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Att.: Ms Francoise Flores

By e-mail: Commentletters@efrag.org

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Dear Ms. Francoise Flores,

Exposure Draft ED/2014/5 – Classification and Measurement of Share-based Payment Transactions: Proposed amendments to IFRS 2

The Danish Accounting Standards Committee set up by FSR – danske revisorer has considered EFRAG's Draft Comment Letter. We generally support the EFRAG Draft Comment Letter. In our opinion, IASB should not continue making minor *ad hoc* adjustments to IFRS 2. It would be better to initiate a complete overhaul of IFRS 2.

We have the following comments to the questions raised in the Exposure Draft and in the question to constituents in EFRAG's DCL:

Question 1
The IASB proposes to clarify that the accounting for the effects of vesting and non-vesting conditions on a cash-settled share-based payment should follow the approach used for equity-settled share-based payments in paragraphs 19–21A of IFRS 2.

Do you agree? Why or why not?

FSR comments: We agree with the clarification. We would assume that you could achieve the same result by interpreting the current requirements. Apart from our general remarks above, we have no objections to have the clarification. Maybe the issue could be solved by Annual Improvements.

Question 2
The IASB proposes to specify that a share-based payment transaction with employees in which the entity settles the share-based payment arrangement net by withholding a specified portion of the equity instruments to meet the statutory tax withholding obligations should be classified as equity-settled in its entirety. This is required if the entire share-based payment transaction would otherwise have been classified as an equity-settled share-based payment transaction if it had not included the net settlement feature.

Do you agree? Why or why not?

FSR comments: We agree with the proposed clarification, since we have heard that the issue has been raised in some jurisdictions.

Question 3

The IASB proposes to specify the accounting for modifications to the terms and conditions of a cash-settled share-based payment transaction that results in a change in classification from cash-settled to equity-settled. The IASB proposes that these transactions should be accounted for in the following manner:
(a) the share-based payment transaction would be measured by reference to the modification date fair value of the equity instruments granted as a result of the modification;
(b) the liability recognised in respect of the original cash-settled share-based payment should be derecognised upon the modification and the equity-settled share-based payment should be recognised to the extent that the services have been rendered up to the modification date; and
(c) the difference between the carrying amount of the liability as at the modification date and the amount recognised in equity at the same date should be recorded in profit or loss immediately.

Do you agree? Why or why not?

FSR comments: We agree with the proposed clarification. However, we would assume that you could achieve the same result by interpreting the current requirements or by Annual Improvements.

Question 4

The IASB proposes prospective application of these amendments, but also proposes to permit the entity to apply the amendments retrospectively if it has the information needed to do so and this information is available without the use of hindsight.
Do you agree? Why or why not?

And EFRAG's question to constituents 29
Do you agree with EFRAG's recommendation that the amendments should be applied retrospectively unless impracticable, in accordance with the general requirements in IAS 8?

FSR comments: We sympathise with the EFRAG draft considerations referring to the general requirements in IAS 8. However, we would prefer the proposal from the IASB that these changes should be applied prospectively.

Question 5
Do you have any other comments on the proposals?

FSR comments: We agree with the EFRAG DCL that it should not be necessary to introduce these kind of changes to IFRS 2 to address implementation issues only. Instead, IASB should consider a post-implementation review or overhaul of IFRS 2.

Kind regards

Jan Peter Larsen
Chairman of the Danish Accounting Standards Committee

Ole Steen Jørgensen
Chief Consultant