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FASB Provides Guidance on Disclosures Regarding Government Assistance

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Introduction

On November 17, 2021, the FASB issued [ASU 2021-10](#),¹ which requires business entities² to provide certain disclosures when they (1) have received government assistance and (2) use a grant or contribution accounting model by analogy to other accounting guidance (e.g., a grant model under IAS 20³ or ASC 958-605⁴).



Connecting the Dots

If government assistance received by an entity is within the scope of ASC 740 (e.g., an income tax-based credit) or constitutes an exchange transaction (e.g., a loan, equity transaction, or revenue arrangement), entities should apply the disclosure requirements in accordance with the appropriate U.S. GAAP. In addition, the ASU does not apply to government assistance that is accounted for in accordance with ASC 450.⁵

Not-for-profit entities should continue to apply ASC 958-605 to the government grants they receive. However, government grants to business entities are explicitly excluded from the scope of ASC 958. Other than the guidance in ASC 905-605-25-1 on income replacement and subsidy programs for certain entities in the agricultural industry,

¹ FASB Accounting Standards Update (ASU) No. 2021-10, *Disclosures by Business Entities About Government Assistance*.

² The ASU does not apply to not-for-profit entities or employee benefit plans.

³ International Accounting Standard (IAS) 20, *Accounting for Government Grants and Disclosure of Government Assistance*.

⁴ For titles of *FASB Accounting Standards Codification* (ASC) references, see Deloitte's "[Titles of Topics and Subtopics in the FASB Accounting Standards Codification](#)."

⁵ See paragraph BC17 of the ASU.

there is no explicit U.S. GAAP guidance on recognizing or measuring government grants to business entities. The ASU does not provide any additional guidance on this topic. Rather, the ASU only provides guidance on required disclosures for business entities that receive government assistance and apply another grant or contribution accounting framework by analogy. For more information on the models entities generally apply by analogy to recognize and measure government grants, see Deloitte's April 9, 2020 (last updated September 18, 2020), [Heads Up](#).

Key Provisions of the ASU

The ASU creates ASC 832 (on government assistance). Under ASC 832-10-50-3 and 50-4, a business entity that has received government assistance must provide the following disclosures for annual periods about transactions that are within the scope of ASC 832:

- a. The nature of the transactions, including a general description of the transactions and the form in which the assistance has been received (for example, cash or other assets)
- b. The accounting policies used to account for the transactions as required by paragraph 235-10-50-1
- c. The line items on the balance sheet and income statement that are affected by the transactions, and the amounts applicable to each financial statement line item in the current reporting period. . . .

[T]he significant terms and conditions of transactions with a government within the scope of this Topic. Terms and conditions that might be appropriate to disclose include, but are not limited to, any of the following:

- a. The duration or period of the agreement
- b. Commitments made by both the reporting entity and the government
- c. Provisions, if any, for recapture (for example, when the government can recapture amounts awarded), including the conditions under which recapture is allowed
- d. Other contingencies.

Further, ASC 832-10-50-5 notes that, in certain situations, the terms of the government assistance may legally prohibit an entity from disclosing the required information. In such circumstances, the entity must disclose a description of the general nature of the information and indicate that it is excluding the disclosures because of legal prohibitions.

Effective Date and Transition

The guidance in ASU 2021-10 is effective for all entities for fiscal years beginning after December 15, 2021. Entities may apply the ASU's provisions either (1) prospectively to all transactions within the scope of ASC 832 that are reflected in the financial statements as of the adoption date and all new transactions entered into after the date of adoption or (2) retrospectively. Early adoption is permitted.

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