FASB

Accounting for Government Grants

FASB | IASB Education Meeting

October 3, 2025

FASB FINANCIAL ACCOUNTING STANDARDS BOARD® GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD® FAF FINANCIAL ACCOUNTING FOUNDATION®

Government Grants Scope

Definition of a Government Grant

- Transfer of a monetary asset or a tangible nonmonetary asset, other than in an exchange transaction, from a government to a business entity (including forgivable loans when recognition criteria are met)

Scope Exclusions

- Transactions within the scope of Topic 740, Income Taxes
- The benefit of below-market interest rate loans
- Government guarantees
- A reduction of an entity's liabilities (for example, sales, property, payroll, or other tax abatement)

Grant Related to an Asset

- A government grant should not be recognized *until it is probable* that (1) the entity will comply with the conditions attached to the grant and (2) the grant will be received. In addition, the entity must incur the related costs for which the government grant is intended to compensate.

Cost Accumulation Approach	Deferred Income Approach
Recognition: Recognize a grant in determining the carrying amount of the asset on the balance sheet. There is no separate subsequent recognition of grant proceeds in earnings.	**Recognition:** Recognize a grant on the balance sheet as deferred income and in earnings on a systematic and rational basis over the periods in which the entity recognizes as expenses the related costs for which the government grant is intended to compensate.
Initial measurement: Measure a government grant of a tangible nonmonetary asset at cost, if any, to the business entity.	**Initial measurement:** Measure a government grant of a tangible nonmonetary asset at fair value.
Presentation: No separate presentation. The cost basis of the asset reflects the grant proceeds as an adjustment in determining the carrying amount and is used to determine depreciation or other subsequent accounting for the asset.	**Presentation:** Present on the balance sheet as deferred income and present on the income statement as either (1) separate under a general heading, such as other income, or (2) deducted in reporting the related expense.

Grant Related to Income

- A government grant should not be recognized *until it is probable* that (1) the entity will comply with the conditions attached to the grant and (2) the grant will be received. In addition, the entity must incur the related costs for which the government grant is intended to compensate.

Recognition	Presentation
• Recognize in earnings on a systematic and rational basis over the periods in which the entity recognizes as expenses the related costs for which the grant is intended to compensate.	• Present in earnings either: ○ Separately, under a general heading such as other income. ○ Deduct from reporting the related expense.

Disclosures

- The **nature** of the government grant and the **related accounting policy** used to account for the government grant.
- **Significant terms and conditions**, including commitments and contingencies.
- **Fair value** of a tangible nonmonetary asset received in the period in which the government grant is recognized on the balance sheet.
- For a grant related to an asset that is accounted for using a cost accumulation approach, in the period in which the grant is recognized:
  - The **line item and amount** on the balance sheet that is affected by the grant
  - The **useful life** of the related asset.
- For a grant related to an asset accounted for under the deferred income approach and a grant related to income, the **line items and amounts** on the balance sheet and income statement that are affected by the government grant.

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Transition and Effective Date

- Transition method options:

Prospectively to (1) government grants that are not complete as of the effective date and (2) government grants that are entered into after the effective date.	Retrospectively to government grants that are not complete as of the beginning of the earliest period presented.	Retrospectively through a cumulative-effect adjustment to the opening balance of retained earnings at the beginning of the earliest period presented.

- For public business entities, effective for annual reporting periods beginning after December 15, 2028, and interim reporting periods within those annual reporting periods.
- All other entities can adopt the amendments one year later.
- Early adoption is permitted.

Final Update Expected in Q4 2025

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Thank You

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