



Government assistance disclosures

Issues In-Depth

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New disclosures required for government assistance

There is limited US GAAP guidance on accounting for government assistance, which has led to diversity in practice. Although the FASB has not provided specific accounting guidance, it has created disclosure requirements for the receipt of certain types of government assistance. Such assistance has become increasingly common and can take different forms – e.g. grants, tax credits and loan guarantees.

The disclosure requirements – contained in Topic 832 – apply only to business entities that account for government assistance under specific accounting models. There are several implementation considerations regarding the limited scope of Topic 832 and the nature of the disclosures.

The implementation considerations we identify in this publication are not exhaustive, and our views and observations may not reflect the only acceptable approaches applied in practice. We encourage entities to discuss their government assistance disclosures and specific facts and circumstances with their auditors or other accounting advisors.

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1. Background and scope

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1.1 Background



Excerpt from ASC 832-10

> Transition Related to Accounting Standards Update No. 2021-10, Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance

65-1 The following represents the transition and effective date information related to Accounting Standards Update No. 2021-10, *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance*:

- a. For all entities except **not-for-profit entities** and employee benefit plans within the scope of Topics 960, 962, and 965 on plan accounting, the pending content that links to this paragraph shall be effective for financial statements issued for annual periods beginning after December 15, 2021.
- b. Early application of the pending content that links to this paragraph is permitted.
- c. The pending content that links to this paragraph shall be applied either:
 1. Prospectively to all transactions within the scope of the pending content that are reflected in financial statements at the date of initial application and to new transactions that are entered into after the date of initial application
 2. Retrospectively.

ASU 2021-10, issued in November 2021, created Topic 832 (government assistance). This Topic requires business entities to disclose information about certain government assistance they receive.

Transactions between business entities and government entities can take different forms, e.g. normal course sales and purchases, grants, tax credits and loan guarantees. To account for government assistance, business entities typically analogize to other GAAP, which has led to diversity in practice in the recognition, measurement, presentation and disclosure of government assistance. [\[ASU 2021.10.BC2\]](#)

Two common models business entities have used to account for government grants are:

- the **grant model** under IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance), under IFRS® Accounting Standards; and
- the **contribution model** under Subtopic 958-605.

Given this diversity in accounting practices, Topic 832 is designed to increase the transparency about government assistance by requiring certain disclosures. However, the Topic does not provide guidance on recognition, measurement or presentation. The FASB has a research project on its technical agenda on accounting for government grants that may be considered for the technical

agenda at a future date as issues and potential alternative solutions are identified.

Effective date

The ASU is effective for financial statements issued for annual periods beginning after December 15, 2021. The effective date is the same for all entities in the scope of this ASU. Early adoption is permitted. [832-10-65-1]

Transition

The disclosure requirements can be applied either: [832-10-65-1]

- prospectively – i.e. to all transactions in 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
- retrospectively.

1.2 Scope



Excerpt from ASC 832-10

> Entities

15-2 The guidance in this Topic applies to all entities except **not-for-profit entities** and employee benefit plans within the scope of Topics 960, 962, and 965 on plan accounting.

> Transactions

15-3 If an entity determines that the accounting for a transaction with a government is not specified within the scope of authoritative generally accepted accounting principles (GAAP), paragraph 105-10-05-2 requires that the entity first consider accounting principles for similar transactions or events within an authoritative source of GAAP for that entity and then consider nonauthoritative guidance from other sources.

15-4 The guidance in this Topic 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 Subtopic 958-605 on not-for-profit entities—revenue recognition).

20 Glossary

Not-for-Profit Entity

An entity that possesses the following characteristics, in varying degrees, that distinguish it from a business entity:

- a. Contributions of significant amounts of resources from resource providers who do not expect commensurate or proportionate pecuniary return
- b. Operating purposes other than to provide goods or services at a profit
- c. Absence of ownership interests like those of business entities.

Entities that clearly fall outside this definition include the following:

- a. All investor-owned entities
- b. Entities that provide dividends, lower costs, or other economic benefits directly and proportionately to their owners, members, or participants, such as mutual insurance entities, credit unions, farm and rural electric cooperatives, and employee benefit plans.



Question 1.2.10

What entities are in the scope of Topic 832?

Interpretive response: All entities are in the scope of Topic 832 except: [832-10-15-2, 15-4]

- not-for-profit (NFP) entities in the scope of Topic 958; and
- employee benefit plans in the scope of Topics 960, 962 and 965.

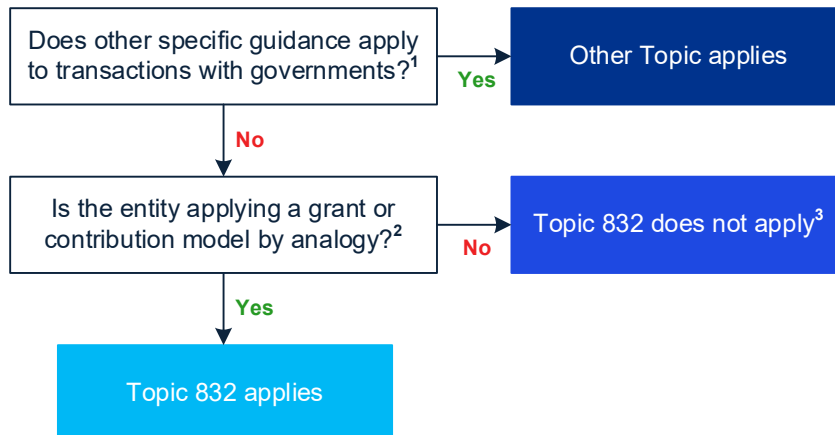
Essentially, this means Topic 832 applies to business entities. Therefore, for simplicity sake, this publication refers to in-scope entities as business entities.



Question 1.2.20

What transactions are in the scope of Topic 832?

Interpretive response: The following decision tree illustrates the scope of Topic 832 for transactions with government entities.



Notes:

1. First consider whether other authoritative guidance applies to transactions between the business entity and the government, including specific industry guidance. For example, if the transaction is for goods or services and the government is a customer, Topic 606 (revenue) applies. If the transaction benefit from a taxing authority is realizable only if the business entity has an income tax liability (e.g. nonrefundable, nontransferable credits), Topic 740 (income taxes) applies.
2. Due to the lack of authoritative guidance on the accounting for government assistance, some business entities have analogized to IAS 20 or Subtopic 958-605. These transactions are in the scope of Topic 832.
3. If the business entity has applied guidance that is not a grant or contribution model (e.g. analogized to Topic 606 or Subtopic 450-30 (gain contingencies)), the transaction is outside the scope of Topic 832.



Observation

For-profit vs NFP healthcare entities

Entities operating in the same type of business and applying the same accounting model could have different disclosures even though they apply the same accounting model for government assistance. For example, two healthcare entities could both be applying the Subtopic 958-605 contribution model. The for-profit business healthcare entity analogizing to the contribution model is required to provide the Topic 832 disclosures while the NFP healthcare entity would not be required to provide those disclosures.

1.3 Implementation considerations



Excerpt from ASC 832-10

> Transactions

15-5 Transactions with a government, as used in this Topic, include assistance that is administered by domestic, foreign, local (for example, city, town, county, and municipal), regional (for example, state, provincial, and territorial), and national (federal) governments and entities related to those governments. Examples of entities related to governments include departments, independent agencies, boards, commissions, and component units. Government assistance also can be administered by intergovernmental organizations and other types of organizations such as nongovernmental organizations or government-sponsored enterprises that have authority from a government to administer assistance on its behalf.



Question 1.3.10

How is a 'government entity' defined in Topic 832?

Interpretive response: The term 'government entity' under Topic 832 is very broad. It can include domestic, foreign, local (e.g. town or city), regional (e.g. state) and national (e.g. federal) governments as well as entities related to those governments (e.g. component units). Intergovernmental agencies such as the United Nations and European Union and other organizations authorized to administer assistance on a government's behalf are also considered government entities. [832-10-15-5]

The Topic 832 definition is broader than the definition of a government entity in the scope of IAS 20. Therefore, a business entity providing disclosures under US GAAP may have additional disclosures as compared to an entity preparing financial statements under IFRS Accounting Standards.



Question 1.3.20

How can an entity prepare to adopt Topic 832?

Interpretive response: As part of the Topic 832 adoption efforts, a business entity should review its existing accounting policies and practices for government assistance to determine whether it has an existing policy that needs to be applied consistently in the current and future periods. A parent company should consider its own accounting policy as well as that of its subsidiaries. It is possible that a subsidiary has an accounting policy that is in the scope of Topic 832, whereas the parent company applies a different accounting policy that is not in the scope of Topic 832 creating a risk that the consolidated reporting group improperly excludes the subsidiary-level transactions from the Topic 832 disclosure requirements.

If the historical accounting policy for government assistance is based on a grant or contribution model, additional efforts are required to support the adoption of the required disclosures in Topic 832. If the historical accounting policy is based on a different model (that is not a grant or contribution model), the entity will need to consistently apply its existing accounting policy and will not be subject to the Topic 832 disclosure requirements. If an entity changes its accounting policy to a grant or contribution model, the Topic 832 disclosure requirements would apply. A change in accounting policy to a grant or contribution model would be subject to preferability considerations in Topic 250.

An entity that determines it does not yet have an accounting policy for government assistance because it has not previously received government assistance will want to consider the commonly applied guidance to assist with its accounting policy election if it receives government assistance in the future.



Question 1.3.30

How does a business entity identify transactions with government entities?

Background: Transactions between business entities and government entities can take different forms, e.g. normal course sales and purchases, grants, tax credits, loan guarantees and other forms of assistance.

Government assistance is more prevalent in certain industries but may nonetheless be provided to any business. In recent years, the frequency and amount of government assistance transactions has been more common due to COVID-19. The Inflation Reduction Act¹ and The CHIPS and Science Act² expand the amount of government assistance provided to entities related to clean energy, climate change, healthcare, semiconductor manufacturing, and research and innovation.

¹ H.R. 5376, commonly referred to as the Inflation Reduction Act of 2022 ('IRA').

² H.R. 4346, commonly referred to as the CHIPS and Science Act of 2022 ('CHIPS').

Interpretive response: The breadth of procedures required to identify whether a business entity has engaged with a government entity will vary depending on the size, complexity and structure of the business entity. Identification procedures will likely involve coordination with multiple departments and/or geographical locations within the business, including legal, tax, and/or contract management teams. For international businesses, both domestic and foreign entities are included in the assessment.

The business entity will need to identify the government entities and transactions that may require the new disclosures based on its transition method (see [Question 2.2.60](#)). Procedures should focus on identification of transactions where the counterparty is a government entity. This can be achieved by identifying all government entities in which the entity has an existing relationship.

Key questions to ask at this stage include the following.

- Who within the organization maintains contracts with customers and noncustomers, including vendors?
- How does the organization maintain data related to customer and noncustomer relationships?
- Is information stored centrally or is it decentralized?

Once relationships with government entities have been identified, a complete population of transactions with those government entities must be identified. This should include engaging with cross-functional individuals within the business entity to determine whether a government entity transacted with the business entity outside of a contract in differing forms, i.e. tax incentives, loan forgiveness and noncash grants. Additionally, outreach to others within the business may be necessary to determine whether contributions or grants were received from government entities.

Entities with foreign components include their international locations in the procedures being performed. Additional factors to consider and questions to ask when coordinating with foreign operations may include the following.

- Are there statutory or other regulatory requirements already in place for which information about funding received from government entities is maintained? For example, the reporting entity may have a foreign subsidiary that prepares IFRS financial statements for local statutory reporting requirements.
- What information is provided by foreign subsidiaries in the form of questionnaires or reporting that can be leveraged to identify transactions? Alternatively, how can these be modified going forward to obtain the necessary information?

Further analysis of the identified transactions is required to determine whether they are in the scope of Topic 832, as discussed in [Question 1.3.40](#). See [Question 2.2.40](#) for discussion of materiality considerations, including the level at which materiality is assessed for the identified transactions.



Question 1.3.40

Are all funds received from a government entity in the scope of Topic 832?

Interpretive response: No. The scope of Topic 832 includes only those transactions with government entities that are accounted for using either a grant or contribution model by analogy.

For example, if the government or another party in the transaction is a customer, such that the consideration received is a payment for goods or services, the transaction is in the scope of Topic 606, not Topic 832. This may occur when the government makes a payment to a healthcare entity on behalf of a patient. Although the funds are received from the government, the payment is for a transaction in the scope of Topic 606 for the services provided to the patient (customer) and do not represent government assistance to the entity.

Alternatively, if the entity receives a payment from the government entity to expand its hospital to provide care to additional residents, these funds may fall in the scope of Topic 832 and additional analysis is necessary.

Examples of transactions that fall in the scope of Topic 832 include:

- forgivable loans from a government entity that are accounted for using IAS 20 by analogy;
- cash or asset grants received from a government entity that are accounted for using Subtopic 958-605 by analogy;
- research and development (R&D) funding received from a government entity accounted for using a grant model by analogy;

- refundable tax credits recognized in a tax return that are accounted for using a grant model or contribution model by analogy (see [Question 1.3.50](#));
- cash received in connection with a government grant program, such as those to improve broadband connectivity or transportation infrastructure, accounted for using IAS 20 by analogy.

Examples of transactions outside the scope of Topic 832 include:

- payments received from a government entity in the normal course of business and accounted for under Topic 606 (this can include transactions in which the government is purchasing goods or services from the entity or is acting on behalf of the customer, such as funds provided to a healthcare entity on behalf of a patient);
- nonrefundable income tax credits, such as the federal R&D tax credit, which are accounted for under Topic 740;
- refundable tax credits recognized in a tax return that are accounted for using gain contingency accounting under Topic 450;
- transactions with government entities accounted for using gain contingency accounting under Topic 450;
- best-efforts R&D arrangements sponsored by the federal government in the scope of Subtopic 912-730.



Question 1.3.50

Are tax credits recognized in a tax return in the scope of Topic 832?

Interpretive response: It depends. Government entities may use tax returns as a mechanism to track and distribute government assistance. It is necessary to understand the nature of the tax credit recognized (refundable or nonrefundable) to determine whether the amounts are related to income taxes and therefore are in the scope of Topic 740 or government assistance potentially in the scope of Topic 832. We believe refundable tax credits are like government grants because the amount eligible for refund does not depend on a taxpayer's ongoing tax status or position. As a result, those amounts are not income taxes and are outside the scope of Topic 740.

Some factors to consider include:

- What actions were required for the entity to receive the funds?
- Is the amount received refundable, such that the entity is not required to have taxable income to receive the benefit?
- What accounting policy election has the entity made to account for refundable tax credits?

Transactions identified that are not in the scope of Topic 740 and for which the entity analogized to a grant or contribution model are in the scope of Topic 832.



Example 1.3.10

Refundable tax credits recognized in a tax return

A national government implements a program to incentivize business entities to perform clean energy manufacturing domestically. The program allows eligible business entities to claim specified amounts per each eligible clean energy component domestically produced and sold. These amounts are reported on a business entity's tax return as a direct payment of tax and are refundable.

ABC Corp. files for and reports the refundable tax credit on its tax return. Because the tax credit is refundable regardless of the amount of ABC's taxable income, it is outside the scope of Topic 740. ABC elects to analogize to IAS 20 and accounts for the tax credit using a grant model. The refundable tax credit is within the scope of the Topic 832 disclosure requirements.

See [Example 2.2.20](#) for discussion of a separate transaction involving a reduction to a non-income-based tax rate, which does not result in required disclosure under Topic 832.



Question 1.3.60

If a customer uses government assistance to purchase goods or services from a business entity, are those purchases in the scope of Topic 832 for the business entity?

Interpretive response: No. The sale of goods or services to a customer is outside the scope of Topic 832 regardless of whether the funds used by the customer to complete the purchase were received by the customer from a government entity and then paid to the business entity. The business entity accounts for the sale of goods or services to a customer based on its existing Topic 606 policy.



Example 1.3.20

Government payment to subsidize construction of fiber optic networks

A state government announces a new program to fund the expansion of fiber optic networks to increase broadband connectivity. Telecommunications Provider (Telecom) receives funds from the program of \$2 million in Year 1, with a total of \$10 million to be received over five years. In the past, Telecom applied a grant accounting model to assistance received from a government entity.

The funds received by Telecom under this government program are in the scope of Topic 832. The payments are received directly from a state, which qualifies as a government entity, and the payments are not made in the state's capacity of a Telecom customer or on behalf of Telecom's customers for

services provided by Telecom. Further, Telecom has a policy of accounting for government assistance using a grant accounting model by analogy.



Example 1.3.30

Sale of goods and services to a customer using government assistance funds

As a continuation of the example in 1.3.20, Telecom uses the government funds to purchase \$1 million of supplies from Fiber Corp in Year 1.

In this scenario, Telecom is purchasing the goods from Fiber as a customer. Fiber accounts for these sales under its existing revenue policy applying Topic 606. Accordingly, Fiber's sale of supplies to Telecom does not subject Fiber to the Topic 832 disclosure requirements.



Example 1.3.40

Government payment to subsidize sales to customers

Telecom provides internet access to single family homes at a stated rate of \$50/month. It participates in a program whereby qualifying end customers can access internet for lower rates (\$30/month) by using a government subsidy. The government provides the \$20/month subsidy directly to Telecom for each qualified account.

In this scenario, the end customer is receiving the benefit of subsidized internet access and the government is paying Telecom on the customer's behalf. This is a revenue transaction with a customer in the scope of Topic 606 and therefore is not in the scope of Topic 832.

2. Disclosure

Detailed contents

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- 2.2.20 Is the amount of government assistance received but not recognized directly in the financial statements disclosed?
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- 2.2.20 Reduced sales and use tax on qualified purchases

2.1 Disclosure requirements



Excerpt from ASC 832-10

50-1 An entity shall provide the disclosures required by this Topic for annual periods.

50-2 The objective of disclosures about an entity's transactions with a government within the scope of this Topic is to provide information that enables an investor or other financial statement user to better assess all the following:

- a. The nature of the transactions, the related accounting policies used to account for the transactions, and the effect of the transactions on an entity's financial statements
- b. Significant terms and conditions of the transactions.

> Nature of the Assistance, Related Accounting Policies, and Effect on Financial Statement Amounts

50-3 An entity shall disclose the following about transactions with a government within the scope of this Topic:

- a. 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)
- b. The accounting policies used to account for the transactions as required by paragraph 235-10-50-1
- c. 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.

> Significant Terms and Conditions

50-4 An entity shall disclose information about the significant terms and conditions of transactions with a government within the scope of this Topic. Terms and conditions that might be appropriate to disclose include, but are not limited to, any of the following:

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

> Restrictions

50-5 If an entity omits specific information required by paragraphs 832-10-50-1 through 50-4 because the information is legally prohibited from being disclosed, the entity shall disclose a description of the general nature of the information and indicate that the omitted disclosures are legally prohibited from being disclosed.

Topic 832 requires annual disclosures about transactions in its scope. [832-10-50-1]



Question 2.1.10

What disclosures are required by Topic 832?

Interpretive response: Topic 832 specifically requires the following disclosures about transactions with a government entity: [832-10-50-3, 50-4]

- the nature of the transactions, including a general description of the transactions and the form in which the assistance was received (e.g. 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 and the amounts applicable to each financial statement line item in the current reporting period; and
- significant terms and conditions of the transactions, including, but not limited to, the duration or period of the agreement, commitments made by both parties, other contingencies, and if there are any other provisions that would allow the government entity to recapture the amounts awarded.

In the rare circumstance that an agreement legally prohibits specific information from being disclosed, the entity discloses the general nature of the information omitted and that the required disclosures are omitted because the information is legally prohibited from being disclosed. [832-10-50-5]

2.2 Implementation considerations



Question 2.2.10

Is an entity required to estimate future expected government assistance when the amounts are not known?

Interpretive response: No. Disclosures are limited to amounts readily available in an agreement. Topic 832 does not require disclosure of future-oriented information contingent on forecasts or other assumptions about uncertain or unknown future events beyond the entity's control. [ASU 2021.10.BC32]



Example 2.2.10

Contingent government assistance

ABC Corp enters into an agreement with a federal government agency to receive a cash credit based on 5% of gross payroll costs for the next five years. The cash credit qualifies as government assistance in the scope of Topic 832. As such, ABC is required to disclose the nature and significant terms of the agreement, the accounting policy applied, the amount recognized in the current year and which financial statement line items are impacted. However, it need not disclose a dollar amount for future years because the amount is not readily available in the agreement (i.e. it is based on future payroll costs).

Alternatively, if the agreement specifies a fixed amount of \$100,000 per year, ABC would disclose the nature and significant terms of the agreement, including the receipt of a grant of \$500,000 (\$100,000 per year) for the next five years, the accounting policy applied, the \$100,000 amount recognized in the current year and which financial statement line items are impacted.



Question 2.2.20

Is the amount of government assistance received but not recognized directly in the financial statements disclosed?

Interpretive response: No. Topic 832 does not require disclosure when the amount of benefit received from government assistance is not recognized directly in any financial statement line item under other US GAAP requirements. The Board determined that the cost to measure and quantify these amounts outweigh the benefit of the disclosure. [ASU 2021.10.BC30, BC31]

Examples of assistance that are not recognized directly in any financial statement line item are benefits from loan guarantees and reductions in sales tax.



Example 2.2.20

Reduced sales and use tax on qualified purchases

ABC Corp is domiciled in a state that offers reduced sales and use tax incentives for the purchase of R&D equipment. Receipt of the incentive is dependent on the entity incurring sales and use tax on a qualified purchase. The incentive is not refundable or transferable. ABC purchases \$2 million of R&D equipment and qualifies for a partial reduction of the sales and use tax rate from 5% to 3%.

ABC records the \$60,000 sales and use tax incurred in the financial statements. Although ABC received a tax incentive of \$40,000 (2% of \$2 million) in reduced

sales and use tax, this amount is not recorded in any financial statement line item and therefore is not subject to the Topic 832 disclosure requirements.

In contrast to this example, see [Example 1.3.10](#) related to a non-income-based refundable tax credit, which is in the scope of the Topic 832 disclosure requirements.



Question 2.2.30

Is disclosure under Topic 832 required if a nonmonetary grant is accounted for by analogy to IAS 20 (grant model) using nominal value?

Background: Under IAS 20, an entity makes an accounting policy election to recognize nonmonetary assets at fair value or nominal value.

Interpretive response: Yes. Because this grant is accounted for using IAS 20 by analogy, the transaction is in the scope of Topic 832, even though the nonmonetary asset is recorded in the financial statements at nominal value. To determine whether disclosure is required when the asset is recorded at nominal value, an entity:

- first determines whether it received government assistance; and
 - then aggregates the government assistance received and evaluates it for materiality (see [Question 2.2.40](#)).
-



Question 2.2.40

How are transactions assessed for materiality?

Interpretive response: Individual transactions are assessed for materiality for separate disclosure. Additionally, transactions that are immaterial individually are aggregated at a consolidated level to assess materiality of the total government assistance received. An entity considers all transactions, both foreign and domestic, that involve government entities. In addition, a holistic view of all types of government assistance received is considered. Even if an entity considers an individual assistance payment program immaterial, the payment may have to be disclosed if the payments the entity receives in the aggregate are material.

The evaluation of materiality considers the nature of the transactions and economic value received in aggregate from both a qualitative and quantitative perspective and how useful the information is to financial statement users. This includes a qualitative assessment of those transactions that may be deemed quantitatively immaterial, such as those recorded at nominal value. Once aggregated, the entity can evaluate the materiality of the government assistance received.

For discussion of materiality as it relates to financial statement disclosures, see Question 2.4.50 of KPMG Handbook, [Financial statement presentation](#). For further discussion of materiality in the financial statements, see section 2.3 of KPMG Handbook, [Accounting changes and error corrections](#).



Question 2.2.50

Are Topic 832 disclosures disaggregated?

Interpretive response: No. The Board decided not to require additional disclosures, such as disaggregation by geography, type of government or type of assistance. [\[ASU 2021-10.BC29\]](#)

However, if a business entity receives multiple forms of government assistance with differing terms and accounting impacts, it may be prudent to disaggregate the disclosures. The disclosure requirements focus on providing financial statement users with greater transparency about government assistance, especially given the diversity in accounting practices. Entities should focus on clearly communicating the nature and form of the assistance, the accounting policy followed by analogy, any commitments made by either party and the financial statement line items affected by the government assistance.



Question 2.2.60

Does government assistance received in prior periods need to be disclosed on adoption?

Interpretive response: It depends. ASU 2021-10 permits either prospective or retrospective adoption. Based on the transition method selected, a business entity will determine the period(s) that requires disclosure in its annual financial statements. Regardless of the year in which the government assistance was received, any annual periods for which Topic 832 has been adopted will require disclosure of the line items on the balance sheet and income statement that are affected by government assistance and the amounts applicable to each financial statement line item in that reporting period.

For example, a business entity assesses for disclosure a grant received to construct an asset in a period prior to the adoption of the ASU that was accounted for using either a grant or contribution model and for which there is an amount on the balance sheet at the adoption date of Topic 832. The impact of the government assistance recognized on the balance sheet at the adoption date could be an asset, a deduction in the carrying amount of an asset or a liability.



Question 2.2.70

How does a confidentiality clause in the underlying agreement affect disclosures?

Interpretive response: All relevant information about government assistance transactions in the scope of Topic 832 are required to be disclosed unless the information is legally prohibited from being disclosed. Such information includes the terms, the amount and the accounting treatment of the assistance.

On the basis of research and outreach performed by the FASB staff, no domestic or foreign laws prohibiting business entities from disclosing government assistance were identified. The FASB concluded that it is not likely that transactions with a government would contain confidentiality clauses that prohibit the disclosure of the information required by Topic 832.

In the rare circumstances where information is legally prohibited from being disclosed or an agreement contains a confidentiality clause prohibiting disclosure of specific terms that Topic 832 otherwise requires to be disclosed, the Topic 832 disclosures are modified to include the following information:

- a description of the general nature of the information omitted; and
- specific acknowledgement that the required disclosures are omitted because the information is legally prohibited from being disclosed.

These modified disclosures provide financial statement users with an understanding that disclosure has been omitted and why, and that the government assistance has an effect on the entity's financial statements. [\[ASU 2021-10.BC35, BC36\]](#)

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