

IFRS AT A GLANCE
IAS 20 *Government Grants*



IAS 20 Government Grants

Also refer:
SIC-10 Government Assistance - No Specific Relation to Operating Activities

Effective Date
Periods beginning on or after 1 January 1984

DEFINITION

Government grants:

- Assistance by government
- In the form of transfers of resources to an entity
- In return for past or future compliance with certain conditions relating to the operating activities of the entity
- Exclude forms of government assistance which cannot reasonably have a value placed on them and which cannot be distinguished from the normal trading transactions of the entity.

SCOPE

The standard does not deal with:

- Government assistance that is provided for an entity in the form of benefits that are available in determining taxable income or are determined or limited to the basis of income tax liability
- Government participation in the ownership of an entity
- Government grants covered by IAS 41 Agriculture.

TYPES OF GOVERNMENT GRANTS

GRANTS RELATED TO INCOME

A grant receivable as compensation for costs, either:

- Already incurred
- For immediate financial support, with no future related costs.

Recognise as income in the period in which it is receivable.

A grant relating to income may be presented in one of two ways:

- Separately as 'other income'
- Deducted from the related expense.

GRANTS RELATED TO ASSETS

A grant relating to assets may be presented in one of two ways:

- As deferred income (and released to profit or loss when related expenditure impacts profit or loss)
- By deducting the grant from the asset's carrying amount.

NON-MONETARY GRANTS

Non-monetary grants, such as land or other resources, are usually accounted for at fair value, although recording both the asset and the grant at a nominal amount is permitted.

RECOGNITION OF GRANTS

Grants are recognised when both:

- There is reasonable assurance the entity will comply with the conditions attached to the grant
- The grant will be received.

The grant is recognised as income over the period necessary to match it with the related costs, for which it is intended to compensate on a systematic basis and should not be credited directly to equity.

DISCLOSURE

- Accounting policy adopted for grants, including method of statement of financial position presentation
- Nature and extent of grants recognised in the financial statements
- An indication of other forms of government assistance from which the entity has directly benefited
- Unfulfilled conditions and contingencies attaching to recognised grants.

For further information about how BDO can assist you and your organisation, please get in touch with one of our key contacts listed below. Alternatively, please visit [www.bdointernational.com/Services/Audit/IFRS/IFRS Country Leaders](http://www.bdointernational.com/Services/Audit/IFRS/IFRS_Country_Leaders) where you can find full lists of regional and country contacts.

Europe

Caroline Allouët	France	caroline.allouet@bdo.fr
Jens Freiberg	Germany	jens.freiberg@bdo.de
Teresa Morahan	Ireland	tmorahan@bdo.ie
Ehud Greenberg	Israel	ehudg@bdo.co.il
Ruud Vergoossen	Netherlands	ruud.vergoossen@bdo.nl
Reidar Jensen	Norway	reidar.jensen@bdo.no
María Sukonkina	Russia	m.sukonkina@bdo.ru
René Krügel	Switzerland	rene.kruegel@bdo.ch
Brian Creighton	United Kingdom	brian.creighton@bdo.co.uk

Asia Pacific

Wayne Basford	Australia	wayne.basford@bdo.com.au
Zheng Xian Hong	China	zheng.xianhong@bdo.com.cn
Fanny Hsiang	Hong Kong	fannyhsiang@bdo.com.hk
Khoon Yeow Tan	Malaysia	tanky@bdo.my

Latin America

Marcelo Canetti	Argentina	mcanetti@bdoargentina.com
Luis Pierrend	Peru	lpierrend@bdo.com.pe
Ernesto Bartesaghi	Uruguay	ebartesaghi@bdo.com.uy

North America & Caribbean

Armand Capisciolto	Canada	acapisciolto@bdo.ca
Wendy Hambleton	USA	whambleton@bdo.com

Middle East

Arshad Gadit	Bahrain	arshad.gadit@bdo.bh
Antoine Gholam	Lebanon	agholam@bdo-lb.com

Sub Saharan Africa

Nigel Griffith	South Africa	ngriffith@bdo.co.za
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