



Audit



Disclosures



Entities

ASU 2021-10 requires entities to disclose government assistance

December 20, 2021

The FASB recently issued ASU 2021-10, *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance*, which aims to provide increased transparency by requiring business entities to disclose information about certain types of government assistance they receive in the notes to the financial statements. ASU 2021-10 also adds a new Topic—ASC 832, *Government Assistance*—to the FASB’s Codification.

Scope

The disclosure requirements in ASU 2021-10 apply to all entities, except for not-for-profit entities within the scope of ASC 958, *Not-for-Profit Entities*, and employee benefit plans within the scope of ASC 960, *Plan Accounting – Defined Benefit Pension Plans*, ASC 962, *Plan Accounting – Defined Contribution Pension Plans*, and 965, *Plan Accounting – Health and Welfare Benefit Plans*.

The disclosure requirements in ASC 832 only apply to transactions with a government that are accounted for by analogizing to either a grant model (for example, in International Accounting Standard (IAS) 20, *Accounting for Government Grants and Disclosure of Government Assistance*), or a contribution model (for example, in ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*). The disclosure requirements do not apply to transactions with a government that are accounted for in accordance with other Codification Topics, such as ASC 450, *Contingencies*; ASC 470, *Debt*, ASC 606, *Revenue from Contracts with Customers*, or ASC 740, *Income Taxes*.

The FASB broadly defined “government assistance” in ASC 832 to ensure that assistance received from most types of governmental entities or other related organizations would be disclosed. Government assistance within the scope of ASC 832 includes assistance that is administered by domestic, foreign, local (such as city, town, county, or municipality), regional (such as state, provincial, or territorial), national (federal) governments, as well as entities related to those governments (such as departments, independent agencies, boards, commissions, or component units). ASC 832 also includes government assistance from intergovernmental organizations (for example, global organizations such as the United Nations, regional organizations such as the European Union, and economic organizations such as the World Trade Organization).



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ASC 832 requires the following disclosures about government assistance transactions in the notes to the annual financial statements:

- information about the nature of the transactions, including a general description and the form (cash or other assets, for example) in which the assistance has been received
- the accounting policies used to account for the transactions
- line items on the balance sheet and income statement affected by the transactions and the amounts applicable to each financial statement line item in the current reporting period

Furthermore, an entity is required to disclose information about the significant terms and conditions of transactions with a government, which may include:

- the duration or period of the agreement
- any commitments made by the parties
- provisions for recapture, including the conditions that allow recapture
- other contingencies

If an entity is legally prohibited from disclosing any of the information required by ASC 832, the entity should instead disclose a description of the general nature of the transaction and indicate that the omitted disclosures are legally prohibited from being disclosed.

Transition and effective date

Entities are required to provide the new disclosures prospectively for all transactions with a government entity that are accounted for under either a grant or a contribution accounting model and are reflected in the financial statements at the date of initially applying the new amendments, and to new transactions entered into after that date. Retrospective application of the guidance is permitted.

The guidance in ASU 2021-10 is effective for financial statements of all entities, including private companies, for annual periods beginning after December 15, 2021, with early application permitted.



Example

Paragraph 32 in the Basis for Conclusions of ASU 2021-10 states that the new guidance in ASC 832 requires disclosures of only significant terms and conditions, including amounts that are readily available in an agreement with the government. Further, an entity is not required to estimate amounts or any contingencies for disclosure purposes.

For example, if an entity is entitled to receive a grant in the amount of \$100,000 for the next five years (\$20,000 per year) and that transaction is within the scope ASC 832, that information should be disclosed. Alternatively, if an entity is entitled to receive an amount that is based on 5 percent of gross revenue for the next five years and that transaction is within the scope of ASC 832, an entity should disclose those terms, but is not required to estimate and disclose a dollar amount.

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