

Accounting for Government Grants and Disclosure of Government Assistance (IAS 20)

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1. Objective of IAS 20

The objective of IAS 20 is to prescribe:

- **How entities should account for government grants**, and
- **How they should disclose government assistance.**

The Standard ensures that:

- Grants are recognised **only when there is reasonable assurance** that conditions will be met and the grant will be received.
- Grants are matched with the **related costs** they are intended to compensate.
- Government assistance is **properly disclosed**, even when it does not involve direct resource transfers.

2. Scope of IAS 20

IAS 20 applies to:

- **Government grants**
- **Disclosure of government assistance**

It does **not** apply to:

- Benefits affecting **taxation** (e.g., tax holidays, investment tax credits)
- Government participation in ownership
- Grants related to **agriculture** (IAS 41)
- Effects of changing prices in financial reporting

3. Key Definitions

3.1 Government

Includes national, provincial, local governments, government agencies, and similar bodies.

3.2 Government Assistance

Actions by government designed to provide **economic benefit** to specific entities or groups of entities. Does **not** include indirect benefits such as improved infrastructure.

3.3 Government Grants

Transfers of resources to an entity **in return for compliance** with certain conditions relating to its operating activities.

3.4 Reasonable Assurance

The entity must be reasonably assured that:

1. It **will comply** with grant conditions, and
2. The grant **will be received**.

4. Recognition of Government Grants

4.1 Recognition Threshold

A grant is recognised **only when reasonable assurance exists** that:

- Conditions will be met
- Grant will be received

Receipt of cash **alone is not sufficient**. If conditions are not yet met, the grant is recognised as a **liability**, not income.

4.2 Forgivable Loans

A forgivable loan is treated as a grant **only when** there is reasonable assurance that the entity will meet the forgiveness terms.

5. Types of Government Grants

IAS 20 distinguishes between:

1. **Grants related to assets**
2. **Grants related to income**

6. Grants Related to Assets

These grants require the entity to **purchase, construct, or acquire** long-term assets.

6.1 Measurement

Non-monetary grants (e.g., land) are measured at **fair value**, though nominal value is permitted.

6.2 Presentation Options

IAS 20 allows **two methods**:

Method 1: Deferred Income (Gross Presentation)

- Grant recognised as **deferred income**
- Released to profit or loss **systematically** over the asset's useful life
- Depreciation is based on the **full cost** of the asset

Method 2: Netting Off (Net Presentation)

- Grant deducted from the **carrying amount** of the asset
- Depreciation is based on the **net cost**

Both methods produce the **same profit or loss effect** over time. The choice is an **accounting policy** applied consistently.

7. Grants Related to Income

These grants compensate for **operating costs or losses**.

7.1 Recognition

Recognised in profit or loss **in the same period** as the related expenses (matching principle).

7.2 Presentation Options

IAS 20 permits two approaches:

1. **Present the grant as income** (separate line or under "Other income")
2. **Deduct the grant from the related expense**

Both are acceptable.

7.3 Grants for Past Costs

If a grant compensates for **costs already incurred**, it is recognised in the period in which it becomes **receivable**.

8. Repayment of Government Grants

If conditions are breached and a grant becomes repayable:

8.1 Income-Related Grants

- Repayment is first applied against any **unamortised deferred credit**
- Excess is recognised **immediately** in profit or loss
- Treated as a **change in accounting estimate** (IAS 8)

8.2 Asset-Related Grants

- Increase the **carrying amount** of the asset
- Adjust depreciation prospectively

9. Government Assistance (Non-Grant Assistance)

Government assistance includes:

- Free technical advice
- Guarantees
- Access to government facilities
- Preferential interest rates
- Assistance that does **not** involve direct resource transfers

Entities must disclose:

- Nature of assistance
- Extent of benefits
- Whether assistance has had a **material impact** on operations or financial position

10. Disclosure Requirements

Entities must disclose:

10.1 For Government Grants

- Accounting policy adopted
- Nature and extent of grants recognised
- Unfulfilled conditions and contingencies
- Presentation method (deferred income vs netting off)

10.2 For Government Assistance

- Nature of assistance
- Extent of benefits
- Impact on financial statements

11. Examples

Example 1: Asset-Related Grant (Deferred Income Method)

Scenario: Entity receives a R2 million grant to build a factory costing R10 million. Useful life: 20 years.

Accounting:

- Recognise R2 million as **deferred income**
- Depreciation: $R10m \div 20 = R500,000$ per year
- Grant income: $R2m \div 20 = R100,000$ per year
- Net effect on profit or loss: R400,000 expense

Example 2: Asset-Related Grant (Net Method)

Scenario: Entity receives a R2 million grant to build a factory costing R10 million. Useful life: 20 years. (Same as Example 1)

Accounting:

- Asset recognised at R8 million ($R10m - R2m$)
- Depreciation: $R8m \div 20 = R400,000$ per year
- Same net effect as deferred income method

Example 3: Income-Related Grant

Entity receives R500,000 to subsidise staff training costs.

Training costs incurred: R500,000.

Presentation Option 1:

- Expense: R500,000
- Grant income: R500,000
- Net effect: nil

Presentation Option 2:

- Expense shown net: R0

Example 4: Forgivable Loan

Government provides a R1 million loan, forgivable if the entity employs 100 workers for 3 years.

- Recognise as a **liability** until reasonable assurance exists
- Once conditions are met, recognise as a **grant**

Example 5: Repayment of Grant

Entity breaches conditions and must repay R200,000.

- If deferred income balance is R50,000:

- Reduce deferred income to zero
- Recognise R150,000 expense immediately

12. Interaction with Other Standards

- **IAS 8** — Changes in accounting estimates (grant repayment)
- **IAS 41** — Agricultural grants excluded
- **IFRS 13** — Fair value measurement for non-monetary grants
- **IFRS 18** — Presentation and disclosure alignment updates (2026)

13. Multiple-Choice Exam Bank (with Answers)

SECTION A — CONCEPTUAL & THEORY QUESTIONS

Question 1

IAS 20 applies to:

- A. All forms of government taxation
- B. Government grants and disclosure of government assistance
- C. Agricultural grants
- D. Government ownership interests

➤ **Answer: B**

Question 2

Government assistance includes:

- A. General infrastructure improvements
- B. Tax holidays
- C. Actions by government providing economic benefit to specific entities
- D. All government spending

➤ **Answer: C**

Question 3

Government grants are recognised when:

- A. Cash is received
- B. The entity signs the grant agreement
- C. Reasonable assurance exists that conditions will be met and the grant will be received

D. The related asset is purchased

➤ **Answer: C**

Question 4

A forgivable loan is treated as a government grant when:

- A. The loan is issued
- B. The entity begins operations
- C. Reasonable assurance exists that forgiveness conditions will be met
- D. The loan is repaid

➤ **Answer: C**

Question 5

Non-monetary grants (e.g., land) are measured at:

- A. Historical cost
- B. Fair value (or nominal value if appropriate)
- C. Replacement cost
- D. Value in use

➤ **Answer: B**

Question 6

Which of the following is **not** government assistance under IAS 20?

- A. Free technical advice
- B. Government guarantees
- C. Access to government facilities
- D. Improved national road infrastructure

➤ **Answer: D**

Question 7

Grants related to assets may be presented:

- A. Only as deferred income
- B. Only by deducting from the asset
- C. Either as deferred income or by deducting from the asset cost
- D. Only as revenue

➤ **Answer: C**

Question 8

Income-related grants are recognised:

- A. When cash is received
- B. Over the useful life of the asset
- C. In the same period as the related expenses
- D. Only when conditions are fully met

➤ **Answer: C**

Question 9

Repayment of an income-related grant is treated as:

- A. A prior-period error
- B. A change in accounting estimate
- C. A change in accounting policy
- D. A revaluation adjustment

➤ **Answer: B**

Question 10

If an asset-related grant becomes repayable, the repayment:

- A. Is recognised as an immediate expense
- B. Reduces retained earnings
- C. Increases the carrying amount of the asset
- D. Is ignored

➤ **Answer: C**

SECTION B — APPLICATION & SCENARIO QUESTIONS

Question 11

An entity receives a R1 million grant to purchase equipment costing R5 million. Useful life: 10 years. Using the **deferred income method**, annual grant income is:

- A. R10,000
- B. R50,000
- C. R100,000
- D. R500,000

➤ **Answer: C** ($1,000,000 \div 10$)

Question 12

Using the **net method** for the same grant, annual depreciation (straight-line) is:

- A. R500,000
- B. R400,000
- C. R450,000
- D. R350,000

➤ **Answer:** B ($5,000,000 - 1,000,000 = 4,000,000 \div 10$)

Question 13

A grant is received to subsidise staff training costs of R300,000. The entity chooses to present the grant as income. The correct presentation is:

- A. Reduce training expense to zero
- B. Recognise R300,000 income
- C. Recognise R150,000 income
- D. Recognise no income

➤ **Answer:** B

Question 14

A grant becomes repayable. Deferred income balance is R40,000. Repayment required: R100,000. The amount recognised as an expense is:

- A. R0
- B. R40,000
- C. R60,000
- D. R100,000

➤ **Answer:** C (Repayment 100,000 – deferred income 40,000)

Question 15

A government provides land at no cost. Fair value: R2 million. The entity should:

- A. Ignore the land
- B. Recognise the land at fair value
- C. Recognise the land at R1
- D. Recognise the land only when sold

➤ **Answer:** B (Fair value is preferred; nominal value allowed but rarely used)

Question 16

A grant compensates for past losses. It should be recognised:

- A. Over future periods
- B. When cash is received
- C. In the period it becomes receivable
- D. When approved by shareholders

➤ **Answer: C**

Question 17

Which of the following must be disclosed?

- A. Only grants received
- B. Only grants repaid
- C. Accounting policy for grants
- D. Only assistance involving cash transfers

➤ **Answer: C**

Question 18

Government assistance that does not involve resource transfer must be disclosed if:

- A. It is material
- B. It is immaterial
- C. It is requested by auditors
- D. It relates to tax benefits

➤ **Answer: A**

Question 19

An entity receives a grant conditional on employing 50 workers for 2 years. At year-end, the entity has employed 50 workers for 1 year. Recognition is:

- A. Recognise full grant
- B. Recognise half the grant
- C. Recognise no grant
- D. Recognise grant as a liability

➤ **Answer: D** (Conditions not yet met; liability until reasonable assurance)

Question 20

A grant is deducted from the carrying amount of an asset. This results in:

- A. Lower depreciation expense
- B. Higher depreciation expense
- C. No effect on depreciation
- D. Depreciation being recognised as income

➤ **Answer: A**

SECTION C — ADVANCED / PROFESSIONAL QUESTIONS

Question 21

Which presentation method results in higher reported assets?

- A. Deferred income method
- B. Net method
- C. Both methods
- D. Neither method

➤ **Answer: A** (Asset is shown at full cost)

Question 22

Which of the following is **true** regarding reasonable assurance?

- A. It requires absolute certainty
- B. It is similar to “probable” under IFRS
- C. It requires cash receipt
- D. It requires approval by tax authorities

➤ **Answer: B**

Question 23

Government grants related to income may be presented:

- A. Only as revenue
- B. Only as a reduction of expenses
- C. Either as revenue or reduction of expenses
- D. Only in OCI

➤ **Answer: C**

Question 24

Repayment of an asset-related grant requires:

- A. Retrospective restatement
- B. Prospective adjustment to depreciation
- C. Immediate write-off of the asset
- D. No adjustment

➤ **Answer: B**

Question 25

Which of the following is **not** required to be disclosed under IAS 20?

- A. Unfulfilled grant conditions
- B. Contingencies related to grants
- C. The entity's tax rate
- D. Accounting policy for grants

➤ **Answer: C**

SECTION D — CHALLENGE QUESTIONS

Question 26

A grant is received for an asset with a 5-year useful life. The entity uses the deferred income method. If the grant is repaid in year 3, the remaining deferred income balance should be:

- A. Written off immediately
- B. Amortised over remaining life
- C. Transferred to equity
- D. Ignored

➤ **Answer: A**

Question 27

Which of the following best describes the matching principle in IAS 20?

- A. Match grants with cash flows
- B. Match grants with related expenses or depreciation
- C. Match grants with tax benefits
- D. Match grants with government budgets

➤ **Answer: B**

Question 28

A grant is received for research activities with uncertain future benefits. It should be recognised:

- A. When research begins
- B. When cash is received
- C. As income when related costs are incurred
- D. Only when research is successful

➤ **Answer: C**

Question 29

Government assistance that cannot be reliably measured:

- A. Must still be recognised as income
- B. Must be ignored completely
- C. Must be disclosed
- D. Must be recognised at nominal value

➤ **Answer: C**

Question 30

A grant is received for an asset, and the entity chooses the net method. The effect on profit or loss over the asset's life is:

- A. Higher profit
- B. Lower profit
- C. Same as the deferred income method
- D. Cannot be determined

➤ **Answer: C**

14. Case-Study-Based Exam

CASE STUDY 1 — ASSET-RELATED GRANT WITH CONDITIONS

Background:

TechBuild (Pty) Ltd received a government grant of **R4 million** to assist in constructing a new manufacturing plant costing **R20 million**. Conditions of the grant:

- The plant must operate for **at least 8 years**.

- The entity must employ **at least 120 workers** for the first **5 years**.

The plant has a useful life of **10 years**. At year-end, TechBuild has:

- Completed construction
- Employed 120 workers
- Begun operations

The entity uses the **deferred income method**.

Required:

1. Explain whether TechBuild should recognise the grant at year-end.
2. Calculate the **annual depreciation** on the plant (straight-line).
3. Calculate the **annual grant income** to be recognised.
4. Explain how the grant and related income should be presented in the financial statements.
5. Describe the disclosures required under IAS 20.

CASE STUDY 2 — INCOME-RELATED GRANT FOR TRAINING COSTS

Background:

EduPro Ltd receives a government grant of **R600,000** to subsidise training costs for unemployed youth. Conditions:

- Training must be completed within **12 months**.
- At least **80%** of trainees must pass the programme.

During the year:

- Training costs incurred: **R750,000**
- 85% of trainees passed
- Grant cash was received at the start of the year

EduPro chooses to present the grant as **other income**.

Required:

1. Assess whether EduPro meets the recognition criteria for the grant.
2. Determine the amount of grant income to recognise.
3. Explain the appropriate presentation in profit or loss.
4. Discuss how the grant affects the matching principle.
5. Identify the disclosures required.

CASE STUDY 3 — NON-MONETARY GRANT (LAND)

Background:

GreenFields Ltd receives **land at no cost** from the government to establish a research centre. Fair value of land: **R3.5 million**. The government requires the entity to use the land for research purposes for **10 years**, after which the land becomes fully unrestricted.

GreenFields measures non-monetary grants at **fair value**.

Required:

1. Explain how the land should be recognised initially.
2. Discuss whether the grant is income-related or asset-related.
3. Explain how the grant should be recognised over time.
4. Identify the disclosures required.
5. Discuss how the grant affects the statement of financial position.

CASE STUDY 4 — FORGIVABLE LOAN

Background:

BrightStart (Pty) Ltd receives a **R2 million forgivable loan** from the government. Forgiveness condition:

- The entity must provide free community services for **3 consecutive years**.

At the end of Year 1:

- BrightStart has complied fully
- The government confirms that BrightStart is “on track” but forgiveness will only be granted after Year 3

Required:

1. Explain how the forgivable loan should be recognised at initial receipt.
2. Assess whether BrightStart can recognise the loan as a grant at the end of Year 1.
3. Explain how the loan should be presented in the financial statements.
4. Discuss the treatment if BrightStart fails to meet conditions in Year 3.
5. Identify the required disclosures.

CASE STUDY 5 — REPAYMENT OF GRANT

Background:

MedEquip Ltd received an asset-related grant of **R1.2 million** to purchase specialised equipment costing **R6 million**. Useful life: **12 years**. The entity used the **net method**.

After **4 years**, MedEquip breaches grant conditions and must repay **R1.2 million**.

Required:

1. Explain how the repayment should be accounted for.
2. Calculate the revised carrying amount of the equipment after repayment.
3. Calculate the **new annual depreciation** prospectively.
4. Discuss whether the repayment is treated as a change in estimate or a prior-period error.
5. Identify the disclosures required.

CASE STUDY 6 — GOVERNMENT ASSISTANCE (NON-GRANT)

Background:

CityTech Ltd receives the following assistance from the government:

- Free access to government laboratories
- Preferential interest rates on a research loan
- Free technical advice from government scientists

No direct cash transfers occur.

Required:

1. Explain whether these items constitute government assistance under IAS 20.
2. Discuss whether they should be recognised as income.
3. Identify the disclosure requirements.
4. Explain how this assistance may affect users' understanding of CityTech's financial position.
5. Discuss how the assistance differs from government grants.

CASE STUDY 7 — GRANT FOR PAST COSTS

Background:

SafeWater Ltd incurred **R900,000** in environmental clean-up costs last year. This year, the government announces a new programme and awards SafeWater a **R500,000 grant** to compensate for those past costs.

Required:

1. Explain when the grant should be recognised.
2. Determine the amount of income to recognise.
3. Explain the correct presentation in profit or loss.
4. Discuss why this grant is not matched with future costs.
5. Identify the disclosures required.

CASE STUDY 8 — MIXED GRANT (ASSET + INCOME)

Background:

SolarTech Ltd receives a combined government package:

- **R3 million** to purchase solar equipment (asset-related)
- **R1 million** to subsidise operating costs for the first year (income-related)
 - Equipment cost: **R12 million**
 - Useful life: **15 years**

SolarTech uses the **deferred income method** for asset grants.

Required:

1. Explain how each component of the grant should be recognised.
2. Calculate annual depreciation on the equipment.
3. Calculate annual grant income for the asset-related portion.
4. Explain the treatment of the income-related portion.
5. Identify the disclosures required for both components.

CASE STUDY 9 — UNCERTAIN CONDITIONS

Background:

EcoGrow Ltd receives a **R2.5 million grant** conditional on achieving a 30% reduction in emissions within **18 months**. At year-end (12 months):

- Emissions reduced by only 10%
- Management is uncertain whether the target will be met
- Cash has already been received

Required:

1. Assess whether the grant should be recognised or deferred.
2. Explain how the grant should be presented at year-end.
3. Discuss how reasonable assurance applies in this scenario.
4. Explain the treatment if the target is met in Month 18.
5. Identify the disclosures required.

CASE STUDY 10 — CHANGE IN PRESENTATION POLICY

Background:

ProTech Ltd previously presented asset-related grants using the **net method**. This year, the entity decides to switch to the **deferred income method** because it provides more transparent reporting.

Required:

1. Explain whether this change is a change in accounting policy or estimate.
2. Discuss whether the change should be applied retrospectively or prospectively.
3. Explain how comparative figures should be treated.
4. Identify the disclosures required under IAS 8 and IAS 20.
5. Discuss how the change affects users' understanding of the financial statements.

15. Case-Study-Based Exam: Full Marking Memorandum

CASE STUDY 1 — ASSET-RELATED GRANT WITH CONDITIONS

1. Recognition at year-end

TechBuild should recognise the grant because **reasonable assurance exists**:

- The plant has been constructed.
- The required 120 workers have been employed.
- Operations have begun. Therefore, both conditions for recognition are met.

2. Annual depreciation

Cost of plant: R20,000,000. Useful life: 10 years.

Annual depreciation = $R20,000,000 \div 10 = \mathbf{R2,000,000}$

3. Annual grant income

Grant: R4,000,000. Recognised over 10 years.

Annual grant income = $R4,000,000 \div 10 = \mathbf{R400,000}$

4. Presentation

Deferred income method:

- Plant recognised at full cost (R20m).
- Grant recognised as **deferred income** (liability).
- Deferred income released to profit or loss as **other income** over the useful life.

5. Disclosures

- Nature and extent of the grant.
- Accounting policy (deferred income method).
- Unfulfilled conditions (must operate 8 years; employ 120 workers for 5 years).
- Contingencies related to non-compliance.

CASE STUDY 2 — INCOME-RELATED GRANT FOR TRAINING COSTS

1. Recognition criteria

EduPro meets the criteria:

- Training completed.
- 85% pass rate (condition met).
- Reasonable assurance exists.

2. Grant income recognised

Full grant of **R600,000** is recognised because related costs (R750,000) were incurred.

3. Presentation

Presented as **other income** in profit or loss (entity's policy choice).

4. Matching principle

Grant income is recognised in the **same period** as the training costs, ensuring proper matching.

5. Disclosures

- Nature of grant.
- Accounting policy (presented as other income).
- Conditions and confirmation that they were met.
- Any contingencies.

CASE STUDY 3 — NON-MONETARY GRANT (LAND)

1. Initial recognition

Land recognised at **fair value**: R3.5 million.

2. Type of grant

This is an **asset-related grant** because the land is a non-current asset.

3. Recognition over time

Grant income recognised **systematically** over the 10-year restriction period. Deferred income released annually.

4. Disclosures

- Fair value of land.
- Conditions (research use for 10 years).
- Accounting policy for non-monetary grants.
- Unfulfilled conditions.

5. Effect on statement of financial position

- Land recognised at R3.5m.
- Deferred income liability recognised and reduced annually.

CASE STUDY 4 — FORGIVABLE LOAN

1. Initial recognition

Recognised as a **loan liability**, not a grant.

2. End of Year 1

BrightStart **cannot** recognise the loan as a grant yet because forgiveness requires **3 full years** of compliance. Reasonable assurance is **not yet achieved**.

3. Presentation

Loan remains a **financial liability** until reasonable assurance exists.

4. If conditions fail in Year 3

Loan remains repayable; no grant is recognised. Repayment treated as settlement of a liability.

5. Disclosures

- Nature of forgivable loan.
- Conditions for forgiveness.
- Status of compliance.
- Potential repayment risk.

CASE STUDY 5 — REPAYMENT OF GRANT

1. Accounting for repayment

Because the net method was used:

- Increase the **carrying amount** of the asset by R1.2m.
- Adjust depreciation **prospectively**.
- Treated as a **change in estimate**, not an error.

2. Revised carrying amount

Original cost: R6,000,000. Grant deducted: R1,200,000.

→ Initial carrying amount = R4,800,000 (it becomes the depreciable amount)

Annual depreciation: $R4,800,000 \div 12 = R400,000$ per year

Depreciation for 4 years: $R400,000 \times 4 = R1,600,000$

Carrying amount before repayment: $R4,800,000 - R1,600,000 = R3,200,000$.

Add repayment: $R3,200,000 + R1,200,000 = \mathbf{R4,400,000}$

3. New annual depreciation

Remaining useful life: 8 years

New depreciation = $R4,400,000 \div 8 = \mathbf{R550,000}$ per year

4. Change in estimate or error?

Repayment is a **change in estimate** (IAS 8).

5. Disclosures

- Reason for repayment.
- Effect on carrying amount.
- Prospective depreciation adjustment.
- Remaining contingencies.

CASE STUDY 6 — GOVERNMENT ASSISTANCE (NON-GRANT)

1. Assistance classification

All items constitute **government assistance**, not grants, because no resource transfer occurs.

2. Recognition as income

Assistance is **not recognised as income** because it cannot be reliably measured.

3. Disclosure requirements

- Nature of assistance.
- Extent of benefits.
- Impact on operations.

4. Effect on users' understanding

Assistance may reduce operating costs or enhance capabilities, affecting performance analysis.

5. Difference from grants

Grants involve **resource transfer**; assistance does not.

CASE STUDY 7 — GRANT FOR PAST COSTS

1. Recognition timing

Recognised **when receivable**, because costs were incurred previously.

2. Amount recognised

Full grant: **R500,000**

3. Presentation

Recognised as **income** in profit or loss.

4. Matching principle

Not matched with future costs because the grant compensates **past costs**.

5. Disclosures

- Nature of grant.
- That it relates to past costs.
- Amount recognised.
- Any conditions.

CASE STUDY 8 — MIXED GRANT (ASSET + INCOME)

1. Recognition of components

Asset-related: Recognise deferred income. Income-related: Recognise income in period of related costs.

2. Annual depreciation

Equipment cost: R12,000,000. Useful life: 15 years.

Annual depreciation = $R12,000,000 \div 15 = \mathbf{R800,000}$

3. Annual asset-grant income

Grant: R3,000,000.

Annual grant income = $R3,000,000 \div 15 = \mathbf{R200,000}$

4. Income-related portion

R1,000,000 recognised as **income** in the first year.

5. Disclosures

- Separate disclosure of asset and income grants.
- Accounting policies.
- Conditions.
- Unfulfilled obligations.

CASE STUDY 9 — UNCERTAIN CONDITIONS

1. Recognition or deferral

Grant **must be deferred** because reasonable assurance does **not** exist.

2. Presentation at year-end

Recognise as a **liability** (deferred income).

3. Reasonable assurance

Only 10% reduction achieved; uncertainty remains. Therefore, recognition criteria not met.

4. If target met in Month 18

Grant recognised as income at that point.

5. Disclosures

- Nature of grant.
- Conditions.
- Status of compliance.
- Risks of non-compliance.

CASE STUDY 10 — CHANGE IN PRESENTATION POLICY

1. Policy or estimate?

This is a **change in accounting policy** (presentation method).

2. Retrospective or prospective?

Applied **retrospectively** under IAS 8.

3. Comparative figures

Restated to reflect the deferred income method.

4. Disclosures

- Nature of change.
- Reason for change (more transparent reporting).
- Retrospective adjustments.
- Impact on financial statements.

5. Effect on users

Improves comparability and clarity by showing assets at full cost and grant income separately.