



7.0 ACCOUNTING FOR REVENUE FROM AID AND GRANTS

7.1 Introduction

This chapter covers the following:

- a. Applicable Terms
- b. Applicable Standard
- c. Recognition, Measurement & Disclosure
- d. Applicable Accounting Codes
- e. Accounting Documentation
- f. Accounting Procedures
- g. Accounting Treatment
- h. Illustrations

7.2 Applicable Terms

Aid and Grants are non-reciprocal transfer in which the entity receives assets or services or has liabilities extinguished without directly giving approximately equal value in exchange to the other party or parties to the transfer.

Aid

Aid is assistance in the form of transfer of resources or services to an entity without conditions.

Grants

Grants are assistance in the form of transfer of resources to an entity in return for past or future compliance with certain conditions relating to operating activities of an entity.

Generally, government grants fall into two categories; grants related to assets and grants related income. The determination of which type of grant an entity has received affects the financial statement presentation of those grants, once that is determined that recognition is appropriate. Grants related to assets are government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets.

7.3 Applicable Standard

No specific Standard has been issued so far by IPSASB but it has been substantially covered by IPSAS 23 (Revenue from Non-exchange Transactions)

7.4 Applicable Accounting Code

This can be derived from the NCOA under revenue.

7.5 Recognition, Measurement & Disclosure

Recognition

The criteria for recognition of Aid and Grants are:

- a. It is probable that the future economic benefits or service potential associated with the resource will flow to the entity;
- b. The fair value of the inflows can be measured reliably.
- c. The ability to exclude or regulate the access of others to the benefits of resource is an essential element of control that distinguishes an entity's resource from those public goods that all entities have access to and benefit from.
- d. An inflow of resources is probable when the inflow is more likely than not to occur. The entity bases this determination on its past experience with similar types of inflows of resources and its expectations regarding the transferor.

Measurement

On initial recognition based on amount agreed in the MoU/Agreement. Where aid/grant is received in form of assets, measurement will be based on the value attached to the Assets by the Donor or else the fair value of the Assets will be determined by the recipient as at the date of acquisition. Where a condition is attached to the aid/grant, a liability must be created until that condition is fully met /fulfilled.

Disclosure

An entity shall disclose either on the face of, or in the notes to the GPFS:

- a. The amount of revenue from aid and grants is recognized during the period as a single item of 'aid and grants' on the face of GPFS and separately in the notes as follows:
 - i. Aid; and
 - ii. Grants.
- b. The amount of receivables recognized in respect of aid and grants;
- c. The amount of grant recognized in respect of transferred assets subject to conditions;
- d. The amount of assets recognized that are subject to restrictions and the nature of those restrictions;

An entity shall also disclose in the notes to the GPFS:

- a. The accounting policies adopted for the recognition of revenue from aid and grants;
- b. The nature and type of aid/grants received showing separately those with conditions and restrictions and of goods in-kind grants received.
- c. The aid and grants should be further classified into:
 - i. Domestic; and
 - ii. Foreign

7.6 Accounting Documentations

For proper accounting for revenues from aid and grants, the following documents are key:

- a. MoU/Agreement
- b. Receipts
- c. Journals
- d. Cashbooks
- e. Ledgers
- f. Registers

7.7 Accounting Procedures for Aid and Grants

- a. Confirm budgetary provision for the aid and grants
- b. Confirm the existence of MoU/Agreement
- c. Post all the aid and grants to the relevant accounts

7.8 Accounting Treatment

S/No	Details	Remark
i	Recognition Unconditional Aid / Grants	
1	Dr. Accounts Receivable Cr. Relevant revenue a/c	With the amount approved in the agreement
	Dr. Cash/ Bank a/c Cr. Accounts Receivable	With the amount received
ii	On Recognition of Conditional Aid/Grants	
2	Dr. Accounts Receivable Cr. Deferred Revenue a/c	With the amount approved in the agreement
	Dr. Cash/ Bank a/c Cr. Accounts Receivable	With the amount received
	Dr. Deferred Revenue a/c Cr. Aid and Grant	With the amount approved on fulfilment of the condition

7.9 Illustration

Recognition of Grant without condition

Entity XXX during the year ended 31 December, 20X3 signed an MoU with the foreign donor to source funds to finance eradication of an Epidemic (Ebola). A total of ₦900,000 was approved during the year but received in year 20X4.

Accounting Entries

S/No	Details	Code	Dr (₦)	Cr (₦)	Remark
1	Accounts Receivable	3XXXXXXXX	900,000		To recognize Grant Receivable as at 31 December, 20X3
	Revenue Account	1XXXXXXXX		900,000	
2	Cash/Bank	3XXXXXXXX	900,000		To recognize receipt of the Grant in year 20x4
	Accounts Receivable	3XXXXXXXX		900,000	

Recognition of Conditional Grants

An entity has requested for a grant from Federal Government of Nigeria (FGN) to assist in the control of Erosion. The grant requested is valued at ₦500,000 and has been approved and funds released during the year. The utilisation of the grant was based on the condition that the entity provides 20% of the approved grant as counterpart funding of the Erosion control project. The entity was not able to meet the condition as at the end of the year.

Accounting Entries

S/No	Details	Code	Dr (₦)	Cr (₦)	Remark
1	Cash/Bank	3XXXXXXXX	500,000		To recognize funds received from the FGN during the year
	Deferred Revenue	4XXXXXXXX		500,000	
2	Deferred Revenue	4XXXXXXXX	500,000		To recognize Funds received as Grant on fulfillment of the Condition
	Grant Received Account	1XXXXXXXX		500,000	