

Welcome to: **We will start in a few minutes**

Webinar on  
Accounting for  
Grants and  
Contributions

# A bit about me...

... and a bit  
about logistics





## What are we going to cover?

- Relevant standards and definitions
- Recognition and presentation
- Statutory accounting arrangements
  - Capital grants
  - Donated assets
  - Revenue grants
  - REFCUS grants
- Practical suggestions

## Accounting standards and the Code

- IAS 20 – accounting for government grants; IPSAS 23 – revenue from non-exchange transactions

- Code definition:

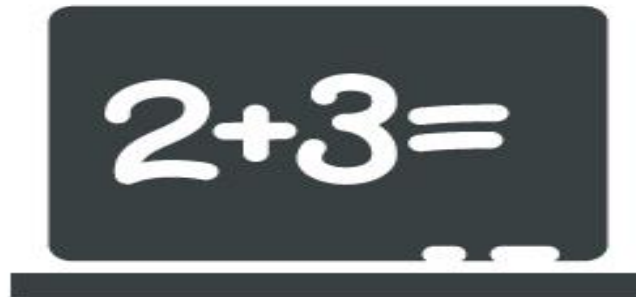
*"... assistance in the form of transfers of resources to an authority in return for past or future compliance with certain conditions relating to the operation of activities. They exclude ... transactions ... which cannot be distinguished from the normal service transactions of the authority."*

# Stipulations, conditions and restrictions

- Most grants are given with rules or *stipulations* on how they can be spent
- In accounting for grants there are two types of stipulations:
  - Conditions
  - Restrictions

# Grant Conditions Exercise

- Read the example and choose your answer
- Then vote in the poll



## Grant Conditions Exercise

- A grant is paid on account throughout the year in instalments
- At the year-end audit certification is required to ensure that grant has been spent on specific activities
- Any under/overspend will be taken into account in future instalments
- Is this grant **conditional** or **non-conditional**?



# Grant Conditions poll

## Grant Conditions Exercise

- A grant is paid on account throughout the year in instalments
- At the year-end audit certification is required to ensure that grant has been spent on specific activities
- Any under/overspend will be taken into account in future instalments
- This is a **conditional grant**

## Grant Conditions

- A grant is received towards cost of particular activity
- The grant can be carried forward between years
- The grantor has indicated that if grant is not spent within set timeframe, may impact on future grant settlements
- This is a **non-conditional, restricted grant**

# Recognition of grant income

- Not recognised as income until there is reasonable assurance that:
  - Authority has complied (or will comply) with any conditions, and
  - Grant or contribution will be received
- If received but condition remains, grant is credited to Grants Receipts in Advance
- When both criteria met, grant is credited to CI&ES

## Recognition of grant income

- General revenue grants and all capital grants are reported within 'Taxation and Non-specific Grant Income and Expenditure' (and relevant notes)
- Non-general revenue grants and contributions are credited to services (via SeRCOP)

## Donated assets

- Code definition:

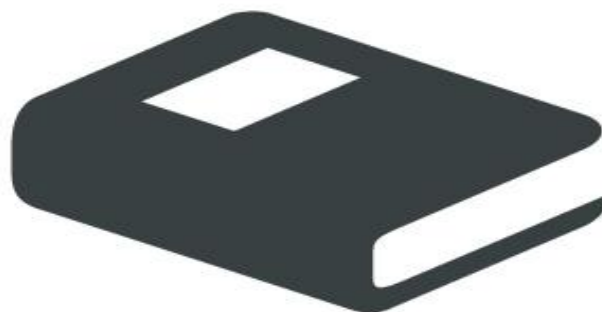
*"... assets ... transferred at nil value or acquired at less than fair value"*

- Similar concept as for capital grants and contributions: if no conditions, 'gain' recognised in the CI&ES; if conditions attached, credit to Donated Assets Account
- Assets recognised on the balance sheet at fair value, and then treated the same as other relevant assets

# Repayment

- Accounted for as a revision to an estimate
- Repayment firstly set against any relevant balance on Grants Receipts in Advance
- Balance recognised as expenditure in CI&ES against original line of recognition
- Could also indicate that impairment of a related asset has occurred

# Statutory accounting arrangements

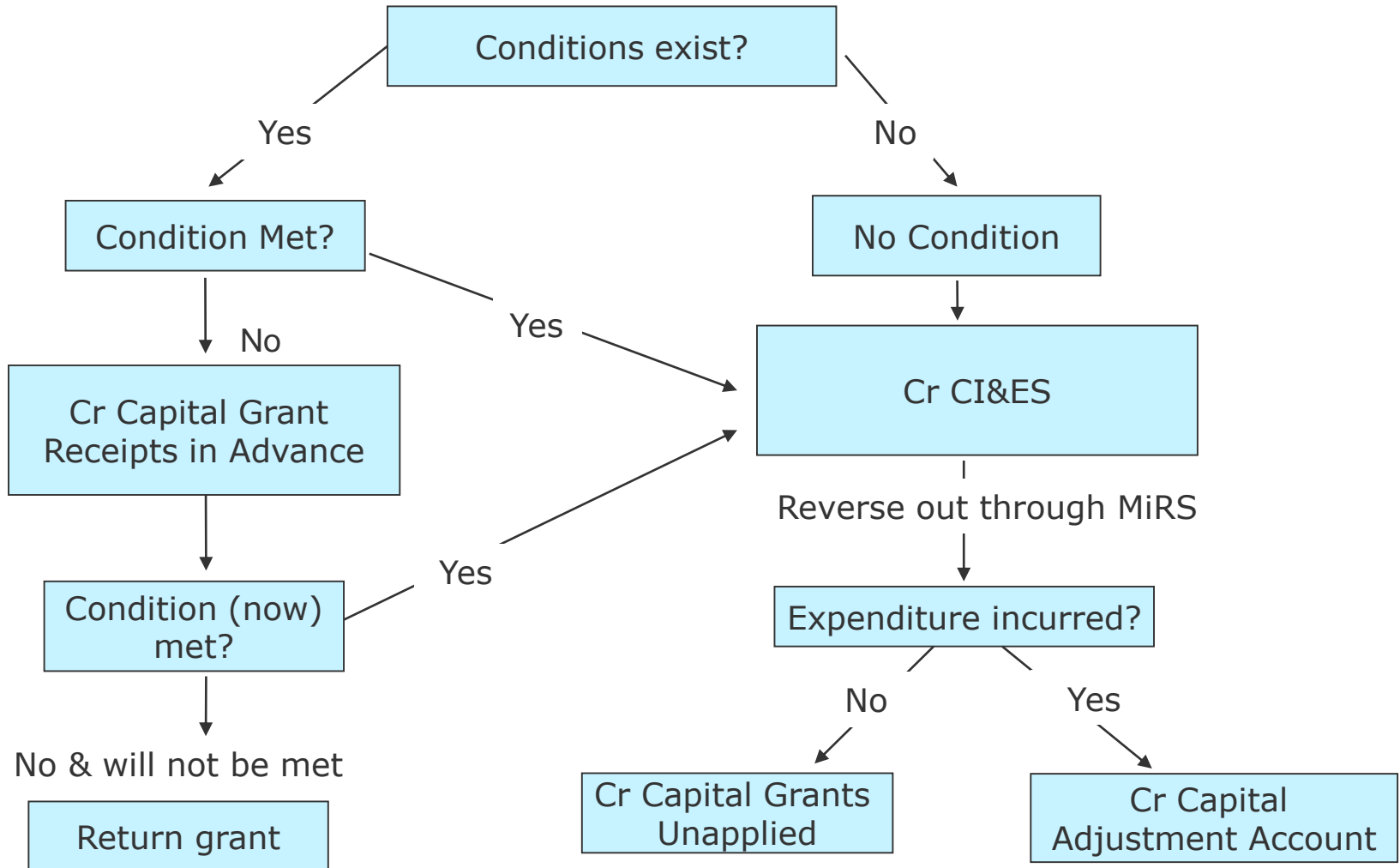




# Accounting for capital grants

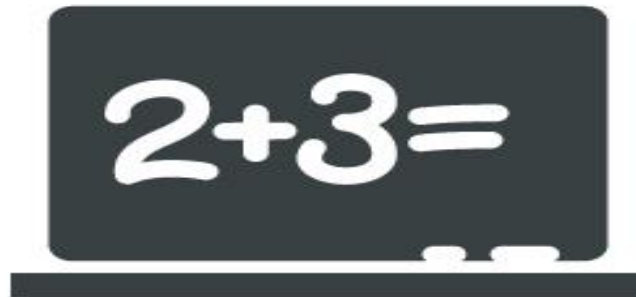
- Where **no condition** attached or outstanding, credit to CI&ES
- Reverse via MiRS to
  - Capital Grant Unapplied (until used)
  - Capital Adjustment Account (once used)
- Where **condition outstanding**, credit to capital Grants Receipts in Advance, until condition met, then to CI&ES

# Accounting for capital grants



# Capital Grants Exercise

- Read the example and choose your answer
- Then vote in the poll



On 1/12/14 an authority receives a grant of £30,000 to build a new play area. The paperwork says that if the money is not spent within three years it is repayable in full. At 31/3/15 the play area was still in the early stages of design and none of the grant had been used for financing.

**What were the correct entries in the 2014/15 accounts?**

- **Option A: Dr Cash £30k, Cr CI&ES £30k**
- **Option B: Dr Cash £30k, Cr CI&ES £30k, Dr MiRS £30k, Cr Capital Grants Unapplied £30k**
- **Option C: Dr Cash £30k, Cr Capital Grant Receipts in Advance £30k**

# Capital Grants poll

## Correct Answer

Option C:

Dr Cash £30k

Cr Capital Grant Receipts in Advance £30k

When grant is spent:

Dr Capital Grant Receipts in Advance £30k

Cr CI&ES £30k

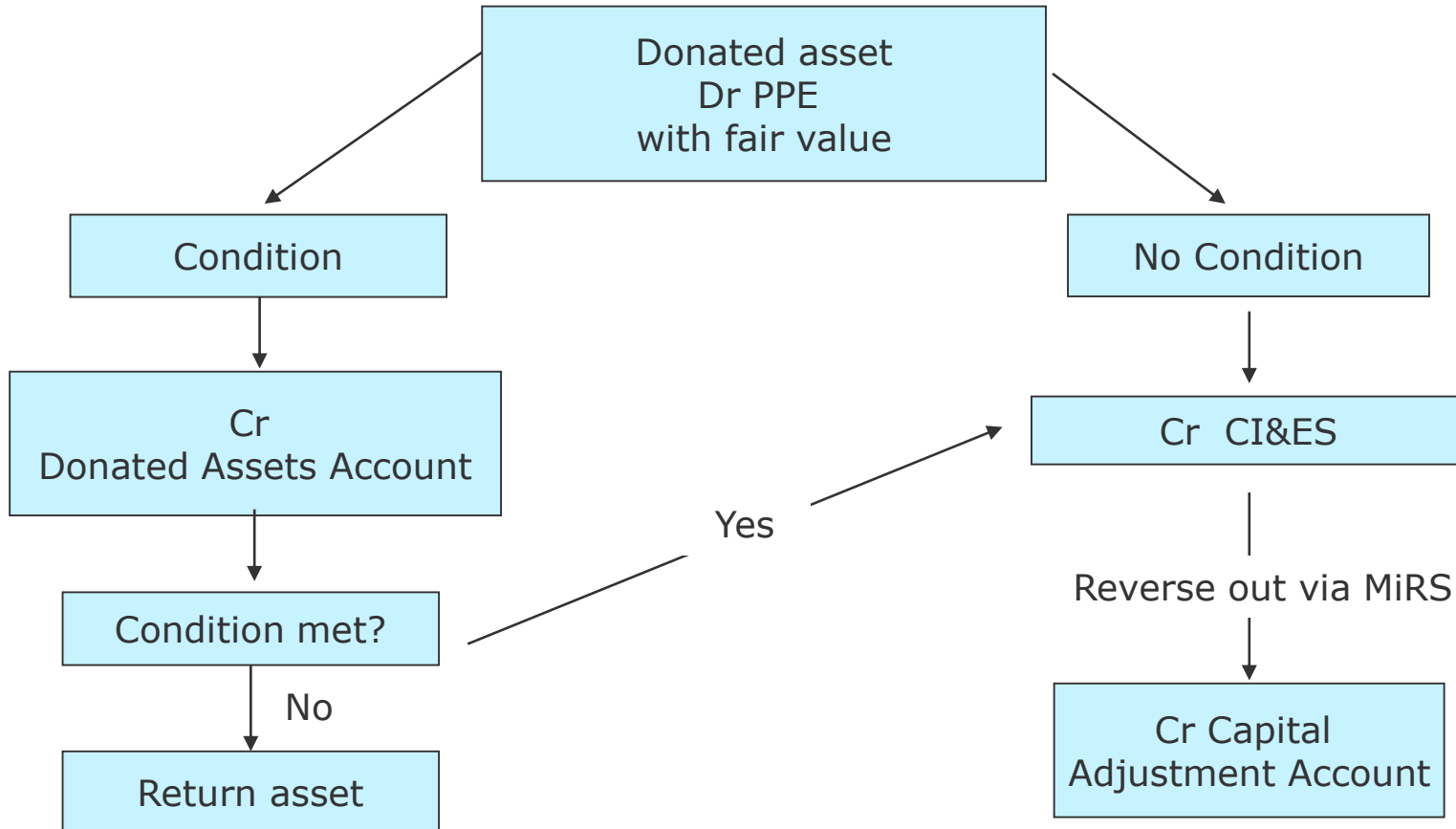
Dr MiRS £30k

Cr Capital Adjustment Account £30k

# Accounting for donated assets

- Where **no condition** attached, credit gain related to donated asset to CI&ES
  - Reverse via MiRS to Capital Adjustment Account
  - Debit PPE with fair value of the asset
- Where **condition outstanding**, debit to PPE, credit to Donated Assets Account until condition met, then accounting is as above

# Accounting for donated assets

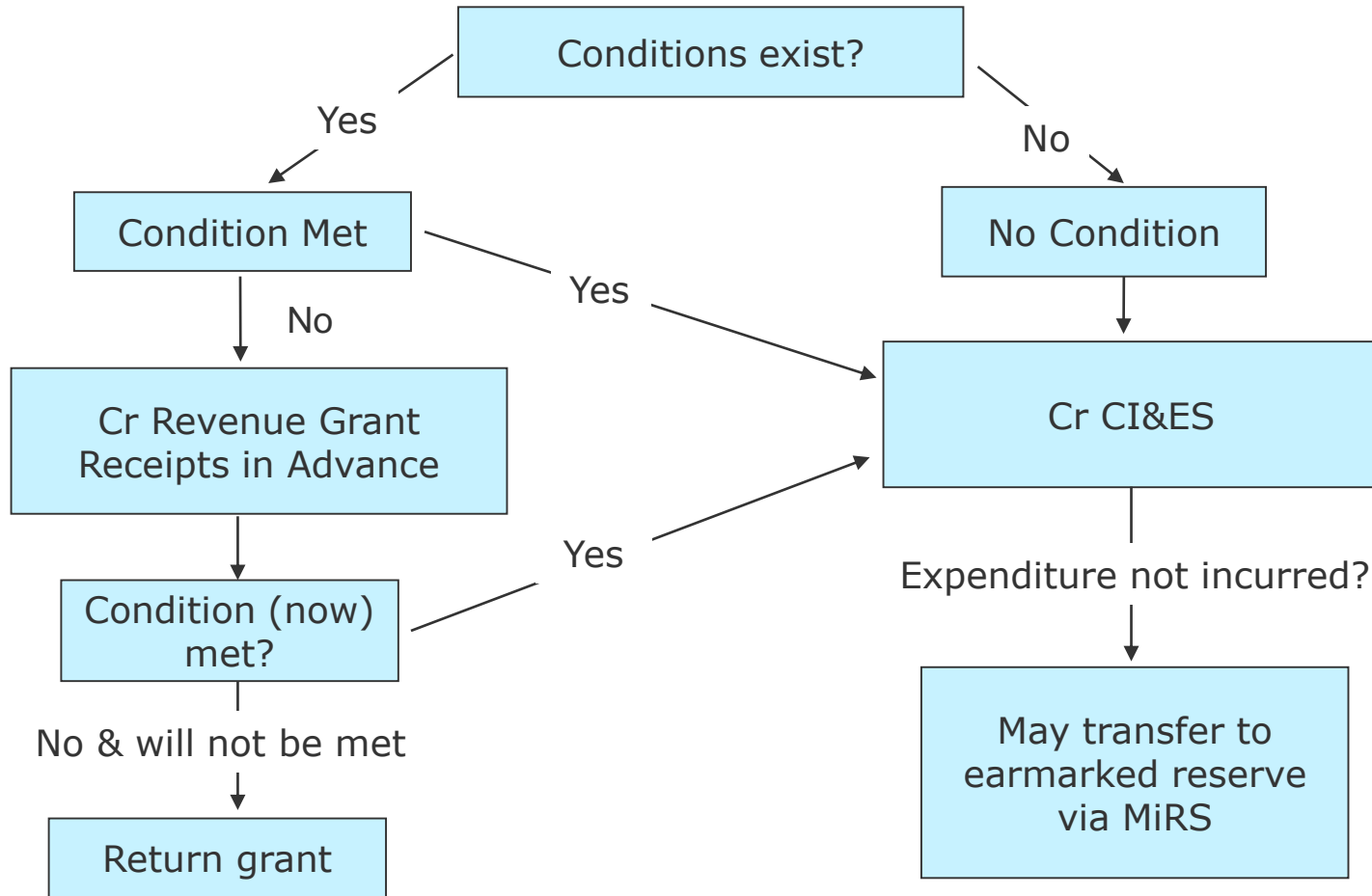




# Accounting for revenue grants

- Where **no condition** attached, credit to CI&ES (service revenue account)
- Where **condition outstanding**, credit to Revenue Grants Receipts in Advance until condition met, then to CI&ES
- If expenditure not incurred, may transfer to an earmarked reserve to fund future expenditure (via MiRS)

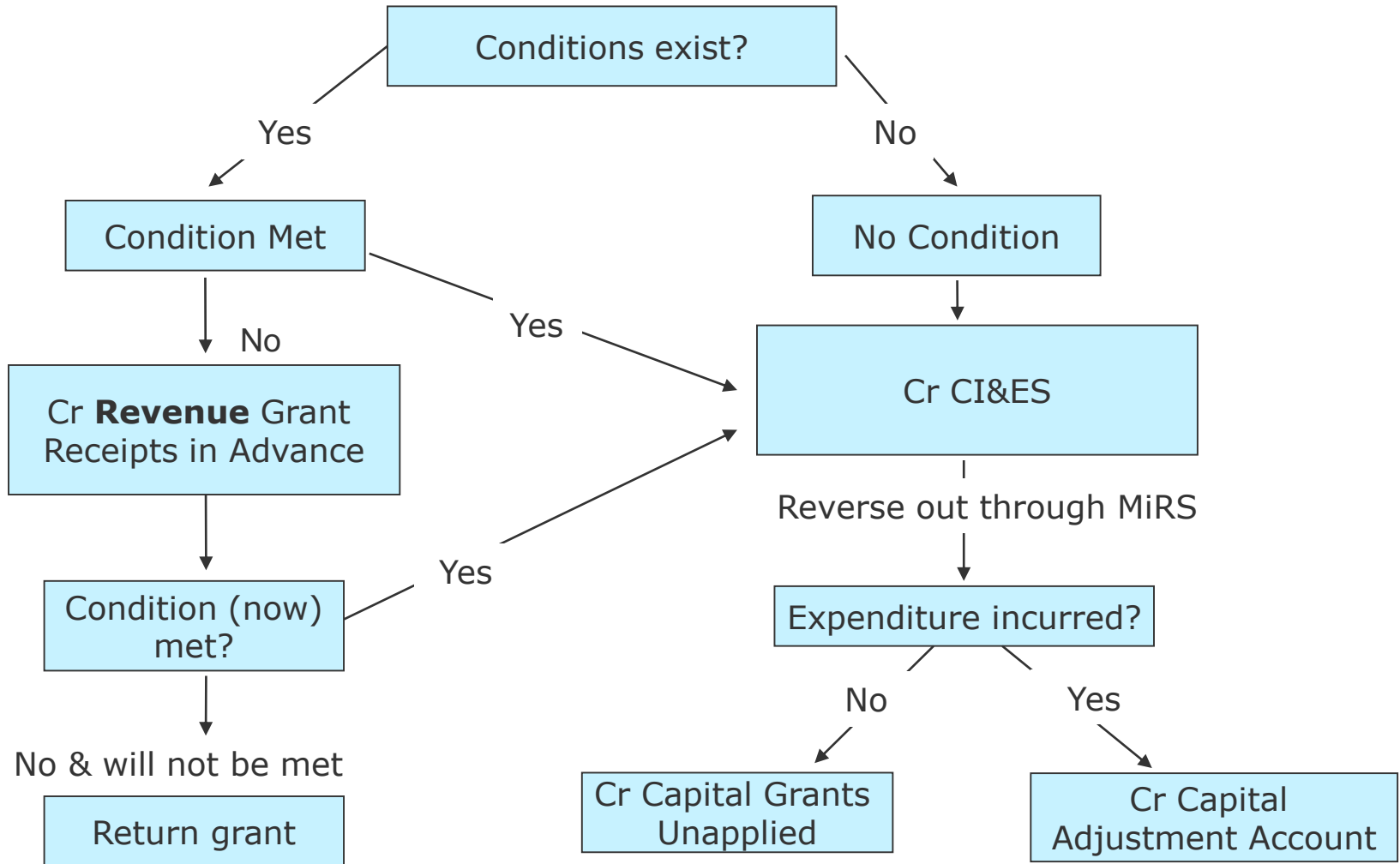
# Accounting for revenue grants



# Grants applied to finance REFCUS

- Legislation allows certain expenditure to be classed as capital for funding purposes
- Any grants receivable accounted for as revenue income (posted to same service as expenditure was charged to)
- Reversed out through the MiRS to the Capital Adjustment Account / Capital Grants Unapplied account

# REFCUS grants



## Practical Issues to Consider

- Consider analysing grant movements gross e.g.:
  - Put all through Received in Advance creditor?
  - Put all capital through Grants Unapplied?
- Who needs to understand the definitions?
- Do you have a grants register?
  - Name of grant, grantor, amount, date received
  - Reasons for conditionality decisions and coding
- How does REFCUS affect your budgets?

# Wrapping things up...



Vicki Barnard



[victoria.barnard@cipfa.org](mailto:victoria.barnard@cipfa.org)