

Exposure Draft

Limited revisions to Accounting Standard 12

Accounting for Government Grants

(Last date for Comments: October 10, 2012)



Issued by
Accounting Standards Board

The Institute of Chartered Accountants of India

Exposure Draft

Limited revisions to Accounting Standard 12: **Accounting for Government Grants**

The following is the Exposure Draft of the limited revisions to Accounting Standard (AS) 12, Accounting for Government Grants. The limited revisions are proposed to synchronise the presentation requirements of AS 12, Accounting for Government Grants, with the presentation requirements prescribed under revised Schedule VI to the Companies Act, 1956. Accordingly, paragraph 8.4 is proposed to be amended. As the amounts deferred bear the characteristics of unearned income and should be classified as liability, it is also proposed to amend paragraphs 12.1 and 23 of AS 12 to prescribe presentation of deferred government grants.

The changes made in the standard are indicated in track-changes mode.

The Board invites comments on any aspect of this Exposure Draft. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and, where applicable, provide a suggestion for alternative wording.

Comments should be submitted in writing to the Secretary, Accounting Standards Board, The Institute of Chartered Accountants of India, ICAI Bhawan, Post Box No. 7100, Indraprastha Marg, New Delhi – 110 002, so as to be received not later than–October 10, 2012. Comments can also be sent by e-mail at edcommentsasb@icai.org or asb@icai.org.

Paragraphs 8.4, 12.1 and 23 are amended. New text is underlined and the deleted text is struck-through.

8.4 Under the other method, grants related to depreciable assets are treated as deferred income which is recognised in the profit and loss statement on a systematic and rational basis over the useful life of the asset. Such allocation to income is usually made over the periods and in the proportions in which depreciation on related assets is charged. Grants related to non-depreciable assets are credited to capital reserve under this method, as there is usually no charge to income in respect of such assets. However, if a grant related to a non-depreciable asset requires the fulfillment of certain obligations, the grant is credited to income over the same period over which the cost of meeting such obligations is charged to income. The deferred income is suitably disclosed in the balance sheet pending its apportionment to profit and loss account. ~~For example, in the case of a company, it is shown after 'Reserves and Surplus' but before 'Secured Loans' with a suitable description, e.g., 'Deferred government grants'.~~

12.1 The following disclosures are appropriate:

- (i) the accounting policy adopted for government grants, including the methods of presentation in the financial statements;
- (ii) the nature and extent of government grants recognised in the financial statements, including grants of non-monetary assets given at a concessional rate or free of cost.
- (iii) in the case of companies, deferred government grants should be disclosed separately under the head Non-current Liabilities to the extent entity expects not to recognise the same within the next 12 months after the end of reporting period and the remaining balance should be disclosed separately under the head Current Liabilities.

23. The following should be disclosed:

- (i) the accounting policy adopted for government grants, including the methods of presentation in the financial statements;**
- (ii) the nature and extent of government grants recognised in the financial statements, including grants of non-monetary assets given at a concessional rate or free of cost.**
- (iii) in the case of companies, deferred government grants should be disclosed separately under the head Non-current Liabilities to the extent entity expects not to recognise the same within the next 12 months after the end of reporting period and the remaining balance should be disclosed separately under the head Current Liabilities.**