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## IAS 20 — Accounting for Government Grants and Disclosure of Government Assistance

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### Overview

IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* outlines how to account for government grants and other assistance. Government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises expenses for the related costs for which the grants are intended to compensate, which in the case of grants related to assets requires setting up the grant as deferred income or deducting it from the carrying amount of the asset.

IAS 20 was issued in April 1983 and is applicable to annual periods beginning on or after 1 January 1984.

### History of IAS 20

September 1981	Exposure Draft E21 <i>Accounting for Government Grants and Disclosure of Government Assistance</i>
April 1983	IAS 20 <i>Accounting for Government Grants and Disclosure of Government Assistance</i>
1 January 1984	Effective date of IAS 20 (1983)
1994	IAS 20 (1983) was reformatted
22 May 2008	IAS 20 amended for <i>Annual Improvements to IFRSs 2007</i> to bring it in line with IAS 39 in respect of loans with the below market-rate of interest
1 January 2009	Effective date of May 2008 amendment to IAS 20

## Related Interpretations

- [SIC-10](#) *Government Assistance – No Specific Relation to Operating Activities*

## Amendments under consideration by the IASB

- [Government Grants – Reconsideration of IAS 20](#)
- [Emission Trading Schemes](#)

## Summary of IAS 20

### Objective of IAS 20

The objective of IAS 20 is to prescribe the accounting for, and disclosure of, government grants and other forms of government assistance.

### Scope

IAS 20 applies to all government grants and other forms of government assistance. [IAS 20.1] However, it does not cover government assistance that is provided in the form of benefits in determining taxable income. It does not cover government grants covered by IAS 41 *Agriculture*, either. [IAS 20.2] The benefit of a government loan at a below-market rate of interest is treated as a government grant. [IAS 20.10A]

### Accounting for grants

A government grant is recognised only when there is reasonable assurance that (a) the entity will comply with any conditions attached to the grant and (b) the grant will be received. [IAS 20.7]

The grant is recognised as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis. [IAS 20.12]

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 also permitted. [IAS 20.23]

Even if there are no conditions attached to the assistance specifically relating to the operating activities of the entity (other than the requirement to operate in certain regions or industry sectors), such grants should not be credited to equity. [[SIC-10](#)]

A grant receivable as compensation for costs already incurred or for immediate financial support, with no future related costs, should be recognised as income in the period in which it is receivable. [IAS 20.20]

A grant relating to assets may be presented in one of two ways: [IAS 20.24]

- as deferred income, or
- by deducting the grant from the asset's carrying amount.

A grant relating to income may be reported separately as 'other income' or deducted from the related expense. [IAS 20.29]

If a grant becomes repayable, it should be treated as a change in estimate. Where the original grant related to income, the repayment should be applied first against any related unamortised deferred credit, and any excess should be dealt with as an expense. Where the original grant related to an asset, the repayment should be treated as increasing the carrying amount of the asset or reducing the deferred income balance. The cumulative depreciation which would have been charged had the grant not been received should be charged as an expense. [IAS 20.32]

## Disclosure of government grants

The following must be disclosed: [IAS 20.39]

- accounting policy adopted for grants, including method of balance sheet presentation
- nature and extent of grants recognised in the financial statements
- unfulfilled conditions and contingencies attaching to recognised grants

## Government assistance

Government grants do not include government assistance whose value cannot be reasonably measured, such as technical or marketing advice. [IAS 20.34]  
Disclosure of the benefits is required. [IAS 20.39(b)]

11

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### IFRS in Focus — IASB issues exposure draft on prospective application of IAS 20 to government loans at below-market rates of interest for first-time adopters of IFRSs

20 Oct 2011

### IAS Plus newsletter — Improvements to IFRSs 2008

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