

Government Assistance – No Specific Relation to Operating Activities

This compiled UIG Interpretation applies to annual reporting periods beginning on or after 1 January 2009. Early application is permitted. It incorporates relevant amendments made up to and including 24 September 2007.

Prepared on 10 November 2009 by the staff of the Australian Accounting Standards Board.



Australian Government

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Standards Board**

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COMPILATION DETAILS

UIG Interpretation 110 Government Assistance – No Specific Relation to Operating Activities as amended

This compiled Interpretation applies to annual reporting periods beginning on or after 1 January 2009. It takes into account amendments up to and including 24 September 2007 and was prepared on 10 November 2009 by the staff of the Australian Accounting Standards Board (AASB).

This compilation is not a separate Interpretation issued by the AASB. Instead, it is a representation of Interpretation 110 (July 2004) as amended by other pronouncements, which are listed in the Table below.

Table of Pronouncements

Pronouncement	Month issued	Application date (annual reporting periods ... on or after ...)	Application, saving or transitional provisions
Interpretation 110	Jul 2004	beginning 1 Jan 2005	
AASB 2007-8	Sep 2007	beginning 1 Jan 2009	see (a) below

- (a) Entities may elect to apply this Standard to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2009, provided that AASB 101 *Presentation of Financial Statements* (September 2007) is also applied to such periods.

Table of Amendments

Paragraph affected	How affected	By ... [paragraph]
3	amended	AASB 2007-8 [157]
Aus3.4	amended	AASB 2007-8 [8]

COMPARISON WITH SIC-10

UIG Interpretation 110 *Government Assistance – No Specific Relation to Operating Activities* as amended incorporates Standing Interpretations Committee Interpretation SIC-10 *Government Assistance – No Specific Relation to Operating Activities*, issued by the International Accounting Standards Board. Paragraphs that have been added to this Interpretation (and do not appear in the text of SIC-10) are identified with the prefix “Aus”, followed by the number of the preceding SIC paragraph and decimal numbering.

Entities that comply with Interpretation 110 as amended will simultaneously be in compliance with SIC-10 as amended.

INTERPRETATION 110

UIG Interpretation 110 was issued in July 2004.

This compiled version of Interpretation 110 applies to annual reporting periods beginning on or after 1 January 2009. It incorporates relevant amendments contained in other AASB pronouncements up to and including 24 September 2007 (see Compilation Details).

URGENT ISSUES GROUP

INTERPRETATION 110

GOVERNMENT ASSISTANCE – NO SPECIFIC RELATION TO OPERATING ACTIVITIES

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 Accounting Standard AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance* 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.

Application

- Aus3.1** **This Interpretation applies when AASB 120 applies. AASB 120 applies only in relation to for-profit entities.**
- Aus3.2** **This Interpretation applies to annual reporting periods beginning on or after 1 January 2005.**
[Note: For application dates of paragraphs changed or added by an amending pronouncement, see Compilation Details.]
- Aus3.3** **This Interpretation shall not be applied to annual reporting periods beginning before 1 January 2005.**
- Aus3.4** **The requirements specified in this Interpretation apply to the financial statements where information resulting from their application is material in accordance with AASB 1031 *Materiality*.**

Discussion

- 4 AASB 120.3 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 AASB 120.3. Therefore, such assistance falls within the definition of government grants and the requirements of AASB 120 apply, in particular paragraphs 12 and 20, which deal with the timing of recognition as income.

Date of SIC's Consensus: [Deleted by the UIG]

Effective Date of SIC-10: [Deleted by the UIG]

REFERENCES

Australia

The Urgent Issues Group discussed Issues Paper UIG/SIC 04/1 “Adoption of Various SIC Interpretations in Australia” in relation to this Interpretation at its meeting on 18 March 2004.

Accounting Standard AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*

International Accounting Standards Board

International Accounting Standard IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*

Standing Interpretations Committee Interpretation SIC-10 *Government Assistance – No Specific Relation to Operating Activities*