



Accounting Standards Board

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Dear Stig

Exposure Draft of proposed amendment to IFRS 2 *Share-based Payment* - Group cash-settled share-based payment transactions

Thank you for allowing us the opportunity to comment in the draft comment letter to the IASB regarding the above exposure draft. I attach to this letter a copy of the response that the ASB has sent to the IASB.

The ASB supports the proposed amendment and considers that it should be confirmed as soon as possible to clarify the application of the standard. It does not agree with the comments made by EFRAG in the draft comment letter, as set out in appendix to this letter.

Should you have any questions regarding the proposals please do not hesitate to contact Simon Peerless or myself.

Yours sincerely

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Appendix

Question 1 – Specifying how a subsidiary that receives goods or services from its suppliers (including employees) should account for cash-settled share-based payment arrangements described in new paragraph 3A of IFRIC 11

The proposed amendments specify that:

- (a) in the financial statements of a subsidiary that receives goods or services from its suppliers under the arrangements described in new paragraph 3A of IFRIC 11, the subsidiary should apply IFRS 2 to account for the transactions with its suppliers. In other words, in the financial statements of the subsidiary, such cash-settled share-based payments are within the scope of IFRS 2 (see new paragraph 3A of IFRS 2 and new paragraph 11A of IFRIC 11); and*
- (b) the subsidiary should measure the goods or services received from its suppliers in accordance with the requirements applicable to cash-settled share-based payment transactions, as set out in IFRS 2 (see new paragraph 11B of IFRIC 11).*

Do you agree with the proposals? If not, why?

Scope

We consider that the amendment should be confirmed as soon as possible, to clarify the application of IFRS 2. Although we agree with EFRAG that a more principled approach might have been preferable, we think that given the need to address this issue (arising out of requests sent to IFRIC) quickly the proposed amendment should be supported.

We do not agree with concern in the draft EFRAG response that group arrangements with a choice of settlement do not appear to be covered by the amendment and should be addressed; in our view, the general intention is now clear and that adding further rules is likely merely to overcomplicate the standard.

We also disagree with EFRAG's suggestion that the IASB should clarify the accounting treatment in the financial statements of the parent company. Although we agree that the credit will not be a capital contribution in all cases, we consider that preparers and auditors will have no real difficulty in deciding on the accounting treatment appropriate to their particular circumstances, and the addition of further rules trying to anticipate all potential arrangements is more likely to cause new contradictions and uncertainties than be helpful.

Accounting for the arrangements – measuring the goods or services received

We do not agree with the point set out in the EFRAG draft response in paragraphs 13 to 15. Although the principle underlying IFRS 2 (as set out in BC66 of the original standard) is to measure the fair value of the goods or services received, the practicalities resulted in a requirement to use measurement of the liability incurred as a proxy for this. The proposed amendment extends this to using the measurement of the liability incurred by the parent as a proxy for the value of the goods or services received by the subsidiary; since the two group companies enter into the agreement with the supplier on an arm's length basis, we see no reason why this is not an appropriate approach.

Are the arrangements always a capital contribution?

As noted above, we agree that the arrangements may not always be a capital contribution, but believe that additional rules and guidance are more likely to add further uncertainties and contradictions than to prove helpful.

Question 2 - Transition

The proposed amendments to IFRS 2 and IFRIC 11 would be required to be applied retrospectively, subject to the transitional provisions of IFRS 2.

Do you agree with the proposal? If not, what do you propose and why?

We agree with the concern in the draft EFRAG letter that it needs to be clarified that the transitional requirements of IFRS 2 apply to these arrangements, by changing paragraph 25C of IFRS 1 to read 'liabilities arising from transactions within the scope of IFRS 2'