**Ex1-** Brilliant Inc. received a grant of $60 million to compensate it for costs it incurred in planting trees over a period of five years. Brilliant Inc. will incur such costs in this manner:

|  |  |
| --- | --- |
| **Year** | **Costs** |
| 1  2  3  4  5 | £2 million  £4 million  £6 million  £8 million  £10 million |

Total costs thus incurred will aggregate to £30 million, whereas the grant received is $60 million.

**Required**

Based on the provisions of IAS 20, how would Brilliant Inc. treat the “grant” in its books ?

Ex2- The Arab Food Industries Company received a grant worth160 million dinars to install water purification devices to be used in food production, the company estimated the cost of these devices at 200 million dinars.These devices will be depreciated on a straight-line basis over their life of 4 years.

**Required:** Advise this company on the treatment of this grant in accordance with IAS 20

**Ex3-**Company X was granted 5,000 acres of land in a village, located near the slums outside the city limits, by a local government authority. The condition attached to this grant was that Citimart Inc. should clean up this land and lay roads by employing laborers from the village in which the land is located. The government has fixed the minimum wage payable to the workers. The entire operation will take three years and is estimated to cost 100 million dinars. This amount will be spent in this way: 20 million dinars each in the first

and second years and 60 million Dinars in the third year. The fair value of this land is currently 120 million dinars

**Required-**Based on the principles laid down for accounting and recognition of grants, how should this grant be treated in the books of Company X.?

**Ex4**-Company Y. received a consolidated grant of 140 million dinars. Three-fourths of the grant is to be utilized to purchase a college building for students its usefull life was 10 years . The balance of the grant is for subsidizing the tuition costs of those students for four years from the date of the grant.

The grant would first be apportioned as

Grant related to assets (3/4) =105 m.Dinars

Grant related to income (1/4) =35 m.Dinars

**Required**

Advise Company Y. on the treatment of the grant in accordance with IAS 20.

**EX 5- Lecture**

EX6- Company X received a grant worth 700,000 dinars on january 1,2022 from a government donor on the condition that the environment surrounding the company’s factories be cleaned within the next three years. The company incurred the following costs:

|  |  |
| --- | --- |
| **Year** | **Costs incurred** |
| **2021**  **2022**  **2023**  **Total** | **240000**  **60000**  **300000**  **600000** |

Suppose that the government which provided the grant demanded the company at the beginning of 2024 to refund for part of the grant wkth the amount of 450,000 dinars as a result of the company’s violation of some of the terms of the grant. The Company paid the amount in cash on April 4,2024.

**Required**: Explain how to treat the amount repaid from the grant, assuming that the company used the method of presenting the grant as deferred income.