

Center for Plain English Accounting

AICPA's National A&A Resource Center

ASU 2021-10

Disclosures Related to Government Assistance

On November 18, 2021, the FASB issued Accounting Standards Update (ASU) 2021-10, *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance*. ASU 2021-10 requires business entities to disclose, in notes to their financial statements, information about certain types of government assistance they receive. The issuance of ASU 2021-10 was spurred on by the COVID-19 pandemic and related increases in government funding provided to companies. Investors and other financial statement users requested that information about government assistance be disclosed in financial statements (current U.S. generally accepted accounting principles have no specific authoritative guidance on the accounting for, or the disclosure of, government assistance received by business entities).

ASU 2021-10 adds Topic 832, *Government Assistance*, to the FASB *Accounting Standards Codification* (FASB ASC). The guidance in FASB ASC 832 applies to all entities except not-for-profit entities and employee benefit plans within the scope of FASB ASC 960, *Plan Accounting—Defined Benefit Pension Plans*, FASB ASC 962, *Plan Accounting—Defined Contribution Pension Plans*, and FASB ASC 965, *Plan Accounting—Health and Welfare Benefit Plans*. FASB ASC 832 applies to entities that have accounted for transactions with a government by analogizing to a grant or contribution accounting model (for example, a grant model within IFRS Standards or a contribution model within FASB ASC 958-605, *Not-for-Profit Entities—Revenue Recognition*). Transactions with a government, as used in FASB ASC 832, include assistance that is administered by domestic, foreign, local, regional, and national (federal) governments and entities related to those governments.

FASB ASC 832 requires an entity to disclose the following about transactions with a government within its scope:

- The nature of the transactions, including a general description of the transactions and the form in which the assistance has been received (for example, cash or other assets)

- The accounting policies used to account for the transactions
- The line items on the balance sheet and income statement that are affected by the transactions, and the amounts applicable to each financial statement line item in the current reporting period.

In addition, FASB ASC 832 requires an entity to disclose information about the significant terms and conditions of transactions with a government within its scope. Terms and conditions that might be appropriate to disclose include, but are not limited to, any of the following:

- The duration or period of the agreement
- Commitments made by both the reporting entity and the government
- Provisions, if any, for recapture (for example, when the government can recapture amounts awarded), including the conditions under which recapture is allowed
- Other contingencies

An entity should provide the disclosures required by FASB ASC 832 for annual periods.

Effective Date and Transition

The amendments in ASU 2021-10 are effective for all entities within their scope for financial statements issued for annual periods beginning after December 15, 2021. Early application of the amendments is permitted.

An entity should apply the amendments in ASU 2021-10 either (1) prospectively to all transactions within the scope of the amendments that are reflected in financial statements at the date of initial application and new transactions that are entered into after the date of initial application or (2) retrospectively to those transactions.

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