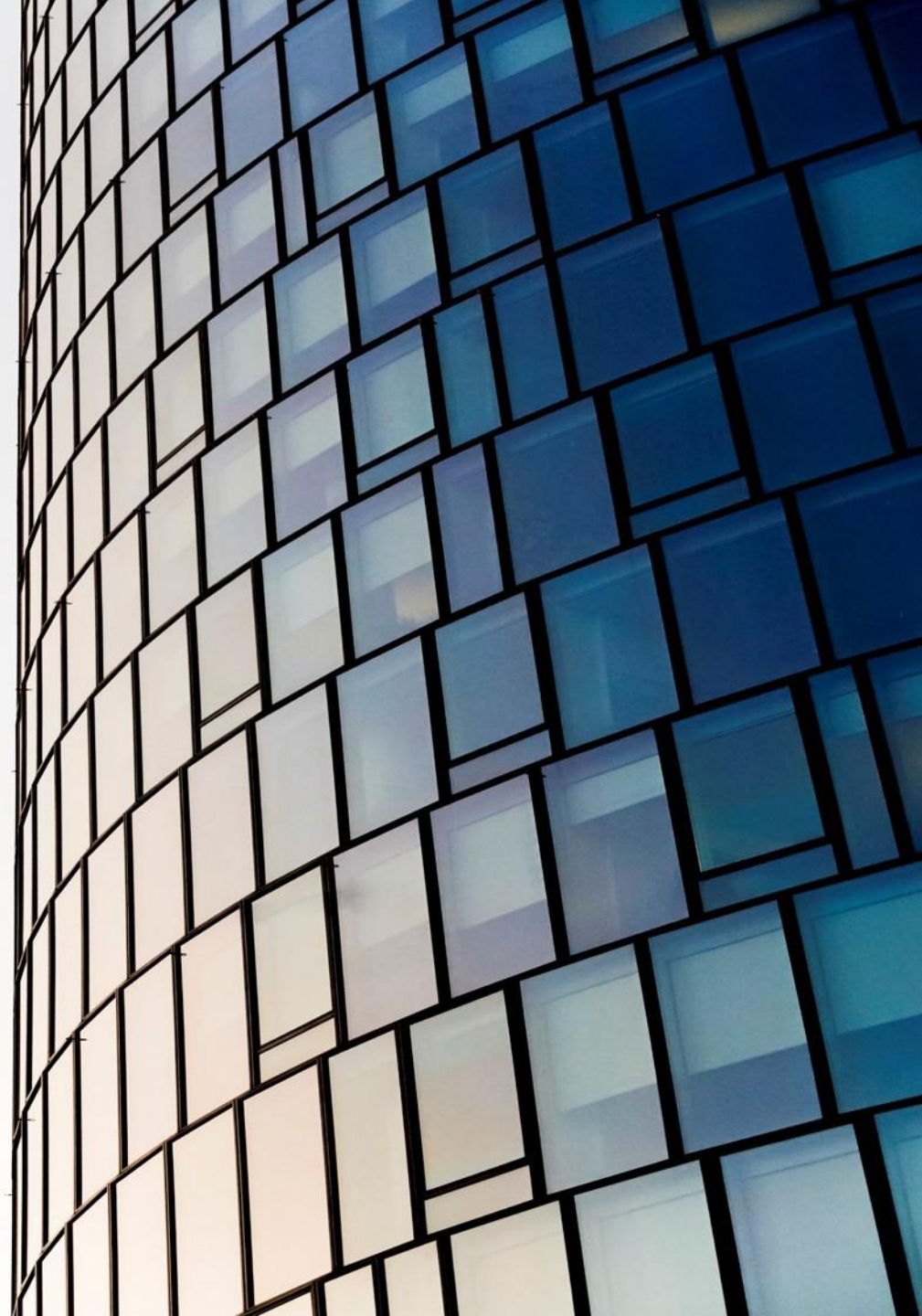


# Ind AS 102

## Share Based Payments

May 2017

---



# Agenda

---



---

## Definitions

---

The 3 basic types

---

Scope and classification

---

Equity-settled SBP with employees

---

Cash-settled SBP with employees

---

Groups

---

# Definition: SBP arrangement

---

An agreement between the entity and another party that entitles the other party to receive:

Cash or other assets based on the value of equity instruments of the entity or another group entity

or

Equity instruments of the entity or another group entity

# Definition: SBP transaction

---

A transaction in which the entity:

Receives goods / services  
from a supplier / employee in  
an SBP arrangement

or

Incurs obligation to settle  
transaction with supplier /  
employee when another  
group entity receives  
the goods / services

# Common types of SBP transaction

---

## **Share option**

A contractual right, but not an obligation, to buy an entity's shares at a fixed price for a fixed time period

## **Share granted**

Evidences a residual interest in an entity after deducting all its liabilities

## **Employee share purchase plan (ESPP)**

Employees pay a % of salary to the entity to buy shares at a discount

## **Share appreciation right (SAR)**

Arrangement gives employee right to receive a cash payment typically based on increases in value of the entity's share price

# Agenda

---



---

Definitions

---

**The 3 basic types**

---

Scope and classification

---

Equity-settled SBP with employees

---

Cash-settled SBP with employees

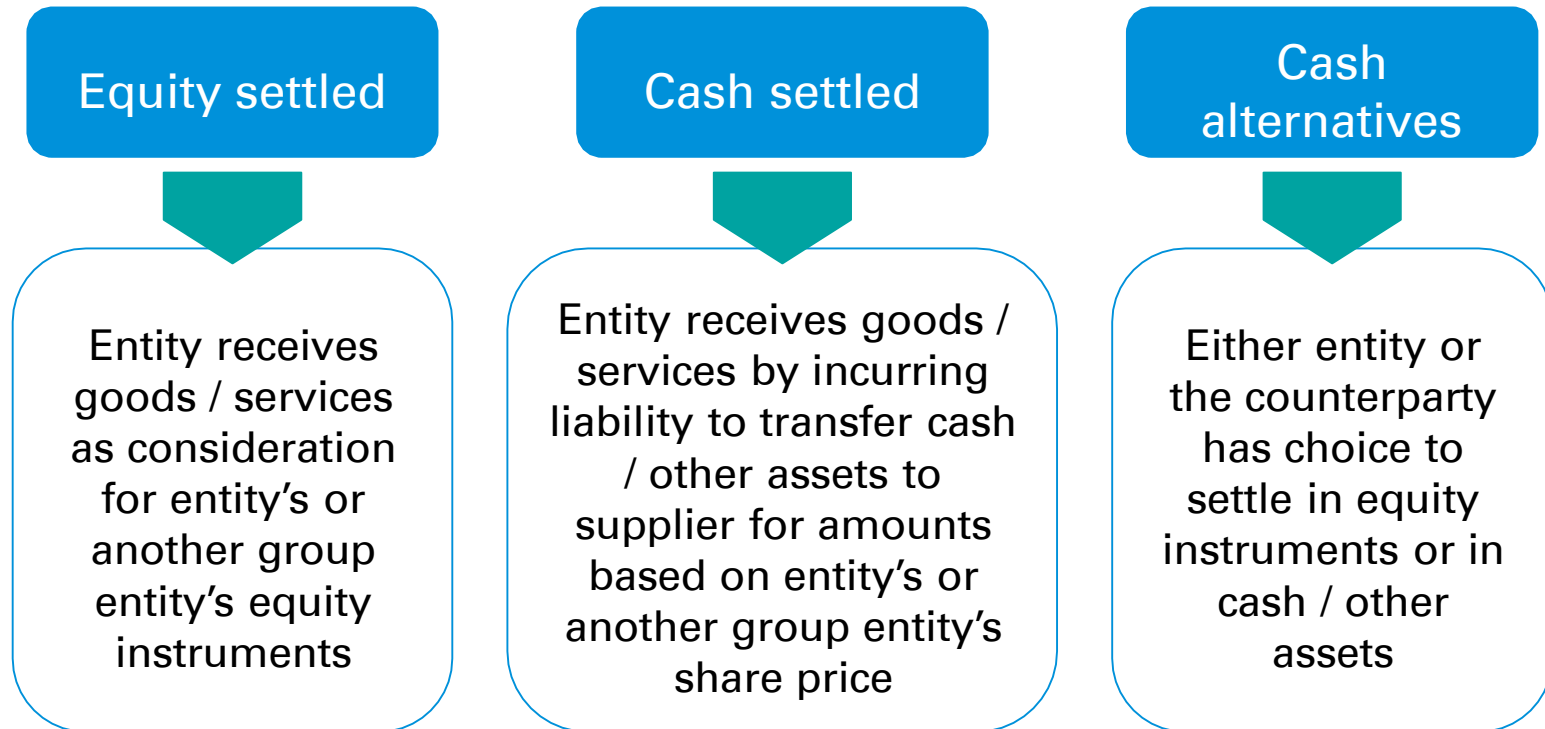
---

Groups

---

# Three basic types of SBP arrangement

---



# Employees vs non-employees

---





# Agenda

---



Definitions

---

The 3 basic types

---

**Scope and classification**

---

Equity-settled SBP with employees

---

Cash-settled SBP with employees

---

Groups

---

# In the scope of Ind AS 102

---

Grants to employees, and others providing similar services

Grants to non-employees, e.g. consultants, suppliers

Employee share purchase plan (ESPP)

Certain SBPs settled by a group entity or an external shareholder of the same group

# Outside the scope of Ind AS 102

---

Equity instruments issued as consideration in a business combination

Commodity contracts that can be settled in cash or in other financial instruments and are accounted as financial instruments (not for own use)

# Classification

---

Classified as either equity settled or cash settled

Accounting requirements for each type differ significantly

Cash alternative at choice of counterparty:  
compound instrument and generally cash-settled accounting  
applies

Cash alternative at choice of entity:  
generally depends on entity's intention

# A question for you: Classification

---

- On 1 January Year 1 Lila-Tech grants employees 100 options with a 3-year service condition and L\$ 10 strike price
- On 31 December Year 4 the share price is L\$ 20
- Employees have the option to either:
  - Pay L\$ 1,000 and receive 100 shares worth L\$ 2,000
  - Receive 50 shares for no consideration by forfeiting all 100 options

**Should Lila-Tech classify this SBP arrangement as equity settled or cash settled?**

# Answer: Classification

---

Lila-Tech has granted to its employees an option that allows the employees to receive a varying amount of equity instruments based on whether or not they choose to pay the strike price to Lila-Tech. As the arrangement is only settled in shares, it is an equity-settled SBP arrangement.



# Agenda

---



Definitions

---

The 3 basic types

---

Scope and classification

---

**Equity-settled SBP with employees**

---

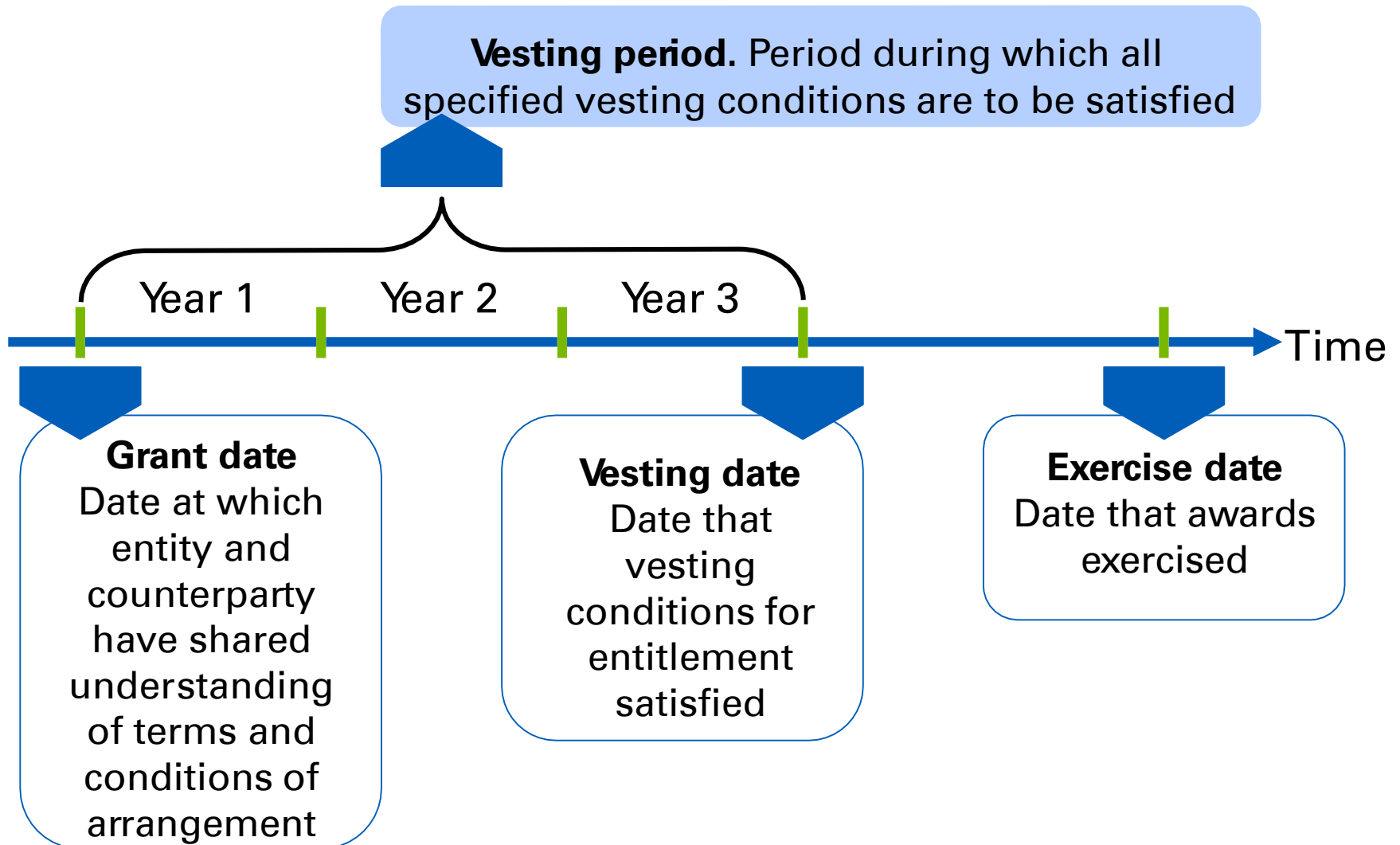
Cash-settled SBP with employees

---

Groups

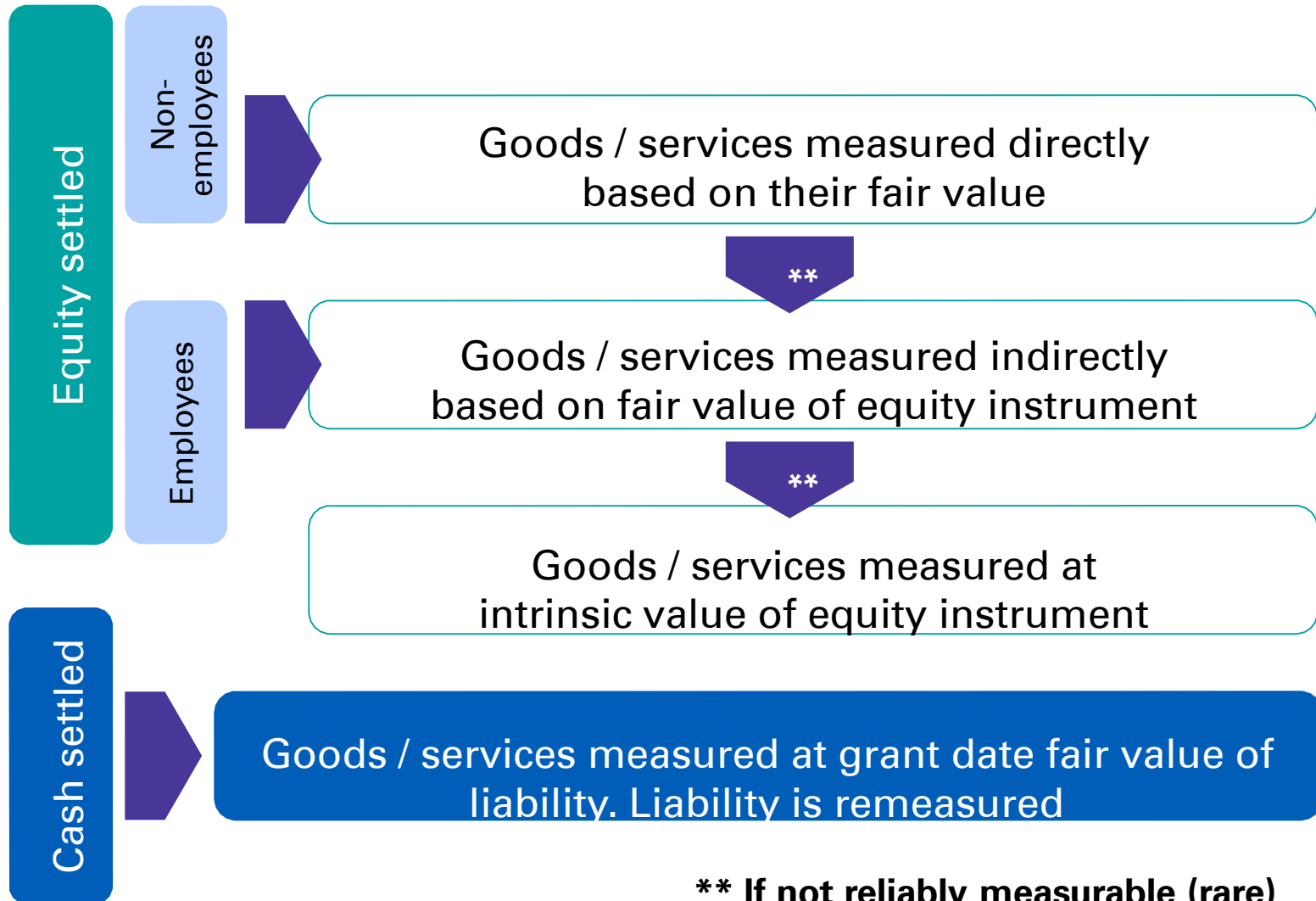
---

# Timeline of a share option award





# General measurement principles



# Equity-settled general recognition principles

---

## Debit

- Recognise goods / services received when goods obtained / services received
- When goods / services do not qualify for recognition as assets, expense is recognised

- Corresponding increase in equity recognised

## Credit

# Agenda

---



Definitions

---

The 3 basic types

---

Scope and classification

---

Equity-settled SBP with employees

---

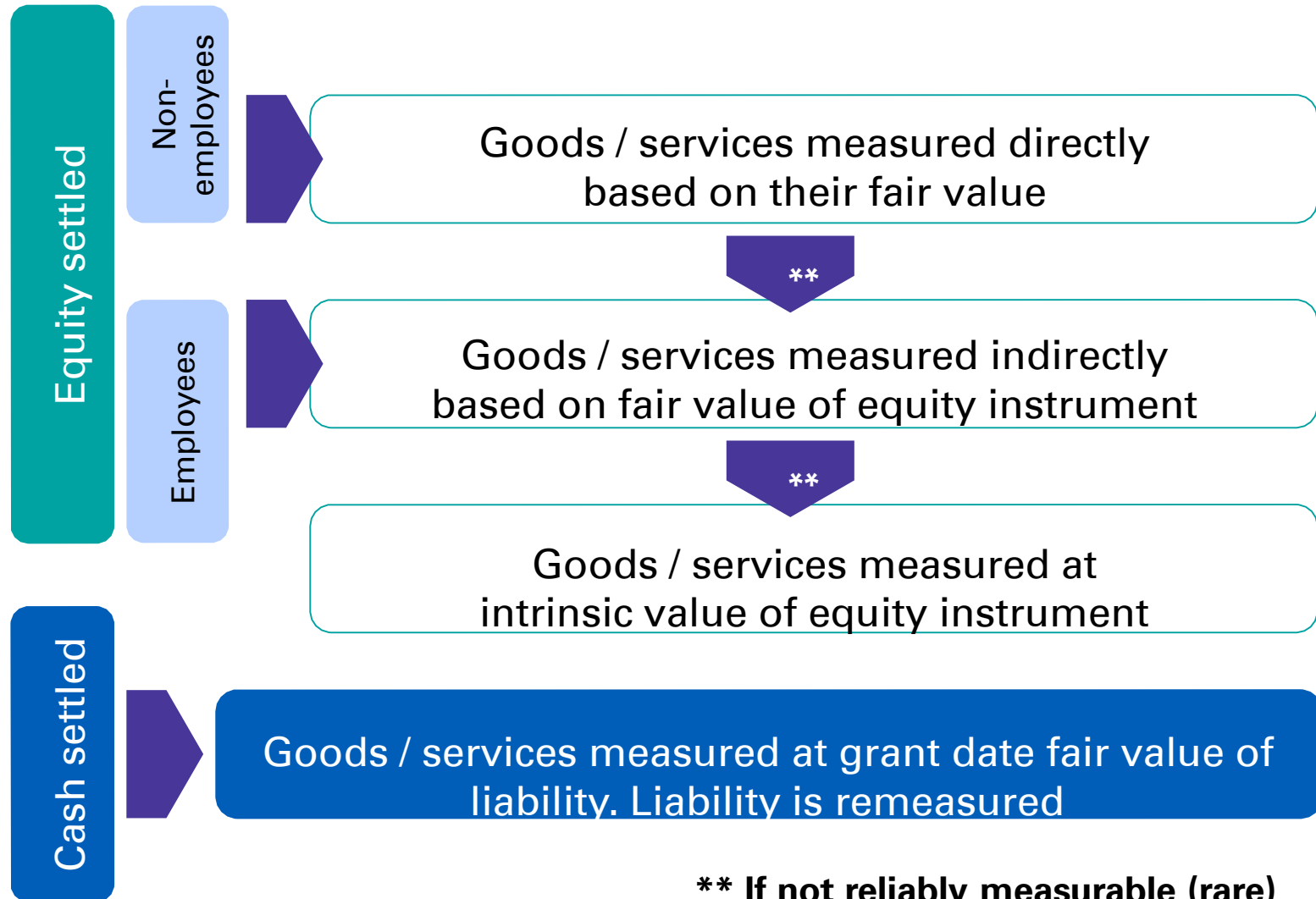
**Cash-settled SBP with employees**

---

Groups

---

# General measurement principles



# Cash-settled general recognition principles

---

## Debit

- Recognise goods / services received when goods obtained or services received
- When the goods / services do not qualify for recognition as assets, expense is recognised

- Corresponding liability recognised for obligation to pay cash / other assets
- Liability remeasured to fair value at each reporting date (in profit or loss)

## Credit

# Agenda

---



---

Definitions

---

The 3 basic types

---

Scope and classification

---

Equity-settled SBP with employees

---

Cash-settled SBP with employees

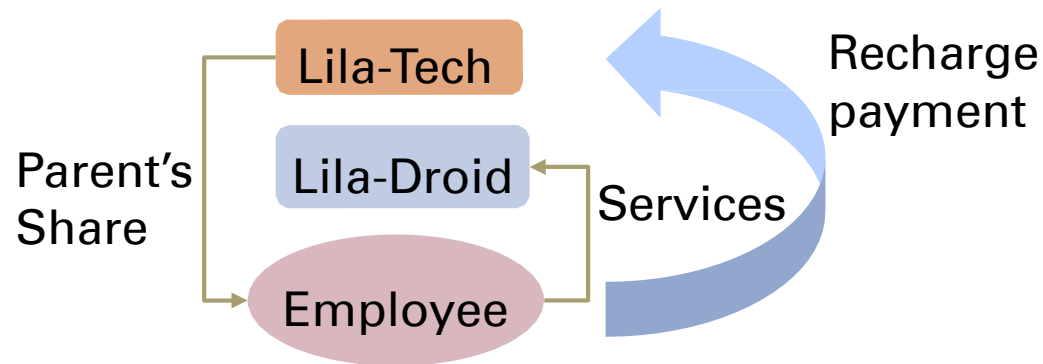
---

**Groups**

---

# Groups and recharge arrangements

Group entity receiving goods / services (receiving entity) may be different from group entity incurring obligation to settle payment (settling entity)



Lila-Tech may require Lila-Droid to reimburse it for settling (recharge arrangement)

Lila-Droid reflects SBP transaction in its financial statements

**Lila-Tech is settling entity**

**Lila-Droid is receiving entity**

GAAP Comparison

Ind AS Vs Existing GAAP



# Key differences between IGAAP & Ind AS 102

Guidance note on share based payment	Ind AS 102 – Share Based Payment
<b>Coverage</b>	
Guidance Note - deals only with accounting for Employee Share-based Payments	<p>Ind AS 102 deals with accounting for all types of Share-based Payments including the Employee Share-based Payments</p> <p>Ind AS 102, provides detailed guidance on Share- based payment to non- employees.</p> <p>For equity settled share-based transactions with non- employees, goods and services received and the corresponding increase in equity is measured at the fair value of the goods and services received. If the fair value of the goods and services cannot be estimated reliably, then the value is measured with reference to the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.</p>

# Key differences between IGAAP & Ind AS 102

Guidance note on share based payment	Ind AS 102 – Share Based Payment
<b>Method of accounting</b>	
Guidance note recommends fair value method but permits the intrinsic value method with fair value disclosures, as an alternative	Ind AS 102 requires only the fair value method; except, in rare cases, where the fair value cannot be estimated reliably in which case the intrinsic value method is followed
<b>Share or stock options expired unexercised</b>	
Compensation expense previously recognised (balance standing to the credit of the relevant equity account) to be transferred to general reserve	Ind AS 102 - expressly prohibits the reversal of compensation expense recognised previously. However, the transfer of the amount from one component of equity (i.e. the shareholders' funds) to another is permitted



- 1) SBP transactions can be with employees and non-employees
- 2) SBP transactions are based on share price
- 3) Equity vs cash settled: obligation to pay cash / other assets
- 4) Equity settled: goods / services measured at grant date fair value of equity instrument
- 5) Cash settled: goods / services measured at grant date fair value of liability. Liability remeasured
- 6) SBPs with cash alternative at entity's choice: classification based on intent
- 7) Subsidiary has to account when parent grants SBP to employees of the subsidiary

# Thank You

*Presented by :*

Shabbir Readymadewala