Accounting and Reporting Recommendations

Status: 1 January 2023

SWISS GAAP FER

Foundation for Accounting and Reporting Recommendations

Contents

1 Introduction

In the middle of the nineteen-eighties EXPERTsuisse (Swiss Expert Association for Audit, Tax and Fiduciary, then known as the Swiss Institute of Certified Accountants and Tax Consultants) launched the idea for the formation of an independent institution dealing with the further development of accounting standards in Switzerland upon the initiative of the late professor André Zünd (University of St. Gall), who died in May 2019. It was (and still is) the declared purpose of the Recommendations to support the comparability of financial statements and to approximate the information content as well as the Swiss accounting principles to internationally prevailing levels. The accounting Recommendations of Swiss GAAP FER require as their overriding principle the presentation of a true & fair view of the financial position, the cash flows and the results of operations (true & fair view principle). "GAAP" is the abbreviation for "generally accepted accounting principles". Consequently, the term Swiss GAAP FER refers to the Swiss generally accepted accounting principles according to the Recommendations issued by the Foundation for Accounting and Reporting Recommendations (Stiftung FER).

1.1 Legal form and working method of the Swiss GAAP FER

The Commission for Accounting and Reporting Recommendations operates through a legal entity in the form of a foundation which was created in 1984. The board of the Foundation appoints up to 30 members to the Commission of Experts. The appointment is made ad personam but under consideration of the environment and of the interests of the members concerned. In the sense of a coalition or coordination of interests model, the physical composition of the Commission of Experts shall represent the different stakeholders (and also the language regions) in a way as balanced as possible. The public agencies cooperate with the Commission through (non-voting) observers. The current work, mainly the preparation of the wording or changes to Recommendations, is done by the president of the Commission of Experts and a Committee of Experts consisting of a maximum of six members (appointed out of the Commission of Experts) and by a Technical Secretary. The Commission of Experts selects topics for the preparation of Recommendations. The Committee of Experts delegates the preparatory work to a sub-committee, which is normally headed by one of its members and in which other interested parties are represented.

1.2 Composition of Swiss GAAP FER

(as per 1 January 2023)

President of the Board of the Foundation:

Behr Giorgio (Prof. em. Dr., Entrepreneur, Buchberg/SH)

Members of the Board of the Foundation:

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- Dellenbach Rudolf (former President of the Management Board, Aargauische Kantonalbank, Erlinsbach)
- Eberle Reto (Prof. Dr., Swiss Certified Public Accountant, Partner, KPMG and Professor for Auditing and Internal Control, University of Zurich, Zurich)
- Jenny Klaus (Dr. oec., finance specialist, Zurich)
- Meyer Conrad (Prof. em. Dr., University of Zurich, Zurich)

President of the Commission of Experts:

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Members of the Committee of Experts:

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- Balkanyi Patrick (Swiss Certified Public Accountant, Partner, PwC, Zurich)
- Bucher Sven (Key Account Manager, Institutional Clients & Multinationals, Cantonal Bank of Zurich, Zurich)
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- Seibold Andreas (lic. oec. publ., Swiss Certified Public Accountant, former CFO, Hügli Holding AG, Steinach)
- Soland Andreas (Swiss Certified Public Accountant, VP Corporate Controlling, Tax & Treasury, Hero AG, Lenzburg)

Technical Secretary:

- Bättig Daniel (MSc in Business Administration University of Bern, Swiss Certified Public Accountant, Independent Consultant and Auditor, Ebikon)

Members of the Commission of Experts:

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- Blaser Felix (Business Economist FH, Swiss Certified Public Accountant and CPA, Team Leader Specialised financing, Cantonal Bank of Zurich, Zurich)
- Bösiger Daniel (Business Economist HWV, Head Investor Relations/Sustainability, Georg Fischer AG, Schaffhausen)
- Bruhin Rolf (lic. oec. HSG, Head Risk Control, Credit & Recovery Solutions, UBS Switzerland AG, Zurich)
- Cheetham Malcolm (former Chief Accounting Officer, Novartis AG, Basel)
- Christen Edgar (Business Economist FH, Swiss Certified Public Accountant, Partner, Ernst & Young, Zug)
- Dousse Vincent (Privatdozent HEIG-VD, University of Lausanne and University of Geneva; Head of Fiduciary, Doxior S.A., Aubonne)
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Fuchs Renate (Advanced Federal Diploma of Higher Education in Economics, Head of Reputational Risk of the Swiss Bank and Wealth Management Divisions, Credit Suisse, Zurich)
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Association of cantonal building insurers VKG
Federal Office of Justice
Federal Social Insurance Office
Swiss Financial Market Supervisory Authority FINMA
Federal Finance Administration
Federal Audit Oversight Authority
Federal Tax Administration
EXPERTsuisse
H+ Swiss Hospitals
Occupational Pension Supervisory Commission OPSC
santésuisse
Swiss Trade Association sgv
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State Secretariat for Economic Affairs SECO
ZEWO Foundation
SwissHoldings
TREUHAND|SUISSE
veb.ch

The current composition can be consulted at the following address:
https://www.fer.ch/en/about-us/members/

2 Procedures and scope

2.1 Selection of topics and procedures

The selection of topics and the procedures for the preparation of the Recommendations are outlined in Swiss GAAP FER "Basics" (Swiss GAAP FER 1). Topics are selected according to their timeliness and importance for practical accounting issues. The Committee of Experts drafts in each case a work programme, which is then discussed and approved by the Commission of Experts. The work programme contains the topics to be worked on, the urgency of the work and the timeframe. Projects of the Foundation for Accounting and Reporting Recommendations generally run through two successive phases:

In Phase 1, a review procedure is performed as a pre-project phase, in which the timeliness, relevance and comprehensiveness of an existing Recommendation are verified and / or an inventory of a current topic or important urgent problem is prepared. Depending on the outcome of the review procedure, the Commission of Experts may decide to implement a project, which means that the project would enter Phase 2.

In Phase 2, the sub-commissions of the Committee of Experts prepare a draft on behalf of the Committee of Experts. The Committee of Experts discusses and revises the drafts together with representatives of the sub-commissions. The Commission of Experts deals with the agreed draft Recommendation. The consultation draft will be published in the relevant journals and on the Swiss GAAP FER website. The Committee of Experts ensures that the results of this consultation process are considered in the preparation of the final version. A Recommendation must be approved by a qualified majority of the Commission of Experts in order to become effective.

The financial budget of Swiss GAAP FER is modest as all members, including the members of the Committee of Experts and the president, work in an honorary capacity. Swiss GAAP FER finances its expenses mainly with the revenues from the sale of the Recommendations and with contributions of partners. Information on partners can be consulted online (https://www.fer.ch/en/about-us/partners/).

2.2 Scope of the Recommendations

The application of the Recommendations by non-listed entities is voluntary. Swiss GAAP FER 1 "Basics" clearly stipulates that all Recommendations have to be applied. This means that all Swiss GAAP FER for small entities (core FER – if the respective criteria are met) and/or all Swiss GAAP FER, have to be complied with by the reporting entity. Swiss GAAP FER are based on a comprehensive concept such that individual elements may not be omitted without a negative impact.

Entities are invited to state the conformity of their financial statements with Swiss GAAP FER in the notes to the financial statements.

As of 1 January 2005, Swiss GAAP FER represent the minimum standard for annual and interim reporting of entities listed (with their shares) on the SIX Swiss Exchange in the regulatory segments Swiss Reporting Standard and Real Estate Standard as well as for issuers that have listed debt securities exclusively (e.g. bonds). Swiss GAAP FER is mentioned in the listing rules and the corresponding directives of the SIX Swiss Exchange. Since 1 January 2015, listed entities are also required to comply with Swiss GAAP FER 31 "Complementary Recommendation for listed entities".

3 Structure and contents of the Recommendations

3.1 Users

The focus of Swiss GAAP FER is on the accounting of small and medium-sized entities and groups with a national reach. Further users are non-profit organisations, pension funds, insurance entities, real estate and health insurers. Those entities thus dispose of a suitable basis for meaningful accounting that provides a true & fair view of the financial position, the cash flows and the results of operations. Communication with investors, banks and other interested parties will also be raised, and the comparability of financial statements between entities will be facilitated simultaneously.

3.2 Concept

The concept is modularly built and consists of four elements: the framework, core FER, further Recommendations and Swiss GAAP FER 30 for groups of entities.
For small entities (criteria according to figure 1) the possibility exists to apply only the framework and selected key Recommendations (core FER). The concept consists of a tailored selection of Recommendations that provide a suitable basis for accounting and simultaneously help pave the subsequent path for full application of Swiss GAAP FER (see figure 2). Medium-sized entities have to apply core FER as well as further Swiss GAAP FER.
Groups of entities have to additionally apply Swiss GAAP FER 30, "Consolidated financial statements". This Recommendation consists of all regulations concerning consolidation. Small groups of entities (criteria according to figure 1) apply core FER and Swiss GAAP FER 30 and groups of medium size apply core FER, further FER and Swiss GAAP FER 30, respectively. Listed entities are also required to comply with Swiss GAAP FER 31 "Complementary Recommendation for listed entities".

Smaller entities which do not exceed two of the following criteria in two consecutive years can confine themselves to the application of the core FER:
a) balance sheet total of CHF 10 million,
b) annual net sales from goods and services of CHF 20 million,
c) 50 full-time employees on average per year.

Figure 1: Criteria for the application of core FER

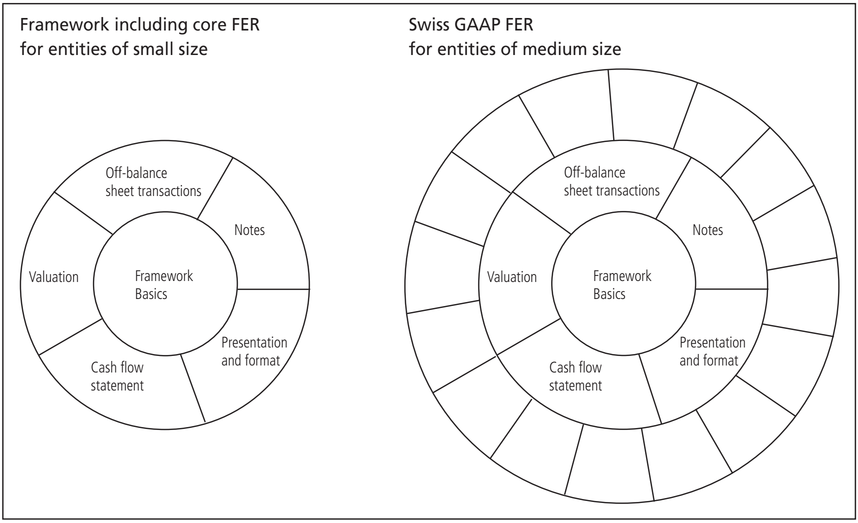


Figure 2: Modular structure of Swiss GAAP FER

The framework, binding for all entities, contains the principles that form the basis for the accounting according to Swiss GAAP FER. The framework specifically contains the following elements: Purpose and content, objective of financial statements, basis of the financial statements, allowed valuation principles for assets and liabilities and qualitative requirements.

3.3 Core FER (Framework and Swiss GAAP FER 1–6)

The core FER consists of

- Framework
- Basics (Swiss GAAP FER 1)
- Valuation (Swiss GAAP FER 2)
- Presentation and format (Swiss GAAP FER 3)
- Cash flow statement (Swiss GAAP FER 4)
- Off-balance sheet transactions (Swiss GAAP FER 5)
- Notes (Swiss GAAP FER 6).

3.4 Further Swiss GAAP FER (Swiss GAAP FER 10–41, without FER 21, 26, 40 and 41)

The core FER and further FER are applicable for financial statements of single entities as well as for consolidated financial statements. All questions solely referring to consolidated financial statements are separately addressed in Swiss GAAP FER 30 "Consolidated financial statements". Swiss GAAP FER 30 is therefore only relevant to groups of entities. Listed entities are also required to comply with Swiss GAAP FER 31 "Complementary Recommendation for listed entities".

3.5 Industry-specific Swiss GAAP FER

The following Recommendations apply specifically to certain industries:

- Swiss GAAP FER 21 "Accounting for charitable non-profit organisations" is addressed at charitable non-profit organisations.
- Swiss GAAP FER 26, "Accounting for pension plans" is to be applied by pension plans.
- Swiss GAAP FER 40 "Consolidated financial statements of insurance entities" contains specific provisions for insurance entities.
- Swiss GAAP FER 41 "Accounting for real estate insurers and health insurers" has to be applied by entities active in these markets.

3.6 Changes in this edition

The booklet issued per 1 January 2023 includes the following changes:

- Removal of Swiss GAAP FER 14 "Consolidated financial statements of insurance entities" as this Recommendation was withdrawn per 31 December 2020.
- Addition of the new Recommendation Swiss GAAP FER 28 "Government grants" (effective date: 1 January 2024).
- Swiss GAAP FER 30 "Consolidated financial statements" was revised (effective date: 1 January 2024).
- Corrections of various smaller errors and inconsistencies (without any material impact).
- Further harmonisation of the terminology/translations.

4 How to cite and reference

Specific paragraphs of the Recommendations can be referenced or cited as follows: "Swiss GAAP FER [Recommendation no.]/[paragraph]" or short as "FER [Recommendation no.]/[paragraph]". A reference to paragraph 14 of Swiss GAAP FER 18 "Tangible fixed assets" looks as follows: "Swiss GAAP FER 18/14" or "FER 18/14" (short form). The Swiss GAAP FER Framework is abbreviated as "FW", the reference to paragraph 30 of the Framework looks as follows: "Swiss GAAP FER FW/30" or simply "FER FW/30".

5 Services

Homepage: www.fer.ch

Users and further interested parties may wish to consult the homepage to inform themselves of the current Swiss GAAP FER developments. The homepage includes drafts currently submitted for approval as well as the newly approved Recommendations in original text (until the publication of the next Swiss GAAP FER booklet). Summaries of the remaining Swiss GAAP FER Recommendations are available on the homepage.

Publications

This booklet includes a conceptual introduction besides the individual Swiss GAAP FER Recommendations. It is the only official publication of Swiss GAAP FER. Orders and deliveries are handled by the SKV-Verlag (see www.fer.ch).

User comments

Swiss GAAP FER has limited resources in terms of personnel. Therefore, questions of interpretation and application cannot be answered individually. Questions of major importance can be addressed to the Commission of Experts, who will decide whether actions and related procedures are necessary. During the annual Swiss GAAP FER conference, answers are provided for the most important questions. Comments regarding existing or possible future Recommendations can be submitted to Swiss GAAP FER as suggestions.

Swiss GAAP FER Framework

Revised: 2014
Effective date: 1 January 2016

Purpose and content of the framework

1 The framework defines the accounting principles.
- Accounting according to Swiss GAAP FER follows the objective of providing a true & fair view of the financial position, the results of operations and the cash flows.
- The framework is the basis for future Recommendations.
- With the accounting principles, the framework covers what is not (yet) covered in detail by one of the existing Recommendations.
- The prescriptions of separate Recommendations precede the framework.
- The framework enumerates the components of the annual report.

2 The framework addresses the:
- Objective of the financial statements
- Structure of the annual report
- First-time adoption of Swiss GAAP FER
- Basis of the financial statements
- Definition of assets, liabilities and shareholders' equity
- Definition of income, expenses and result
- Allowed valuation principles for assets and liabilities
- Qualitative requirements
- Management report (actual situation and outlook).

3 The framework is valid for all entities presenting their annual and/or interim financial statements in accordance with Swiss GAAP FER.

Application of the framework

4 An entity applying Swiss GAAP FER has – except for legal and regulatory requirements – the following possibilities:
- Compliance with core FER
- Compliance with Swiss GAAP FER as a whole

It has to be disclosed, whether the entity complies with core FER or with Swiss GAAP FER as a whole.

Under Swiss GAAP FER, all information required by core FER or by Swiss GAAP FER as a whole are to be disclosed without exception.

Accounting principles not complying with Swiss GAAP FER cannot be justified by a corresponding disclosure.

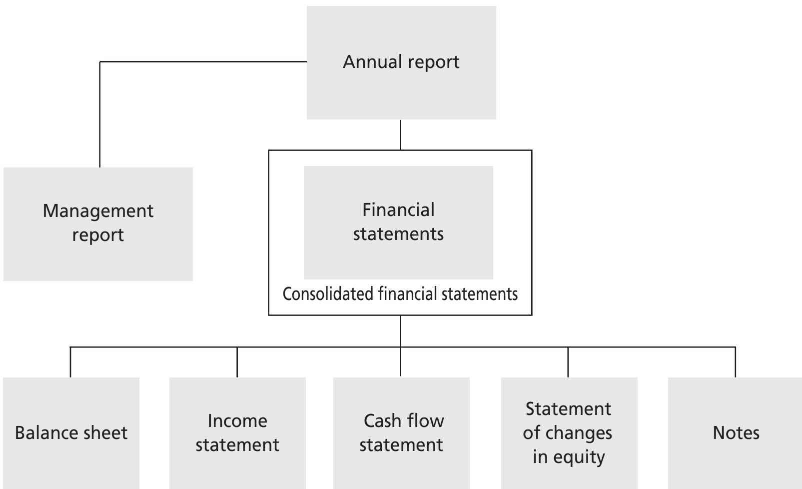
Objective of financial statements

5 The objective of financial statements is to give information about the financial position, the cash flows and the results of operations of entities in a structured way. This information supports the users of financial statements in their decision-making process.
Financial statements also document the accountability of the responsible body.

6 The fundamental purpose of financial statements is to give a true & fair view.
A true & fair view requires that all information of an entity
– reflects the economic facts and is thus free of deception and manipulation
– is reliable and
– is directed to the needs of the recipients.

Structure of annual reports

7 The structure of annual reports consists at least of:



First-time adoption of Swiss GAAP FER

8 An entity adopting core FER or Swiss GAAP FER as a whole for the first time or converting from core FER to Swiss GAAP FER as a whole is required to present the prior year balance sheet in compliance with the new regulations.

Basis of the financial statements

9 Going concern principle
The financial statements are based on the assumption that it is possible for an entity to continue as a going concern for the foreseeable future, but, at least, for twelve months after the balance sheet date. If this applies, the going concern values are to be used as the basis for valuation. If there are significant doubts related to the status of an entity as a going concern, this fact is to be disclosed. The going concern of an entity can no longer be assumed if its liquidation is intended or – with a high probability – cannot be averted. If there is such an intention or necessity, the financial statements must be prepared on the basis of liquidation values. The valuation at liquidation values has to be disclosed and explained in the notes.

10 Substance over form
For financial statements according to Swiss GAAP FER, the real economic circumstances have precedence over the legal form.

11 Accrual principle
The financial statements are to be established on the basis of the periodic accrual principle. According to this principle, the effects of transactions and other events are recognised at their occurrence and not when cash or cash equivalents are received or paid.
In terms of timing, this means that expenses and income that occur in a given period are accrued and recognised in that period.

12 Matching of cost and revenue
Factually, this means that all expenses related to generating a given income are recognised according to the occurrence of the income. Income must be recognised if a service has been performed or a tangible or intangible asset has been delivered and benefits and risks as well as the authority to dispose of the property have been assigned to the purchaser.
In the event of business transactions involving discrete components, these must be recognised and valued separately. "Discrete components" can be understood, for instance, as being the sale of products and their associated services.

13 Prudence
The prudence principle mainly relates to valuation issues. The prudence principle may not be used consciously to build discretionary hidden reserves. Prudence in valuation does not allow to deliberately undervalue assets or overvalue liabilities,

because the financial statements need to comply with the reliability and true & fair view criteria. However, the prudence principle is met if, in case of uncertainty and equal probability of occurrence, the less optimistic alternative is chosen.

14 Gross principle

The financial statements comply with the gross principle if assets and liabilities as well as income and expenses are each shown separately. Offsetting may only apply in objectively substantiated cases and if this does not result in a misleading presentation. A substantiated case occurs, if
- a Swiss GAAP FER Recommendation requires or allows offsetting and
- the economic substance of a transaction or an event is thereby reflected.

Definition of assets, liabilities and shareholders' equity

15 Assets originate from past transactions or events. They are tangible or intangible assets, controlled by the entity and of which the entity is likely to benefit for more than one period. The value of such assets must be determined reliably. If no sufficiently reliable estimate is possible, then the asset is a contingent asset.

16 Current assets are assets that
- are realised within 12 months after the balance sheet date, or are sold, consumed or realised within the operating life, or
- are held for trading, and
- cash and cash equivalents.

All other assets are non-current assets.

17 Liabilities originate from past transactions or events if a future cash outflow is probable (e.g. through the acquisition of goods and services, through liabilities from guarantees or from liability claims arising from rendered services). The amount needed to settle the liability must be determined or estimated reliably. If this is not possible, then there is a contingent liability.

18 Short-term liabilities are liabilities
- that are to be settled within 12 months after the balance sheet date, or
- for which a cash outflow is probable within the operating life, or
- which are held for trading.

All other liabilities are long-term liabilities.

19 Shareholders' equity is the sum of all assets less the sum of all liabilities.

20 Contingent assets and contingent liabilities are to be disclosed in the notes.

Inventories

Revised: 2012
Effective date: 1 January 2013

Recommendation

1 Inventories represent:
- goods held for sale in the ordinary course of business including work in progress and materials or supplies that are consumed in the production process or in the rendering of services
- services delivered but not billed yet.

2 Prepayments for inventories received from clients may be deducted from the carrying amount of the inventories if no right of clawback exists. Effected prepayments for the delivery of assets belonging to the inventories are to be recognised as inventories. Alternatively, a separate classification in the current assets is possible.

3 Inventories are measured at the lower of acquisition or production cost and fair value less cost to sell.

4 The acquisition or production cost of inventories comprise all direct and indirect expense required for making the inventories available at their present location and in their current condition (full cost).
Basically the determination of the acquisition and production cost of inventories is based on the actual cost incurred. The determination of the acquisition or production cost of inventories is measured for each item and project individually or by simplified valuation methods such as cost formulas (based on cost or consumption), standard cost, planned cost or the retail method. Similar items of inventories may be valued as a group.

5 The impairment of inventories to their lower fair value less cost to sell is charged to the result of the period. Impairments that are no longer necessary have to be reversed to the result of the period.

6 The balance sheet or the notes disclose for inventories:
- the breakdown of the carrying amount into further categories appropriate to the business activities
- the applied valuation methods and principles.

Explanations

ad paragraph 1

7 Whether goods are classified as inventories and thus as current assets (instead of fixed assets) is dependent on whether such assets are held for sale in the course of business of the entity.

8 Supplies that are only indirectly consumed in the production process of inventories (e.g. lubricant, fuel, other materials for consumption) may be classified as inventories, although they are not primarily held for sale. They are to be disclosed separately in the balance sheet or in the notes if the respective carrying amount is significant.

9 Spare parts for long life goods (e.g. spare parts for the aircraft or machinery industry) may be classified as fixed assets in some circumstances.

ad paragraph 2

10 Setting off the prepayments received from customers with the inventories is a substance over form approach. The inventories do not include items that (economically) are viewed as sold. Prepayments with a right of clawback may not be netted with inventories. Normally, the existence of a right of clawback is dependent on contractual agreements and such a right can be claimed particularly if the process of producing the good has not started yet.

11 The amount of any prepayment by customers netted with inventories has to be disclosed in the balance sheet using a separate column for the respective position or in the notes.

ad paragraph 3

12 Acquisition or production cost, on the one hand, and net market fair value less cost to sell, on the other hand, should be compared. The lower value between cost and market is to be applied for inventories.

13 The comparison is done on the basis of the individual valuation principle. Similar or equivalent items with the same percentage of completion may be valued on an aggregated basis provided the inventories are marketable. Work in progress and finished goods specifically produced upon client requests must be individually assessed using the individual valuation principle.

14 The starting point for the determination of the fair value less cost to sell is the prevailing market price. The normal sales price reductions, the distribution cost as well as the administration cost to be incurred have to be deducted from the actual market price.
For unfinished goods without a market price, the expected expenses required for the completion and the gross margin are to be deducted from the market price of the finished goods.
15 If sales contracts exist for inventories, the contract price is the basis for the comparison of the relevant quantity with the market value.
16 If acquisition or production cost exceed the fair value less cost to sell, impairments must be established to cover the amount of the variance.

ad paragraph 4

17 Purchase costs comprise the purchase price including incidental charges (e.g. for transportation, freight, unloading, duties, provisions etc.) less purchase price reductions (e.g. rebates, refunds etc.).
18 Settlement discounts (in the sense of a deduction for a quick payment) can be dealt with as a purchase price reduction or as financial income. The chosen principle has to be disclosed in the notes.
19 Production costs also comprise, besides the direct expense of the warehouse and the production department (including special direct expense), the general expenses for materials and production as well as the related administrative expense of the production department, regardless of whether they are considered to be variable cost or fixed cost.
20 Normal capacity is the basis for the calculation of indirect cost. Normal capacity is that which is achieved regularly during more than one period; idle time has to be deducted. Depreciation of tangible fixed assets should be based on realistic useful lives.
The recognition of borrowing cost may only be justified in special cases, mainly in connection with long-term construction contracts. Interest on equity may never be capitalised.
21 The weighted average formula is one of the cost formulas. Under this formula, the consumption and the closing inventory are valued at the average price of the opening inventory and of the additions. The average is calculated permanently or periodically (e.g. monthly based on the latest 30 days).
22 In order to ensure a valuation close to the market, cost formulas like first-in-first-out and similar forumlas are permitted. The last-in-first-out formula does not allow a valuation that is close to the market.
23 The application of the standard cost or planned cost method is allowed, if it results in a justifiable approximation to acquisition or production cost. The capacity used in the planning has to be reviewed periodically.

Government grants

Published: 2022
Effective date: 1 January 2024
(Earlier application is permitted.)

Recommendation

Definition

1 A government grant is compensation provided by a public institution for services provided or expenses incurred in the course of an entity's operating activities. Through this, the entity receives a specific economic benefit.

2 Government grants can be related to assets or related to income. Alternative names for government grants are, for example, contributions, allowances, compensation, financial assistance, premiums or subsidies.

Recognition, valuation and disclosure

3 Government grants are recognised when there is reasonable assurance that the entity complies with any conditions attached to the grant and the value can be estimated reliably.

4 Government grants related to assets must either be offset against the asset or allocated to deferred income. In the year of initial recognition, government grants related to assets must be presented separately in the statement of changes in fixed assets or elsewhere in the notes if they are offset (net method). The deferred income is recognised in profit or loss over the useful life of the asset.
Non-monetary government grants related to assets (e.g. land) must be measured at fair value at the time of initial recognition.

5 Government grants related to income must be recognised in profit or loss according to plan over the periods in which the entity recognises the related expenses.
They are presented in the income statement either separately or under the heading 'Other operating income'. In objectively justified cases and if doing so does not result in a misleading presentation, government grants may be offset against the corresponding expenses.

Repayment obligations

6 If, contrary to the original assumption, a government grant becomes repayable, this fact must be accounted for as a change in accounting estimate.

Presentation in the cash flow statement

7 Government grants related to income are part of the cash flow from operating activities and must be presented separately in the cash flow statement or in the notes. Government grants related to assets and any related repayments must be presented as gross amounts in the cash flow from investing activities.

Disclosure

8 An entity must disclose the accounting principles applied in regard to government grants in the notes to the financial statements. The following information must also be disclosed:
- the nature and extent of the recognised government grants;
- the fair value of non-monetary government grants related to income, where such value can be measured;
- notes on government grants related to assets or related to income whose value cannot be measured;
- information about other forms of government grants which provide a benefit to the entity, such as guarantees or the interest component of subsidised loans;
- information about conditions that are yet to be fulfilled, other contingencies and repayment obligations in connection with government grants.

Explanations

ad paragraph 1

9 Compensation for services or expenses can be direct or indirect. Compensation is indirect when it is passed on through one or more intermediary entities (e.g. forwarded payments).

10 Government grants can be monetary or non-monetary. Non-monetary government grants are, for example, the provision of land, reduced rents or guarantees.

11 Benefits provided in the form of or effects resulting from taxes, government charges or levies do not fall within the scope of this recommendation.

ad paragraph 2

12 Government grants related to assets are government grants whose primary condition is that the entity should purchase, construct or otherwise acquire long-term assets in order to qualify for them.

13 Government grants related to income are government grants other than those related to assets. This also includes the interest component of subsidised loans.

ad paragraph 3

14 Receipt of a government grant does not in itself provide conclusive evidence that the conditions attached to the government grant have been fulfilled.

ad paragraph 4

15 Deferred income can be both short-term and long-term. Where appropriate, a designation other than deferred income can be used.

16 Government grants must be recognised in the same period as the related expenses. The deferred income from government grants related to assets is recognised in profit or loss over the useful life of the asset as a reduction of the depreciation charges. Alternatively, it can also be disclosed separately as income from government grants related to assets.

17 When measuring the fair value of non-monetary government grants, explanations regarding the bases used to determine the fair values must be provided in the notes.

18 Due to the special characteristics of the activities of charitable non-profit organisations which apply Swiss GAAP FER 21, for these entities, government grants related to assets are recognised and disclosed in accordance with the provisions of Swiss GAAP FER 21.

ad paragraph 5

19 Due to the special characteristics of the activities of charitable non-profit organisations which apply Swiss GAAP FER 21, for these entities, government grants related to income are recognised and disclosed in accordance with the provisions of Swiss GAAP FER 21.

20 Where government grants are presented as net amounts in the income statement, the gross amounts must be disclosed in the notes.