IND AS 102: SHARE BASED PAYMENT

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Objective & Scope:

Objective:

Specify the financial reporting by an entity when it undertakes a share based payment transaction.

Scope:

This standard is applicable to entity in accounting for all share-based payment transactions, whether or not the entity can identify specifically some or all of the goods or services received, including:

- Equity-settled share based payment transactions
- Cash-settled share based payment transactions
- Transactions in which the entity receives or acquires goods or services and the terms of the arrangement provide either the entity or the supplier of those goods or series with a choice of whether the entity settles the transaction in cash (or other assets) or by issuing equity instruments.

* Goods includes inventories, consumables, property, plant and equipment, intangible assets and other non-financial assets.

Exceptions to the Standard:

Does not apply to transactions in which:

- Entity acquires goods as part of the net assets acquired in a business combination as defined by IND AS 103, Business Combinations, in a combination of entities or businesses under common control as described in Appendix C of IND AS 103;
- The contribution of a business on the formation of a joint venture as defined by IND AS 111, Joint Arrangements

Recognition:

- An entity shall recognize the goods or services received or acquired in a share based payment transaction when it obtains the goods or as the services are received. The entity shall recognize a corresponding increase in equity if the goods or services were received in an equity settled share based payment transaction, or a liability if the goods or services were acquired in a cash settled share based payment transaction (Refer Case Study:1a & 1b)
- When the goods or services received or acquired in a share based payment transaction do not qualify for recognition as asset, they shall be recognized as expenses.

Equity–settled share based payment transaction:

- For equity settled share based payment transactions, the entity shall measure the goods or services received and the corresponding increase in equity, directly, at the fair value (FV) of the goods or services received, unless that fair value cannot be estimated reliably.
- If the entity cannot estimate reliably the FV, it can measure by reference to the FV of the equity instruments granted.

Definition of vesting conditions:

Does the condition determine whether the entity receives the services that entitle the counterparty to the share based payment?

No

Non vesting condition

Yes

Does the condition require only a specified period of service to be completed?

Yes

Service condition

No

Performance condition

Transactions in which services are received

- If the equity instruments granted *vest* immediately, the counterparty is not required to complete a specified period of service before becoming unconditionally entitled to those equity instruments.(Refer Case Study: 2, 3 & 4)
- In this case, on grant date the entity shall recognize the services received in full, with a corresponding increase in equity.
- If the equity instruments granted do not vest until the counterparty completes a specified period of service, the entity shall presume that the services to be rendered by the counterparty as consideration for those equity instruments will be received in the future, during the *vesting period*.
- The entity shall account for those services as they are rendered by the counterparty during the vesting period, with a corresponding increase in equity

Transactions measured by reference to the fair value of the equity instruments granted

- For transactions measured by reference to the fair value of the equity instruments granted, an entity shall measure the fair value of equity instruments granted at the *measurement date*, based on market prices. (Refer Case Study:5 & 6)
- If market prices are not available, the entity shall estimate the fair value of the equity instruments granted using a valuation technique to estimate what the price of those equity instruments would have been on the measurement date in an arm's length transaction between knowledgeable, willing parties.

If the fair value of the equity instruments cannot be estimated reliably:

An entity recognizes an asset or expense and a corresponding increase in equity:

- On grant date if there is no vesting conditions or if the goods or services have already been received (Refer Case Study: 9)
- As the services are rendered in non-employee services are rendered over a period
- Over the vesting period for employee and share based payment transactions where there is a vesting period. On vesting date the amount recognized is the exact number of securities that can be issued as of that date measured by the fair value of those securities at grant date.

Cash–settled share based payment transaction:

- For cash settled share based payment transactions, the entity shall measure the goods or services acquired and the liability incurred at the FV of the liability. Until the liability is settled, the entity shall re-measure the FV of the liability at the end of each reporting period and at the date of settlement, with any changes in FV recognized in profit/loss for the period.

Share based payment transactions with cash alternatives:

- For share based payment transactions in which terms of the arrangement provide either the entity or the counter party with the choice of whether the entity settles the transaction in cash or by issuing equity instruments, the entity should account that transaction as **a cash settled share based payment transaction**, if the entity has incurred liability to settle in cash or other assets. If no such liability is incurred it should be **equity settled share based payment transaction. (Refer Case Study: 7 & 8)**

Disclosures:

An entity shall disclose atleast the following:

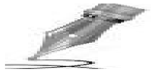
- A description of each type of share based payment arrangement that existed at any time during the period, including the general terms and conditions of each arrangement,
- The number and weighted average exercise prices of share options for each of the following groups of options:
  - outstanding at the beginning of the period
  - granted during the period
  - forfeited during the period
  - exercised during the period
  - expired during the period
  - outstanding at the end of the period
  - exercisable at the end of the period

- For share options exercised during the period, the weighted average share price at the date of exercise.
- For share options outstanding at the end of the period, the range of exercise prices and weighted average remaining contractual life.
- An entity shall disclose information that enables users of the financial statements to understand how the FV of the goods or services received or the FV of the equity instruments granted, during the period was determined.

Summary of conditions for a counter party to receive an equity instrument granted and of accounting treatments:

	Vesting Conditions			Non Vesting Conditions		
	Service Conditions	Performance Conditions				
		Performance Conditions that are market conditions	Other performance conditions	Neither the entity nor the counter party can choose whether the condition is met	Counterparty can choose whether to meet the conditions	Entity can choose whether to meet the conditions
Example conditions	Requirement to remain in service for three years	Target based on the market price of the entity's equity instruments	Target based on a successful initial public offering with a specified service requirement	Target based on a commodity index	Paying contributions towards the exercise price of a share- based payment	Continuation of the plan by entity
Include in grant date fair value?	No	Yes	No	Yes	Yes	Yes
Accounting treatment if the condition is not met after the grant date and during the vesting period	Forfeiture. The entity revises the expense to reflect the best available estimate of the number of equity instruments	No change to accounting. The entity continues to recognize the expense over the remainder of the vesting period.	Forfeiture. The entity revises the expense to reflect the best available estimate of the number of equity instruments expected to vest.	No change to accounting. The entity continues to recognize the expense over the remainder of the vesting period.	Cancellation. The entity recognizes immediately the amount of the expense that would otherwise have been recognized over the remainder of the vesting period.	Cancellation. The entity recognizes immediately the amount of the expense that would otherwise have been recognized over the remainder of the vesting period.

THANK YOU!



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