

21 BUSINESS ACCOUNTING STANDARD "GRANTS AND SUBSIDIES"

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I. GENERAL PROVISIONS

1. The objective of this Standard is to set out how grants and subsidies (hereinafter referred to as grants) shall be recognised, accounted for and presented in financial statements.

2. The Standard shall be applied in financial accounting for grants received from state and municipal authorities, international organisations and funds, as well as from other third parties. The provisions of this Standard shall also be applied for the purpose of recording charity, support and other forms of received assistance in accounting.

3. The Standard shall not apply to:

3.1. government assistance provided as tax benefits;

3.2. owners' contributions into the entity's equity.

II. KEY DEFINITIONS

Grant – financial and material assistance for a particular activity provided by state and municipal authorities, international organisations and funds, as well as by other third parties. Grants also include assets received gratis.

Subsidy – assistance provided by state and municipal authorities and other third parties intended for maintaining or reducing the prices of basic consumer goods (services) or for maintaining the level of production of such consumer goods (rendering of services).

Government assistance – financial and material support provided to entities by the government from the state or municipal budget for a strictly defined purpose. The concept of a government assistance used in this Standard does not cover indirectly provided economic benefits, for example, development of infrastructure or imposition of restrictions on competitors.

III. DISCLOSURE OF GRANTS

4. In financial accounting grants are classified as:

4.1. grants related to assets, which cover financial assistance received in the form of non-current assets or allocated for the purchase, construction or other acquisition of such assets. In addition, grants may be subject to subsidiary conditions related to the type or location of assets, or the periods during which the assets are to be acquired or held. Grants related to assets may also include grants in the form of current assets or for the purchase thereof, if the balance of the unused grant remaining at the end of the reporting period is significant;

4.2. grants related to income, which include grants received for compensating the costs and unearned income of the current and previous reporting period, and all other grants not attributable to those related to assets.

5. A grant shall be recognised and presented in the balance sheet if it meets the following recognition criteria:

5.1. the beneficiary of the grant complies with the conditions attached to the grant;

5.2. there are decisions supported by documents and other evidence confirming that the grant will be received.

6. A grant which meets the criteria set in paragraph 5 shall be recorded as a receivable grant. When a grant or its part does not meet the recognition criteria, it shall be recorded in accounting when it is actually received as a grant received.

7. Forgivable loans may also be recognised as grants, if the entity can reasonably guarantee that all loan utilisation conditions will be satisfied and the entity will not have to repay the loan (for example, a forgivable government loan is recognised as a grant when there is reasonable evidence of compliance to the conditions the default whereon would result in a loan repayment).

8. Assistance, the value of which cannot be reliably estimated or which cannot be distinguished from normal operations of the entity, is not treated as a grant, but the related information is disclosed in explanatory notes. Assistance allocated not only to a particular entity, but to the local community as a whole and provided for an unlimited period (for example, the development of infrastructure, a single transport and communications network, water and electricity supply, etc.) shall not be treated as a grant. Interest free loans or loans with reduced interest are also a form of assistance, but the interest not required to pay is not treated as a grant.

IV. ACCOUNTING FOR GRANTS AND THEIR PRESENTATION IN FINANCIAL STATEMENTS

9. Accounting for grants is carried out on the accrual basis, i.e. received grants or their parts are recognised as used during periods in which grants-related expenses are incurred.

10. In accounting records and financial statements grants related to assets shall be presented in the following manner:

10.1. the total amount of the grant obtained in the form of non-current assets or for their acquisition is recorded as a grant receivable or received. A received grant is recognised as used in instalments, i.e. by deducting from the balance sheet item "Grants and subsidies" the amount of depreciation of such assets, and by reducing the respective item of expenses (for example, depreciation);

10.2. the balance of unused portion of grants is presented in the balance sheet item "Grants and subsidies".

11. Grants related to assets are recognised as used at amounts equal to the amounts of depreciation of received non-current assets included in expenses. If a grant is received in cash for the acquisition of non-current assets, its utilisation is not recognised until the depreciation of acquired assets is commenced. Grants for non-depreciable assets (for example, land) may be recognised as used upon compliance with the certain conditions set for obtaining the grant (for example, the land is allocated on condition that certain construction will be erected on it. In such case the grant in the form of land is recognised as used when the planned construction is finished).

12. For accounting purposes grants received in assets shall be carried at the specified value of the received assets or their fair value, if their value was not specified. If the specified value of received assets exceeds their fair value, the assets are carried at the fair value. If the value of assets is reduced in the manner established by Business Accounting Standards, the respective deductions shall also be made in the balance sheet item of "Grants and subsidies".

13. In accounting records and financial statements grants related to income shall be presented in the following manner:

13.1. a grant is recognised and recorded in accounting when it is actually received, or when there is a reasonable assurance or decisions confirming that it will be received;

13.2. a grant intended for compensating unearned income is recognised as used to the extent of the estimated amount of unearned income during a certain period, i.e. by reducing the balance sheet item of "Grants and subsidies" and increasing the item of compensatory income;

13.3. a grant for compensating incurred expenses is recognised as used in instalments to the extent of incurring expenses for the compensation of which the grant is intended, i.e. by reducing the balance sheet items of "Grants and subsidies" and compensatory expenses;

13.4. the balance of unused portion of grants related to income is presented in the balance sheet item of "Grants and subsidies".

14. Grants related to income are presented as used during the periods in which the related expenses are incurred or income, for the compensation of which the grant or its part has been allocated, is unearned. If grants cannot be related to incurred expenses or expenses of future periods or to unearned income, their utilisation shall be recorded during the period in which the grants are received or a reasonable assurance or decision confirming that they will be received is obtained, in the manner established in paragraph 13 hereof.

15. When grants are received (or there is a reasonable assurance or decision confirming that they will be received) as financial support without any conditions or as a compensation of expenses or losses incurred or income unearned during the previous periods they shall be immediately recognised as used in the manner established in paragraphs 13.2 and 13.3.

V. DISCLOSING INFORMATION IN FINANCIAL STATEMENTS

16. In complete explanatory notes the following information shall be disclosed:

16.1. the nature and types of grants received and receivable;

16.2. the amounts of grants receivable, received, used and repayable;

16.3. a brief description of other forms of support and likely effects on the financial position of the entity;

16.4. a description of contingencies and liabilities related to the receipt of grants or assistance and likely effects on the financial position of the entity.

VI. FINAL PROVISIONS

17. Upon the first-time application of this Standard an entity shall apply its provisions as from the effective date of this Standard and adjust the comparative information of the prior financial years according to the requirements of 7 Business Accounting Standard "Changes in Accounting Policies, Accounting Estimates and Correction of Errors".

18. This Standard shall be effective for financial statements covering periods beginning on or after 1 January 2004.