



SUPPLEMENTARY

IND AS 102

PAPER - 17



INDIAN ACCOUNTING STANDARD (Ind AS)

Ind AS 102 : Share Based Payment

1. What is a share based payment transaction?

It is a **transaction** based on a **share based payment arrangement**.

Transaction here means receiving goods or services from other party (supplier, including an employee) or incurring liabilities (to pay cash to the other party, for example).

Share-based payment arrangement is an agreement which entitles the other party to receive equity instruments (such as shares) or cash based on the value of the equity instruments of the entity. The equity instruments exchanged could also be those of the entity's parent company (or those of any other member within the same group of entities).

Thus, a share-based payment transaction is a transaction in which the entity

- (a) receives goods or services from the supplier of those goods or services (including an employee) in a **share-based payment arrangement**, or
- (b) incurs an obligation to settle the transaction with the supplier in a **share-based payment Arrangement**.

The most traditional case of share based payments is issuing shares to the employees in exchange of their service (financial accounting and reporting of which were guided by Guidance Note of the ICAI). Under Ind AS, accounting for all types of shared-based payment transactions is prescribed by Ind AS 102, including those with employees, suppliers and customers.

2. Objective:

The objective of this Standard is to specify the financial reporting by an entity when it undertakes a share-based payment transaction.

In particular, it requires an entity to reflect in its profit or loss and financial position the effects of share-based payment transactions, including expenses associated with transactions in which share options are granted to employees.

3. Scope:

Apply this Standard 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:

- a) Equity-settled share-based payment transactions,
- b) Cash-settled share-based payment transactions, and
- c) 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 services with a choice of whether the entity settles the transaction in cash (or other assets) or by issuing equity instruments.

This standard does not apply to transactions forming part of business combination under Ind AS 103 or joint venture under Ind AS 111

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4. Recognition:

4.1. An entity shall

- a) Recognise the goods or services received or acquired in a share-based payment transaction when it obtains the goods or as the services are received and
- b) Recognise 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**.

4.2. When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they shall be recognised as expenses.

[Share based payment transactions among group entities are discussed later in para 5]

4.3. Equity-settled share-based payment transactions (meaning and measurement):

4.3.1. Meaning:

It is a **share-based payment transaction** in which the entity

- (a) receives goods or services as consideration for its own **equity instruments** (including shares or **share options**), or
- (b) receives goods or services but has no obligation to settle the transaction with the supplier (transactions among group entities).

4.3.2. Measurement:

- a) The entity measures the goods or services received, and the corresponding increase in equity, directly, at the **Fair Value (FV)** of the goods or services received (at the measurement date). If the entity cannot estimate reliably the FV of the goods or services received, measure their value, and the corresponding increase in equity, indirectly, by reference to the FV of the equity instruments granted (at the grant date).

For transactions with employees and others providing similar services, the entity shall measure the fair value of the services received by reference to the fair value of the equity instruments granted, because typically it is not possible to estimate reliably the fair value of the services received.

If the equity instruments granted vest immediately, on grant date the entity shall recognise 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.

4.4. Cash-settled share-based payment transaction:

4.4.1. Meaning:

A **share-based payment transaction** in which the entity acquires goods or services by incurring a liability to transfer cash or other assets to the supplier of those goods or services for amounts that are based on the price (or value) of **equity instruments** (including shares or **share options**) of the entity or another group entity.

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4.4.2. Measurement:

The entity measures the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the entity shall remeasure the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

4.5. Share-based payment transaction with choice of alternatives:

Where the terms of the arrangement provide the entity or the counter party with the choice of whether the entity settles the transaction in cash (or other assets) or by issuing equity instruments, the entity shall account for that transaction as a cash-settled share-based payment transaction if, and to the extent that, the entity has incurred a liability to settle in cash or other assets, or as an equity-settled share-based payment transaction if, and to the extent that, no such liability has been incurred.

5. Share based payment transactions among group entities:

The entity in a group receiving the goods and services shall measure them as equity settled if it has no obligation to settle (issue of equity or incurring liability for cash arises to other entity in the group). The entity in a group settling the transaction shall recognize the transaction as equity settled if it is settled by issue of its own shares.

6. Accounting:

6.1. For equity settled transaction:
Expense/ Asset Dr. and Equity Cr.

6.2. For cash settled transaction:
Expense/Asset Dr. and Liability/ Asset Cr.

7. Disclosure:

7.1. The entity is required to disclose information that enables users of the Financial Statements to understand the nature and extent of share-based payment arrangements that existed during the period.

7.2. An entity shall disclose at least the following:

- a) 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,
- b) 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

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- c) 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.
- d) 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.

8. Illustrations:

- a) **D Ltd. offers shares to its employees as bonus for meeting a target. Is it a share based payment transaction? Is it equity settled or cash settled?**

Ans: Yes. It is equity settled share based payment transaction as D issues its own shares against receiving of services from the employees.

- b) **Mr. Z is granted share options conditional upon completing 2 years' service. How is the transaction recognised?**

Ans: The transaction will be recognized as equity-settled share based payment transaction. The services from the employee will be assumed to be rendered in future during the vesting period. In each financial statements falling in the vesting period the fair value of the share options as on the grant date will be recognized in proportion of the period expired to the total vesting period.

- c) **Mr. X is an employee of P Ltd. and also holder of equity shares of P. P makes a right issue on equity and X receives his right. Is it a share based payment transaction?**

Ans: No. For the purpose of this standard, a transaction with an employee or other party in his/her capacity as a holder of equity instruments of the entity is not a share based payment transaction.

- d) **D Ltd. grants 10 share appreciation rights to Q, an employee, entitling him to receive cash payment for the increase in quoted price of D's shares from the exercise price of ₹ 500 per share after 3 years. How the transaction should be recognized if it is assumed for a) for his past service, b) for his service in future 3 years?**

Ans: The transaction should be recognized as cash settled share based payment transaction. a) For past service, the entity shall recognise immediately the services received and a liability to pay for them at fair value of the rights on the grant date. b) For future service transaction will be recognized in the financial statements at fair value of the rights on the grant date proportionate to the period expired to total vesting period.

- e) **Z Ltd. grants 100 share options to each of its 400 employees conditional on their continuing in service for 3 years. Fair value of share option on the grant date is ₹ 25.**

a) **Is there any share based payment transaction as per Ind AS 102?** Yes.

b) **Is the transaction equity settled or cash settled?** Equity settled.

c) **At what value the transaction will be recognized?** At fair value on the Grant date.

d) **When will the transaction be recognized?** In future at the time of Financial reporting in every relevant year proportionately to services received.