

See also: NZ SIC 10: *Government Assistance – No Specific Relation to Operating Activities*

DEFINITION

Government Grants are:

- ▶ 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.
- ▶ They exclude those 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 NZ IAS 41 – *Agriculture*.

TYPES OF GOVERNMENT GRANTS

GRANTS RELATED TO INCOME

A grant receivable as compensation for costs:

- ▶ Already incurred; or
- ▶ 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'; or
- ▶ 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); or
- ▶ By deducting the grant from the asset's carrying amount.

RECOGNITION OF GRANTS

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.

Grants are recognised when there is reasonable assurance:

- ▶ The entity will comply with the conditions attached to the grant; and
- ▶ 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.

TIER 2 NZ IFRS RDR REPORTERS

NZ IFRS RDR Reporters are required to comply with NZ IAS 20 in full.

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 benefitted.
- ▶ Unfulfilled conditions and contingencies attaching to recognised grants.