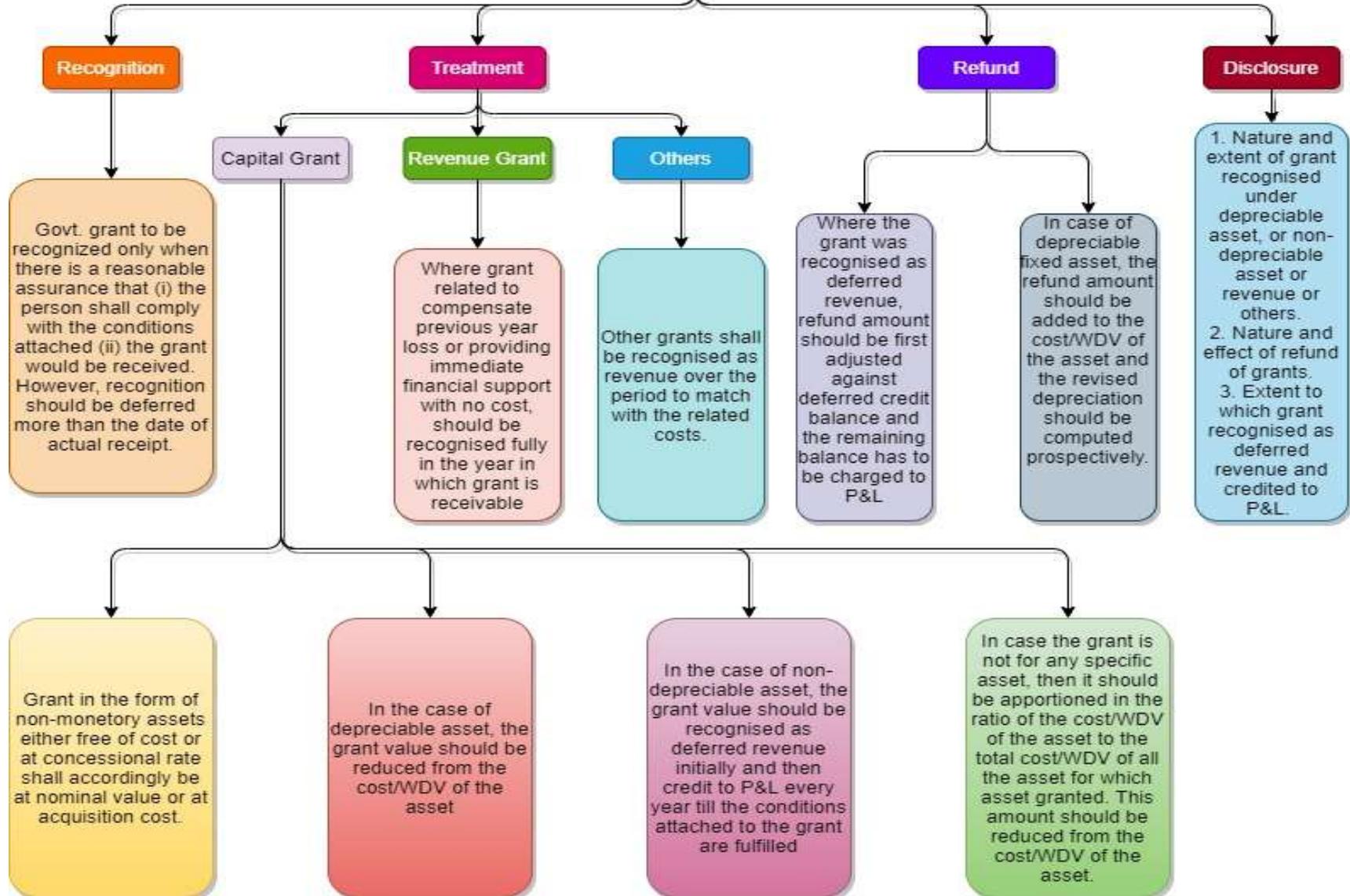


Government grant

Govt. refers to Central govt, state govt, agencies and similar bodies whether local, national or international. Govt grants are assistance in cash or kind but excludes the assistance to which no value could be attached and cannot be distinguished from the normal trading transaction with the govt.



Recognition

Govt. grant to be recognized only when there is a reasonable assurance that (i) the person shall comply with the conditions attached (ii) the grant would be received. However, recognition should be deferred more than the date of actual receipt.

Treatment

Capital Grant

Grant in the form of non-monetary assets either free of cost or at concessional rate shall accordingly be at nominal value or at acquisition cost.

In the case of depreciable asset, the grant value should be reduced from the cost/WDV of the asset

In the case of non-depreciable asset, the grant value should be recognised as deferred revenue initially and then credit to P&L every year till the conditions attached to the grant are fulfilled

In case the grant is not for any specific asset, then it should be apportioned in the ratio of the cost/WDV of the asset to the total cost/WDV of all the asset for which asset granted. This amount should be reduced from the cost/WDV of the asset.

Revenue Grant

Where grant related to compensate previous year loss or providing immediate financial support with no cost, should be recognised fully in the year in which grant is receivable

Others

Other grants shall be recognised as revenue over the period to match with the related costs.

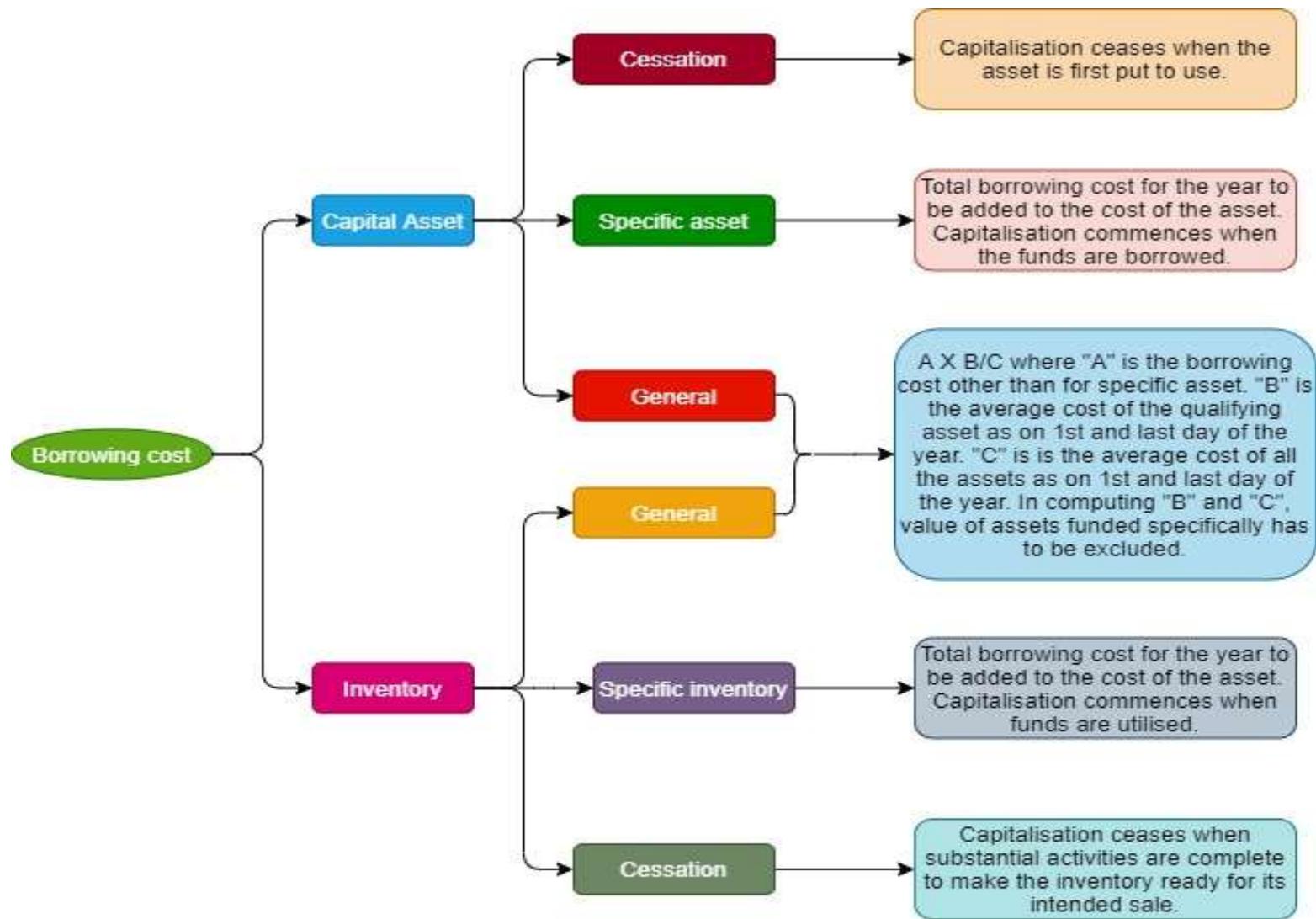
Refund

Where the grant was recognised as deferred revenue, refund amount should be first adjusted against deferred credit balance and the remaining balance has to be charged to P&L

In case of depreciable fixed asset, the refund amount should be added to the cost/WDV of the asset and the revised depreciation should be computed prospectively.

Disclosure

1. Nature and extent of grant recognised under depreciable asset, or non-depreciable asset or revenue or others.
2. Nature and effect of refund of grants.
3. Extent to which grant recognised as deferred revenue and credited to P&L.



1. Qualifying asset comprises of tangible, intangible or inventories which require minimum 12 months to make it ready for its intended use.
2. In computing "B" as above, in case the qualifying asset is not appearing in the balance sheet of a person in the first day of the previous year, then half of the cost is required to be considered.
3. In case the qualifying asset does not appear in the balance sheet of a person on the last day of the previous year, the average of the costs of qualifying asset as appearing in the balance sheet of a person on the first day of the previous year and on the date of put to use or completion



