

## Accounting Standards for Business Enterprises No. 16 – Government Grants

### Chapter 1: General Provisions

#### Article 1

This Standard is formulated in accordance with the *Basic Standards for Enterprise Accounting* to regulate the recognition, measurement, and presentation of government grants.

#### Article 2

Government grants refer to monetary or non-monetary assets received by an enterprise from the government without compensation.

#### Article 3

Government grants have the following characteristics:

1. Originate from government resources: Grants received from other parties shall be deemed government grants if there is conclusive evidence that the government is the actual provider, and the other parties merely act as intermediaries.
2. Non-reciprocal: The enterprise is not required to provide goods or services in exchange for the resources.

#### Article 4

Government grants are classified as:

- Grants related to assets: For the acquisition or construction of long-term assets.
- Grants related to income: All other grants not related to assets.

#### Article 5

The following items are governed by other standards:

1. Government resources closely tied to the sale of goods/services (accounted for under *ASBE No. 14 – Revenue*).
2. Income tax reductions (*ASBE No. 18 – Income Taxes*).

This Standard does not apply to government investments in the capacity of an owner.

### Chapter 2: Recognition and Measurement

#### Article 6

A government grant shall be recognized only when:

1. The enterprise complies with attached conditions;
2. The grant is receivable.

#### Article 7

- Monetary grants: Measured at the received or receivable amount.
- Non-monetary grants: Measured at fair value; if fair value is unobservable, measured at nominal amount (RMB 1).

#### Article 8

Grants related to assets shall either:

- Reduce the carrying amount of the related asset; or
- Be recognized as deferred income and amortized systematically over the asset's useful life.

Grants measured at nominal amount are recognized directly in profit or loss. If the asset is disposed of before the end of its useful life, any unamortized deferred income is recognized in profit or loss at the time of disposal.

#### Article 9

Grants related to income shall be:

1. Recognized as deferred income if compensating future costs/losses, and subsequently amortized to profit or loss when those costs/losses are incurred;
2. Recognized directly in profit or loss if compensating incurred costs/losses.

#### Article 10

For grants with both asset-related and income-related components, account for each component separately. If components cannot be distinguished, classify the entire grant as income-related.

#### Article 11

- Grants related to ordinary activities are recognized in "other income" or offset against related costs.
- Grants unrelated to ordinary activities are recognized in non-operating income/expenses.

#### Articles 12–14

Preferential loan interest subsidies:

- If the government pays the subsidy to the bank, the enterprise may either:
  1. Measure the loan at the actual received amount and calculate interest expense at the preferential rate; or
  2. Measure the loan at fair value (with the difference from the received amount as deferred income amortized to offset interest expense).
- If the government pays the subsidy directly to the enterprise, offset the subsidy against interest expense.

#### Article 15

For grant repayments:

1. Adjust the asset's carrying amount if the grant initially reduced it;
2. Reduce deferred income (any excess recognized in profit or loss);
3. Otherwise, recognize directly in profit or loss.

#### Chapter 3: Presentation

##### Article 16

Grants recognized in "other income" shall be presented separately above "operating profit" in the income statement.

##### Article 17

Disclose in notes:

1. Types, amounts, and presentation items of grants;
2. Grants recognized in profit or loss;
3. Amounts and reasons for grant repayments.

#### Chapter 4: Transitional Provisions

##### Article 18

Apply the prospective method to grants existing on January 1, 2017. Adjustments are required for new grants between January 1, 2017, and the effective date.

#### Chapter 5: Supplementary Provisions

##### Article 19

Effective from June 12, 2017.

##### Article 20

Replaces the prior *ASBE No. 16* issued on February 15, 2006. Conflicting prior rules are superseded.

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