

Government Assistance—No Specific Relation to Operating Activities



Australian Government

**Australian Accounting
Standards Board**

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from paragraph

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CONSENSUS

3

DATE OF CONSENSUS

WITHDRAWAL OF AASB PRONOUNCEMENTS

Aus3.1

EFFECTIVE DATE

Aus3.2

BASIS FOR CONCLUSIONS ON SIC-10

DELETED SIC-10 TEXT

AASB Interpretation 110 *Government Assistance—No Specific Relation to Operating Activities* is set out in paragraphs 1 – Aus3.2. Interpretations are listed in Australian Accounting Standard AASB 1048 *Interpretation of Standards* and AASB 1057 *Application of Australian Accounting Standards* sets out their application. In the absence of explicit guidance, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies.

Comparison with SIC-10

AASB Interpretation 110 *Government Assistance—No Specific Relation to Operating Activities* incorporates Interpretation SIC-10 *Government Assistance—No Specific Relation to Operating Activities* issued by the International Accounting Standards Board (IASB). Australian-specific paragraphs (which are not included in SIC-10) are identified with the prefix “Aus”. Paragraphs that apply only to not-for-profit entities begin by identifying their limited applicability.

Tier 1

For-profit entities complying with AASB Interpretation 110 also comply with SIC-10.

Not-for-profit entities’ compliance with SIC-10 will depend on whether any “Aus” paragraphs that specifically apply to not-for-profit entities provide additional guidance or contain applicable requirements that are inconsistent with SIC-10.

AASB 1053 *Application of Tiers of Australian Accounting Standards* explains the two tiers of reporting requirements.

AASB Interpretation 110

Government Assistance—No Specific Relation to Operating Activities

References

- AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*
- AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*

Issue

- 1 In some countries government assistance to entities may be aimed at encouragement or long-term support of business activities either in certain regions or industry sectors. Conditions to receive such assistance may not be specifically related to the operating activities of the entity. Examples of such assistance are transfers of resources by governments to entities which:
 - (a) operate in a particular industry;
 - (b) continue operating in recently privatised industries; or
 - (c) start or continue to run their business in underdeveloped areas.
- 2 The issue is whether such government assistance is a ‘government grant’ within the scope of AASB 120 and, therefore, should be accounted for in accordance with this Standard.

Consensus

- 3 Government assistance to entities meets the definition of government grants in AASB 120, even if there are no conditions specifically relating to the operating activities of the entity other than the requirement to operate in certain regions or industry sectors. Such grants shall therefore not be credited directly to shareholders’ interests.

Date of consensus

[Deleted by the AASB]

Withdrawal of AASB pronouncements

- Aus3.1 When applied or operative, this Interpretation supersedes Interpretation 110 *Government Assistance—No Specific Relation to Operating Activities* issued in July 2004.

Effective date

[Deleted by the AASB]

- Aus3.2 This Interpretation applies to annual periods beginning on or after 1 January 2016. Earlier application is permitted for periods beginning on or after 1 January 2014 but before 1 January 2016.

Basis for Conclusions on SIC-10 Government Assistance—No Specific Relation to Operating Activities

This Basis for Conclusions accompanies, but is not part of, AASB Interpretation 110. An SIC Basis for Conclusions may be amended to reflect any additional requirements in the AASB Interpretation or AASB Accounting Standards.

- 4 IAS 20.03 defines government grants as assistance by the 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. The general requirement to operate in certain regions or industry sectors in order to qualify for the government assistance constitutes such a condition in accordance with IAS 20.03. Therefore, such assistance falls within the definition of government grants and the requirements of IAS 20 apply, in particular paragraphs 12 and 20, which deal with the timing of recognition as income.

Deleted SIC-10 text

Deleted SIC-10 text is not part of AASB Interpretation 110.

Date of consensus

January 1998

Effective date

This Interpretation becomes effective on 1 August 1998. Changes in accounting policies shall be accounted for in accordance with IAS 8.