AS 12 : Accounting for Government Grants.

Applicablity	All entities ; A/cing periods comm. on (or) after 1·4·1992.
Scope. ✓	This standard deals with Accounting for Government Grants
Meaning.	Duty drawbacks / Subsidies / cash Incentives
Not deals with ⊗	The special problems arising in A/cing for GG in FS reflecting the effects of changing prices (or) in suppl. info. of similar nature Govt. assistance other than in the form of GG Govt participation in the Ownership of the enterprise

Receipts of GG

- **Monetary (cash)**
  - Promoter's contrb.
    - Treated as Cap. Reserve
    - Neither distributed as Income nor consid. as deferred Income.
    - Cr to Cap. Reserve A/c
    - **Refund entries**: Dr. i.e, refund amount reduced from Cap. Reserve
  - Related to Revenue / services
    - Past → Cr to P&L
    - Future → Cr to DGG & amortised to P&L in prop of exp to be incurred
    - **Refund**: first apply against any Unamortised DGG & Bal amt Charged to P&L A/c
      - DGG
      - P&L (B/f)
      - To Bank
  - Fixed Assets.
    - Non-Depre.
      - Cr to CR A/c (or) FA A/c
      - Cr to DGG
      - Amortised to P&L in prop to Depreciation charged
      - **Refund**: DGG, P&L (B/f), To Bank
    - Depreciable FA
      - ② options
        - Cr to DGG
        - Cr to Cost of FA
          - Bal of FA (cost + GG) depreciated over useful life.
          - **Refund**: Asset, To Bk.
- **Non-monetary (Assets)**
  - At Concession
    - Record @ concess price
  - At Free of cost
    - Record @ Nominal Value.
  - Bank A/c Dr
    To Fixed Assets A/c
    (Being grant rec'd from Govt.)
  - **Refund Entries**
    Fixed Asset A/c Dr
    To Bank A/c

Refund of GG treated as an Extra-Ordinary item as per AS-5

Recognition of GG	1. where there is Reasonable Assurance that the entp. will comply with the conditions attached to them +
	2. where such benefits have been earned by entrp and is Reasonably certain that the ultimate collection will be made.
Receipt of GG	mere receipt of a grant is not necessarily conclusive evidence that condition attaching to the grant have been (or) will be fulfilled.
Disclosure Requirements	A/cing policy adopted for GG, including the methods of presentation in the FS.
	The nature and extent of GG, recognised in the FS including grants of non-monetary assets given at a concessional rate (or) free of cost.

Comprehensive problem on ② methods of Depreciable Fixed Asset

Z ltd. purchased FA for ₹ 50L, estimate useful life 5yrs, SV ₹ 5L.
Government Grant received ₹ 10L

① GG deducted from value of FA

Yr			
1st (4 entries)	FA To Bank	50L	50L
	Bank A/c To FA (Being Grant received)	10L	10L
	Depreciation To FA (Being dep on SLM) $\left[\frac{(50L-10L)-5L}{5yrs}\right]$	7L	7L
	P&L To Dep	7L	7L
2nd & further yrs. ②	Dep To FA	7L	7L
	P&L To Dep	7L	7L

GG treated as Deferred Income

Yr	Particulars		
1st (5 entries)	FA To Bank	50L	50L
	Bank A/c To DGG	10L	10L
	Dep to To FA $((50L-5) \div 5yrs)$	9L	9L
	P&L To Dep.	9L	9L
	DGG To P&L (Being prop GG taken to P&L A/c) $(10L \div 5yrs)$	2L	2L
2nd & future yrs ③	Dep 9L / To FA 9L ; P&L 9L / To Dep 9L		
	DGG To P&L	2L	2L