**HOW SHOULD GRANTS AND SIMILAR GOVERNMENT- MANDATED AND VOLUNTARY NONEXCHANGE REVENUES BE ACCOUNTED FOR?**

**Typical intergovernmental grants and similar nonexchange revenues include the following**

**• Restricted grants—These are payments intended for designated purposes, projects, or activities. The most common form of grants, they are usually made to reimburse specific types of expenditures. They may be either mandated or voluntary.**

**• Unrestricted grants—These are payments that are unrestricted as to purpose, project, or activity.**

**• Contingent grantsمنح مشروطه\ظرفيه—These are grants contingent upon a specified occurrence or action on the part of the recipient (e.g., the ability of the recipient to raise resources from other parties)حدوثها يتوقف على حدوث ظرف معين من جانب المستفيد .**

**. Endowments are gifts that stipulate that the contribution must be invested, and only the income from the investments can be spent.**

**Recipients of grants, irrespective of whether the grants are** **mandatory or voluntary, should recognize both revenue** **related receivables only when all eligibility requirements** الشروط التأهيليه**have been met(subject, of course, in the fund statements (MAB )to the “availability” criterion).**

**Resources received before the eligibility requirements** **have been met should be reported as deferred revenues( under both MAB and FAB).**

Reimbursement grants منح اعادة التعويض:

are generally considered to have an inherent متأصل eligibility requirement—the recipient is eligible for the grant only if and when it incurs allowable costs. Hence, recipients typically must recognize revenue from reimbursement grants during the period in which they make the expenditures for which they will be reimbursed. Resources received before eligibility requirements are met be recognized as deferred revenue.

Endowment contributions that stipulate that only the income from investing the contributions can be spent are subject to infinite time requirements. Does this mean that the recipients can never recognize revenue from the gift? No. The GASB makes an exception to the general rule that revenue from contributions cannot be recognized until all time requirements have been satisfied. Per GASB Statement No. 33, governments can recognize revenue from endowments, as soon as they receive the gift.

Example :1 Unrestricted grant with time requirement

In October 2017 a school district is notified that, per legislatively approved formulas, the state awarded it $15 million in assistance. The funds, transmitted to the district in December 2017, may be used to supplement teachers’ salaries, acquire equipment, and support educational enrichment programs. The funds can be used only in the year ending December 31, 2018.

The grant is unrestricted. The stipulation that the funds must be used to supplement teachers’ salaries, acquire equipment, and support educational enrichment programs is not a purpose restriction.. However, the grant is subject to a time requirement—the resources must be used in 2018. Hence the school district must defer recognizing grant revenue until 2018:

October,2017:

|  |  |  |
| --- | --- | --- |
| Cash  deferred revenue  *To record the receipt of state funds in 2017*  *January1,2018:* | $15 | $15 |
| deferred revenue  Grant revenue | $15 | $15 |

Example 2 : Grant with Purpose Restriction

In October 2017 a school district is notified that, per legislatively approved formulas, the state granted it $15 million to enhance its technological capabilities. The funds, transmitted by the state in December 2017, must be used to acquire computers but may be spent at any time.

This grant is subject only to a purpose restriction. Purpose restrictions do not affect the timing of revenue recognition; the district should recognize the revenue as soon as the grant is announced. The district should record the grant in a special revenue fund, and in its government-wide statements it should report $15 million of its net position as “restricted to purchase of computers.”

October,2017:

Cash $15

Grant revenue $15

To recognize grant revenue (in a special revenue fund) .

Example 3 : Reimbursement (Eligibility Requirement) Grant

In December 2017 a city is awarded a grant of $400,000 to train social workers. During December 2017 it spends $300,000 in allowable costs, for which it is reimbursed $250,000. It expects to be reimbursed for the $50,000 balance in January 2018, and to expend and be reimbursed for the remaining $100,000 of its grant throughout 2018. The city is subject to an eligibility requirement in that to be eligible for the grant it must first incur allowable costs.

Thus, in 2017 it can recognize $300,000 in both revenue and increases in assets:

Expenditures to train social workers $300,000

Cash (or payables) $300,000

To record allowable costs

Cash $250,000

Grants receivable 50,000

Grant revenue $300,000

To recognize grant revenue

(If we assuming that It expects to be reimbursed for the $50,000 balance in March ,2018 what would be a change in the journal entry.

In this example, the government can recognize the grant only as it incurs allowable costs.

Example 4 : Unrestricted Grant with Contingency Eligibility Requirement

In January 2017, a private foundation agrees to match all private cash contributions up to $20 million received by a state-owned museum during its 2017–2018 fund drive. In 2017 the museum receives $14 million in private cash contributions.

The museum is eligible for the foundation’s matching contribution only insofar as it receives funds from other sources. Thus, in 2017 it can recognize only $14 million of matching foundation revenue (in addition, of course, to the $14 million in private donations) (total revenues for 2017 :28):

Grant receivable (foundation) $14

Grant revenue (foundation) $14

To recognize $14 million of a foundation grant

We assume that resources will be received from foundation during the available period in 2018.what happens if resources will be received after available period in 2018.

If the foundation will not actually make its contribution in time for the resources to be available to meet its 2017 current liabilities, then on its modified accrual fund statements the museum should recognize the grant as a deferred inflow of resources, rather than realized revenue.

Revenues from exchange transactions:

HOW SHOULD SALES OF CAPITAL ASSETS BE ACCOUNTED FOR?

The unique accounting problem faced by governments when they sell general capital assets is that the financial resources received are accounted for in a governmental fund, but the assets that are sold are not.

On December 31, 2017, a city purchases a new police car for $40,000. On January 2, 2018, the vehicle is damaged in an accident. The vehicle is uninsured; the city is able to sell the nearly demolished vehicle for $5,000.

Under the modified accrual basis (general fund ) :

31\12\2017 ; when purchased :

Expenditures 40000

Cash \AP 40000

When sold in 2018:

Cash $5,000

Revenue (proceeds from sale) $5,000

To record the sale of general capital assets

Under the Full accrual basis (G.W.S ) :

MAKE the appropriate journal entries as the indicated dates?

**DIFFERENCES IN GOVERNMENT-WIDE STATEMENTS**

In their government-wide, full accrual statements, governments would report their capital assets just as businesses would. They would state them at historical cost less accumulated depre ciation. Upon sale of an asset, they would recognize a gain or loss in the amount of the difference between sale proceeds and book value. Hence, in the example, assuming that no depreciation had yet been charged, the government would recognize a loss of $35,000—the difference between cost of $40,000 and the sale price of$5,000.