriving at the carrying amount of the asset is not available under Ind AS 20. As a consequence thereof paragraph 32 has been modified and the following paragraphs of IAS 20 which are with reference to the options for presentation of grants related to assets have been deleted in Ind AS 20. In order to maintain consistency with paragraph numbers of IAS 20, the paragraph numbers are retained in Ind AS 20:
 - (i) Paragraph 25
 - (ii) Paragraph 27
 - (iii) Paragraph 33
- ~~3~~1 Requirements regarding presentation of grants related to income in the separate income statement, where separate income statement is presented under paragraph 29A of IAS 20 have been deleted. This change is consequential to the removal of option regarding two statement approach in Ind AS 1. Ind AS 1 requires that the components of profit or loss and components of other comprehensive income shall be presented as a part of the statement of profit and loss. However, paragraph number 29A has been retained in Ind AS 20 to maintain consistency with paragraph numbers of IAS 20.
- ~~4~~2 Different terminology is used in this standard, eg, the term ‘balance sheet’ is used instead of ‘Statement of financial position’ and ‘Statement of profit and loss’ is used instead of ‘Statement of comprehensive income’.
- ~~5~~3 Paragraph number 37 appear as ‘Deleted’ in IAS 20. In order to maintain consistency with paragraph numbers of IAS 20, the paragraph number is retained in Ind AS 20.
- ~~4~~ Paragraph 40 of IAS 20 related to transitional provisions has not been included in Ind AS 20 since transitional provisions considered relevant have been included in Ind AS 101, *First Time Adoption of Indian Accounting Standards*.
- ~~5~~ Paragraphs 41-48 of Effective date of IAS 20 have not been included in Ind AS 20 since it is not relevant in Indian context.