

IFRS Briefing Sheet

Exposure Draft of *Proposed Amendments to IFRS 2 Share-based Payment and IFRIC 11 IFRS 2 – Group and Treasury Share Transactions – Group Cash-settled Share-based Payment Transactions*

December 2007, **Issue 80**

This IFRS Briefing Sheet summarises the International Accounting Standards Board's (IASB) Exposure Draft (ED) of *Proposed Amendments to IFRS 2 Share-based Payment and IFRIC 11 IFRS 2 – Group and Treasury Share Transactions – Group Cash-settled Share-based Payment Transactions*, which was published on 13 December 2007.

This ED proposes requiring attribution of cash-settled share-based payments granted by a parent (or another entity in the group) to suppliers of goods and services (including employees) of a subsidiary, in the financial statements of the subsidiary.

Background

IFRS 2 requires an entity to recognise, as share-based payment transactions, transfers of *equity instruments* of an entity, its parent or another group entity, granted by the parent or another shareholder to parties that have supplied goods or services to the entity (group equity-settled share-based payment arrangements).

IFRIC 11 clarifies the accounting for group *equity-settled* share-based payment arrangements in the separate financial statements of a subsidiary, or

essentially the entity that receives the goods or services.

However, neither IFRS 2 nor IFRIC 11 determines whether group *cash-settled* share-based payment arrangements should be attributed to the entity that receives the goods or services.

The purpose of the proposed amendments is to provide guidance on how group cash-settled share-based payment arrangements should be accounted for in the separate financial statements of a subsidiary.

Proposed Amendments

The proposed amendments to IFRS 2 clarify that the entity that receives the goods or services from suppliers would apply IFRS 2, even if the entity has no obligation to make the required share-based cash payments related to such goods or services. The ED proposes attribution of group cash-settled share-based payments in the financial statements of the entity receiving the goods or services, similar to the treatment for group equity-settled share-based payment arrangements.

The proposed amendments to IFRIC 11 specify that the entity receiving the goods or services would measure the goods or services in accordance with the requirements applicable to cash-settled share-based payment arrangements in IFRS 2. In

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addition, if a parent has an obligation to make the required cash payment to the employees of its subsidiary, then the subsidiary would measure the services on the basis of the fair value of the corresponding liability incurred by the parent and recognise any changes in the fair value of that liability in profit or loss.

Effective Date

The ED does not propose an effective date but does propose to permit early adoption of the final amendments to the standard and the interpretation.

Response to the IASB

The IASB has invited comments on the ED by 17 March 2008.

If you would like further information on any of the matters discussed in this issue of *IFRS Briefing Sheet*, please talk to your usual local KPMG contact or call any of KPMG firms' offices.

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