



## Expected Disclosure of Grants and Government Assistance in Accordance with IAS (20) in Light of COVID 19-Pandemic

Dr. Omar Mohammad Al-Hawatmeh

Assistant Professor, The University of Jordan, Jordan

### Abstract

The study examined the problem of re-disclosure of grants and government assistance to developing countries, which represent a large proportion of the state's general revenues from the state's general budget in 2020 in light of Covid -19 Pandemic, where the international standard No. 20 was reviewed and it was found that it did not clarify how to re-disclose these numbers. The regulations and instructions represented in the financial and accounting policies were also examined and it was also found that they did not clarify such treatments. The examination of the donor organizations and countries was reviewed and it was found that they would not make any suggestion or help regarding this problem. A set of results was reached of which International standards of various kinds did not clarify the treatment by re-disclosure of those grants under unusual circumstances. And that the regulations and instructions represent in the financial and accounting policies that did not address the treatment of this problem because the pandemic is unique. A set of recommendations was also reached, including: finding other internal financial alternatives that cover up to 75% of those grants and aid provided, because the outside world is predominantly exposed to the pandemic of Covid-19, and dedicating global efforts, especially international standards, that contribute to helping countries re-disclosure numbers of grants and assistance and how to re-estimate them.

**Keywords:** Disclosure; Grants; Government assistance; COVID 19-pandemic.



CC BY: Creative Commons Attribution License 4.0

### 1. Introduction

We know that Jordan does not realize natural resources like other countries, which in turn can be relied upon in light of any emergency, sin, or pandemic, as is the case now in most of the countries of the world, and it depends on internal and external resources, and corresponds in this research to a partial part of external resources. According to the volume of grants and government assistance, the budget for the year 2020 was estimated at the same level in 2019 as it amounted to about 807 million Jordanian Dinars ( JD ), which is (9.4%) of the state's general budget revenues (The Jordanian General Budget Department, 2020a).

The essence of the research focus on clarifying the expected numbers of grants and aid assistance provided by the countries that were exposed to the Covid-19 pandemic, especially that all the countries were exposed to the Covid-19 pandemic are facing this pandemic in the same circumstances, the most important of which is the lack of rationalization of spending, since the rationalization of spending negatively affects the economy in such circumstances.

On the other hand, the international standards represented by International Standard IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance) where the normative content consisted of conditions for recognition of government grants at their fair values, in-kind government grants, presentation of grants related to assets, presentation of grants related to income, reimbursement of Government grants, government aid, and disclosure, it did not touch upon mentioning what are the treatments that occur in these accounts under unusual circumstances and this is a clear distortion of the standard, Hence, we note that the decision-maker will resort to internal regulations and instructions to address these accounts if they deal such cases.

Rather, we note that the regulations and instructions are represented in the financial and accounting policies as well it did not touch upon the treatment of such cases because this circumstance is considered an exceptional circumstance, rare or unusual, Hence the emergence of the idea of research.

#### 1.1. Research Objectives

The objectives of this research are to:

- 1- Clarify the concept of grants and government assistance.
- 2 - The expected disclosure of the volume of assistance and grants received in the state budget, as it represents a rate of (9.4%), which is considered an important number in such countries, especially since it does not have natural resources that depend on it and is an alternative under emergency conditions.
- 3- The financial or accounting policy that the decision maker will resort to re-estimate and re-disclose the numbers of grants and assistance.

## 1.2. Research Problem

The problem with this research lies in the fact that there are no standards, whether local or international that are dependent on the measurement and disclosure of grants and assistance, so the research problem can be formulated in: What is the number expected to be disclosed after approving the general budget in light of this pandemic, and also is there a role of international standards, especially the standard IAS 20 deals with and what measures will be taken by decision makers regarding re-disclosing the numbers of grants and assistance approved by the legislative bodies published in the official newspaper and clarified areas of spending.

## 2. Theoretical Framework and Literature Review

Grants and assistance in the general budgets of countries under the general revenue of the state are considered one of the financial policy tools through which the state seeks to provide support, whether in cash or in-kind to achieve stability and balance and push the rate of economic growth and improve the standard of living and services provided to citizens. The grants and government assistance policy is also one of the sources of funding in many developing countries, that suffers from the lowest level of per capita income compared to developing countries.

As Jordan is considered one of the countries where per capita income is not high and does not possess natural resources and does not have extractive industries, it depends to some extent on grants and assistance through which it can work on economic programs and develop the GDP of these countries.

### 2.1. The Concept of Grants and Foreign Aid

Accounting standards explained the concept of grants as non-reciprocal transfers in various forms received by government units in exchange for commitment to the applicable and reasonable procurement provisions imposed by the donor (IPSAS, 2014).

The grant is defined as the gift, assistance and foreign grants provided by rich countries to poor countries and these grants do not represent any obligations on the recipient countries but rather they represent the transfer of foreign capital from donor countries to developing countries and that the recipient country is not obligated to pay anything, no installments, no interest rates (Al Qreshy, 2007).

Assistance is a voluntary act according to which a specific benefit is provided to those in need, and IPSAS23 is mentioned as being resources that do not adapt to the definition of assets because they achieve current economic benefits, not future, in addition to the difficulty of measuring them (IPSAS, 2014).

As for the Saudi Accounting Standards Committee defined grants and government assistance as "transfers from a government entity to the facility in the form of cash or non-monetary assets, or the achievement or settlement of obligations owed on the facility provided by the government entity to the facility with a view to implementing specific government policies and programs in economic and social development plans (Saudi Accounting Standards Committee, 2002).

### 2.2. Types of Grants

Grants are classified according to their source:

- 1 -Internal Grants: Transfer of capital between two different entities in the same country
- 2 -External grants: transfer of capital from the donor country to the receiving country

Grants are also classified according to their nature to:

- 1 -Cash grants
- 2- Non-cash grants

Grants According To Their Coverage of Expenses:

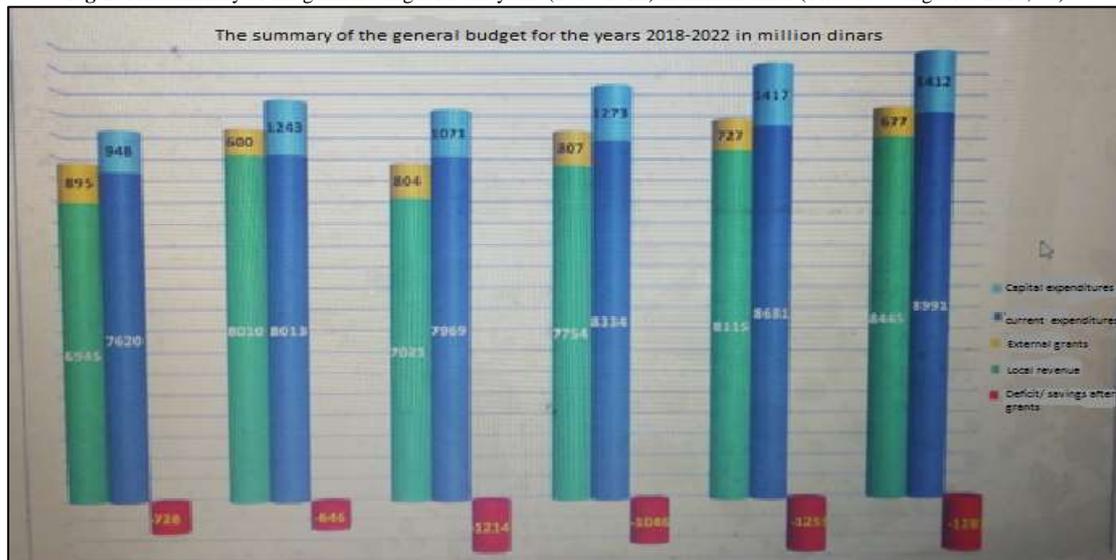
- Capital grants:

Capital grants take the form of unrequited transfers and are absolute, conditional, restricted or specifically related to long-term assets are subject to extinction or not extinction (Epstein and Mirza, 2003), and aim to cover the capital expenditures associated with long-term assets (Foda and Amal Abdul-Hadi, 1999)

Revenue grants: - Remittance transfers considered short-term and cover the revenue expenditures of the needy entities and may be restricted, unrestricted or conditional (Epstein and Mirza, 2003).

### 2.3. Disclosure of Grants and Assistance

The state shall disclose grants and aid provided to it by donor countries and including them in the general tables of the budget so that the value of the external grant item included in the budget for 2020 is 806,890,000 JD and it approximates the value of the external grant item included in the 2019 budget and is approximately 803,760,000 JD. (The Jordanian General Budget Department, 2020b;2020c).

**Fig-1.** The summary of the general budget for the years (2018-2022) in million dinar (The state budget for 2020, 50)

Grants and assistance represent (9.4%) of the state's general revenue, which is the mentioned number, at 807 million dinars.

#### 2.4. International Standards Related To Grants and Government Aid

Among the criteria related to grants and government assistance:

- 1- International Standard No. (20) issued by the International Federation of Accountants in 1984 and called: (Government Grants and Disclosure of Government Assistance)
- 2- Accounting Standard No. (116) issued by the American Accounting Standards Board (FASB) in 1993, which is called: (Received contributions and delivered contributions).
- 3- Accounting Standard No. (4) issued by the Association of Chartered Accountants in England in 1977 and reformulated in 1992 and called: (Accounting for government grants).

All of the aforementioned criteria mentioned accounting treatments for grants and government assistance and matters pertaining to the standard and how they are presented, whether in cash or in kind, and the criteria did not address how to reassess, , or re-disclose them in the event that the donor countries are exposed to a pandemic that affects foreign policies with regard to exchange a directive these grants to the countries receiving grants.

#### 2.5. Coved 19-Pandemic (Corona) and Its Impact on Jordan's General Budget

I will not talk about this virus from a medical point of view, but rather I will address its impact on the whole world, regardless of whether the countries are donors or recipients of grants.

This Epidemic came in the form of a pandemic as confirmed by the World Health Organization and started from the town of Wuhan in the China State in November 2019 and then spread to the world to affect the world's economy as a whole for each country to increase its spending to confront this epidemic.

For example, the United States has transferred a portion of the Ministry of Defense allocations to the health sector to help it cope with this epidemic, whether by spending on medical scientific research or securing medical supplies in light of this pandemic or providing all means of medical treatment for the injured with the necessary means to secure livelihoods Citizens, and this is the case with the majority of countries that have been affected by the virus.

However, by returning to the budget tables for the year 2020, we find that the United States will provide what is worth (538,000,000) JD as a grant to the state for the year mentioned, We also find that the European Union will provide (53,400,000) JD As for the Gulf Fund for Development, it will provide (119,690,000) JD, and the outputs of the Mecca Summit will be provided (70,100,000) JD and other grants, the value of which will be provided and according to the schedules of the 2020 budget is (25,700,000) JD, and given the aforementioned values, we find that the total value of external grants to be provided is (806,890,000) JD.( The state budget for 2020,50)

In Jordan, the government has implemented spending policies to control the expansion of this pandemic and to follow other financial policies, such as legalizing some expenditure in the public sector, such as the transportation allowance and some other allowances, in order to compensate for some of the revenues of the general budget set for the year 2020.

### 3. Literature Review

#### 3.1. Hassan R. and Mohamed S. (2017) Study Titled: Financial Reporting of Grants and Assistance in Government units According to IPSAS23

The research aimed to present and discuss the concept of grants and aid, with the study and analysis of the role and importance of grants and assistance on the activities of In government units, and then to determine the factors of obtaining grants and assistance, and the importance of providing accounting information in order to enhance the

financial reporting of grants and assistance. The accounting system of the government and determine the areas of shortness, taking into account the failure to issue a local accounting base to determine the basis of accounting measurement and disclosure of grants and assistance to guide, and this is the starting point of the current research and so has been introduced and analysis of the application requirements IPSAS23 of D) Different accounting treatments and provision of accounting information that enhance financial reporting with application to the government unit (research sample).

The study reached several recommendations, the most important of which is the need to evaluate the accounting system and provide the requirements of the accounting standards, including the transition from the monetary basis to the basis of merit and the amendment of classifications and tabulations to include the types of grants and assistance

### **3.2. The Kuwait Fund for Arab Economic Development Research Team 2007: Loans Grants and Technical Assistance Provided to Arab Countries as of March 31. 2007**

This statistical bulletin covers the group in the book of loans, grants and assistance provided by the Kuwait Fund to the Arab and non-Arab developing countries, indicating the achievements of the fund and the value of assistance and grants provided to countries.

This book explains the objectives of the Kuwait Fund for Development policy, which was established in 1961 at the initiative of Sheikh Jaber Al-Ahmad Al-Sobah and how the activities of the Fund expanded to include African and Asian developing countries.

This book includes an offer to benefit from 17 Arab countries that borrowed from the fund, indicating in it and a detailed statistical study the most important loans provided by the Kuwaiti Fund, in addition to the projects funded by the fund in these countries.

This seasonal study is characterized by (Kuwaiti financial assistance and its impact on its Arab relations) that it came to complement previous studies and focus mainly on Kuwaiti financial assistance of all kinds, how this foreign Kuwaiti political assistance serves and clarifies the Fund's role in development in implementing this policy and most importantly, how this financial assistance is reflected On the relationship of Kuwait with the surrounding Arab countries, and how to serve the supreme national interest and make it an Arab address in Kuwait.

### **3.3. Ali H. (2009) Study Titled: The Political Dimensions of International Aid: A Case Study of American Assistance Since 1990**

The study aimed to clarify the basic conditions for donor countries to provide assistance to developed countries, as well as the political factors affecting the decision of US foreign aid, and what is the impact of political and economic interests in distributing US assistance among African countries, and what is the impact of US political and economic interests on the role of US assistance in supporting democratic transformation And the protection of human rights, and the extent of the commitment of the United States to the application of political legitimacy, and is there a selectivity in the application to recipient countries.

The study relied on combining the systems analysis approach to study the extent of recipient countries' response to external pressures and demands that accompany the phenomenon of foreign aid, and the national interest approach to identify the impact of political, strategic and economic interests on donor countries policy.

The study is divided into an introductory topic, three chapters and a conclusion. As for the introductory topic, it is the theoretical framework of the study, seeking to define the concept of foreign aid. The first chapter discusses the analysis of the political conditionality of international assistance since the nineties, and the political factors affecting the role of foreign assistance in achieving democratic transformation by recipient countries, On the part of donor countries. The second chapter discusses the political dimensions of American assistance in the African continent, by studying the determinants The internal and external decision-making of aid, the impact of political interests on the distribution of US assistance in achieving democratization and the protection of human rights, the impact of the US political conditionality policy on democratization, the impact of the US-French competition on this transformation, as well as an analysis of US assistance policy towards protecting human rights in countries .

The most important results of the study:

The distribution of US assistance is determined by two main internal and external determinants. The internal determinant is the interaction of the executive and legislative institutions of the state in making assistance decisions. However, partisan control within Congress remains the main influencing factor in the distribution of American aid.

During the era of W. Bush, American assistance to sub-Saharan Africa doubled, as the strategic importance of the region increased after the events of September 11, the increase in Islamic militancy on the African coast and the Sahara Desert, American anxiety as a result of the increasing spread of AIDS, and fear of the transmission of this disease to the United States as well. On the increasing importance of oil to the United States.

The states are not interested in achieving democratic states unless this transformation is in line with American interests, and therefore the United States has pursued a selective policy in dealing with African regimes.

If the cold war made American policy turn a blind eye to human rights violations in recipient countries, the war on terror had the same effect on the Bush administration.

Egyptian decision makers must review the Egyptian assistance policy in Africa, especially in the Horn of Africa and the Nile Basin countries, in order to protect Egyptian foreign interests, and counter the impact of the US assistance policy on these countries.

### 3.4. Al-Ajmi M. (2011) Study Entitled: Economic Assistance as a Tool of Kuwaiti Foreign Policy for the Period (1980-2010)

This study aimed to answer a series of questions represents the main problem in the study and containing the main features of Kuwait's foreign policy in general, highlighting the location of economic assistance in Kuwait's foreign relations. And to identify trends of Kuwait's economic aid, highlighting the causes of the political weakness of employment for economic assistance in the Kuwaiti foreign policy and, finally, discussing the future prospects for the Kuwaiti success in the recruitment of economic assistance as a tool of foreign policy. This study has been started from the hypothesis that the Kuwait's foreign policy did not succeed in the recruitment of economic assistance as a tool to achieve the objectives and political goals. The study found a set of results, including: 1) since gaining its independence, Kuwait had establishment the Kuwait Fund for Arab Economic Development, which form the economic arm of Kuwait during more than half a century until now, and has become a leading global economic assistance funds. 2) during the sixties and seventies of the last century, Kuwait adopted what was known as "dinar diplomacy," which means the employment of Kuwaiti enormous wealth in the service of foreign policy goals of Kuwait. 3) the Gulf crisis and the Iraqi aggression and occupation of Kuwait in 1990, showed some weakness in employment of the economic assistance of Kuwait during the period prior to this crisis, which is demonstrated by the positions of many Arab and Muslim countries that supported the Iraqi aggression or taken a neutral position towards it, even though it was one of the countries receiving economic assistance Kuwait before the crisis. 4) The philanthropy approach which employed by Kuwait in its external economic policy had a role in the weakening the political role of such aid, which missed the strategic planning process to provide such assistance and distribution across regions and continents. 5) at some point, after the Iraqi occupation of Kuwait, Kuwait began trying to use economic assistance as a means of Kuwait reward and punishment to some Arab and Islamic countries on the basis of their positions on the issue of Kuwait during the occupation. Finally the study recommended a series of recommendations including: 1) Working on linking the Kuwaiti Fund for Arab Economic Development, with the Ministry of Foreign Affairs of Kuwait directly, and follow the policy of continuous evaluation of the policies of the Fund. 2) Working to review the recruitment policy of the Fund, as it always seek the help of non-Kuwaitis experts and specialists, it was not going to have any political feasibility study for any project that wants to give him aid. 3) the need to direct Kuwaiti economic assistance to the people directly and not to governments, through the Fund to deal directly with NGOs before dealing with government institutions.

## 4. Research Results and Recommendations

### 4.1. Results

- 1- Developing countries consider grants and government assistance as essential items in their public budgets.
- 2- The level of per capita income in countries respecting grants and government assistance according to the World Bank classification is not high.
- 3- Grants and assistance is an essential item in calculating GDP.
- 4- Internal programs and projects are planned based on the value of grants and assistance provided
- 5- All grants and assistance are calculated automatically based on the actual for the previous year with the estimated for this year.
- 6- International standards of various types did not clarify treatment by re-disclosure these grants in light of unusual circumstances.
- 7- The regulations and instructions represented in financial and accounting policies did not clarifying this problem because the pandemic is unique.
- 8- There are no global efforts so far regarding these treatments by donor countries for grants and assistance.
- 9- International standards have not submitted any amendments to their standards in proportion to this extraordinary circumstance and to suggest any treatment.

### Recommendations

- 1- The decision-maker in the receiving countries must re-disclose the numbers of new grants and assistance in light of the global pandemic Covid -19, especially since they represent a basic item in the general budget in terms of:
  - Re-estimating the numbers of grants and assistance and re- disclosing them.
  - Finding other internal financial alternatives that cover up to 75% of those grants and assistance provided, because the outside world is predominantly exposed to the pandemic of Covid 19.
- 2- Devoting the efforts of researchers to increase studies and scientific research to assist decision makers.
- 3- Devoting internal efforts to amend the financial and accounting policies to suit any unusual circumstances such as Covid- 19.
- 4- Devoting global efforts, especially international standards, that contribute to assisting these countries to re-disclose numbers of grants and assistance and how to re-estimate them.
- 5- Devoting the efforts of the World Bank and donor countries to contribute to finding appropriate ways to re-disclose the numbers of grants and aid, which are essential items in the public budgets in these emergency circumstances.

## References

- Al Qreshy, M. (2007). *Economic development*. 1 ed. edn: Wael Publishing House: Amman, Jordan.
- Epstein, J. and Mirza, A. (2003). *Interpretation and application of: International accounting standards*. John Wiley and Sons.
- Foda and Amal Abdul-Hadi (1999). Accounting treatments for governmental benefits and grants and their effects on financial statements. *Saudi Society*, 3(1).
- IPSAS (2014). *international public sector accounting standards board*. Hand Book of International Public Sector Accounting Pronouncements: New York.
- Saudi Accounting Standards Committee (2002). Accounting standards Riyadh, Saudi Arabia.
- The Jordanian General Budget Department (2020a). The state budget for 2020, 38. Available: <file:///C:/Users/Manar%20Alkharabsheh/Desktop/allmin.pdf>
- The Jordanian General Budget Department (2020b). The state budget for 2020, 44. Available: <file:///C:/Users/Manar%20Alkharabsheh/Desktop/allmin.pdf>
- The Jordanian General Budget Department (2020c). The state budget for 2020, 45. Available: <file:///C:/Users/Manar%20Alkharabsheh/Desktop/allmin.pdf>