Accounting Standards Board

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Dear Candy

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

This letter sets out the response of the UK Accounting Standards Board (ASB) to the above exposure draft.

We support this proposed amendment, which should be confirmed as soon as possible to avoid problems that have arisen in applying IFRS 2. Our responses to the questions raised in the invitation to comment are set out in the appendix to this letter.

However, whilst supporting the amendment, we do have some concern that the IASB has adopted a rules-based approach to the amendment, extending the scope of IFRS 2 by requiring it to be applied to transactions that, although not meeting the definition of share-based payment transaction, are regarded as having similar characteristics. For the future, we would prefer the IASB to take a more principled approach to amending standards; in the case of IFRS 2 this would involve developing a wider definition of share-based payment transaction (in Appendix A of IFRS 2) that would then include the transactions in question.

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 – Response to invitation to comment

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?

We agree with the proposed amendment, which we believe is needed to clarify the treatment of transactions of this nature.

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 this proposal.

However, we note that the exemption in paragraph 25C of IFRS 1 *First-time Adoption of International Financial Reporting Standards* refers only to 'liabilities arising from share-based payment transactions'. Since the arrangements covered by the proposed amendment do not meet the IFRS 2 definition of share-based payment transactions, we are concerned that a strict reading of IFRS 1 would deny the transitional relief on first-time adoption. We would therefore suggest that paragraph 25C of IFRS 1 be amended to read 'liabilities arising from transactions within the scope of IFRS 2'.