

**Government Assistance - No Specific Relation to Operating
Activities**

Paragraph 14 of SB-FRS 1, Presentation of Financial Statements, requires that financial statements should not be described as complying with Statutory Board Financial Reporting Standards unless they comply with all the requirements of each applicable Standard and each applicable Interpretation of the Statutory Board Financial Reporting Standard. INT SB-FRSs are not intended to apply to immaterial items.

Reference: SB-FRS 20, Accounting for Government Grants and Disclosure of Government Assistance

ISSUE

1. In some countries government assistance to enterprises 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 enterprise. Examples of such assistance are transfers of resources by governments to enterprises 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 SB-FRS 20 and, therefore, should be accounted for in accordance with this Standard.

CONSENSUS

3. Government assistance to enterprises meets the definition of government grants in SB-FRS 20, even if there are no conditions specifically relating to the operating activities of the enterprise other than the requirement to operate in certain regions or industry sectors. Such grants should therefore not be credited directly to equity.

BASIS FOR CONCLUSIONS

4. SB-FRS 20.03 defines government grants as assistance by the government in the form of transfers of resources to an enterprise in return for past or future compliance with certain conditions relating to the operating activities of the enterprise. 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 SB-FRS 20.03. Therefore, such assistance falls within the definition of government grants and the requirements of SB-FRS 20 apply, in particular paragraphs 12 and 20, which deal with the timing of recognition as income.

Effective Date: This Interpretation becomes effective on 1 January 2006. Changes in accounting policies should be accounted for according to the transitional requirements in SB-FRS 8.