

Exposure Draft of proposed

**AMENDMENTS TO
FRS 102 *SHARE-BASED PAYMENT***

**VESTING CONDITIONS AND
CANCELLATIONS**

Comments to be received by 2 May 2006

This exposure draft (ED) contains proposed amendments to FRS 102 *Share-Based Payment*.

This ED should be read in the context of the Preface to Financial Reporting Standards published by the Council on Corporate Disclosure and Governance (CCDG).

This ED is issued by CCDG for comment only and does not necessarily represent the views of CCDG.

Since this ED may be modified as a result of comments received, CCDG would like to hear both from those who agree with the proposals contained in the ED and from those who do not.

Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, clearly explain the problem and provide a suggestion for alternative wording with supporting reasoning.

Comments should be submitted in writing, so as to be received by **2 May 2006**, preferably by email to: accounting_stds@acra.gov.sg or addressed to:

Council on Corporate Disclosure and Governance
c/o Accounting and Corporate Regulatory Authority
10 Anson Road #05-01/15
International Plaza
Singapore 079903
Fax: 6225 1676

CONTENTS

INTRODUCTION

INVITATION TO COMMENT

PROPOSED AMENDMENTS TO FRS 102

Introduction

- 1 This Exposure Draft contains proposals to amend FRS 102 *Share-based Payment* to define vesting conditions and clarify the accounting treatment of cancellations by parties other than the entity.
- 2 FRS 102 describes vesting conditions as including service conditions and performance conditions. It is silent on whether other features of a share-based payment transaction are vesting conditions.
- 3 FRS 102 specifies the accounting treatment when an entity cancels a grant of equity instruments. It does not state how cancellations by a party other than the entity should be accounted for.
- 4 These issues were considered in the ED INT FRS *Changes in Contributions to Employee Share Purchase Plans*. This document sets out the proposed definition of vesting conditions and guidance on the accounting treatment of cancellations by parties other than the entity.

Features of this Exposure Draft

- 5 The Exposure Draft proposes amendments that:
 - (a) restrict vesting conditions to service conditions and performance conditions;
 - (b) require cancellations by parties other than the entity, whether by employees, shareholders or any other parties, to be accounted for in the same way as cancellations by the entity (paragraph 28 of FRS 102);
 - (c) require these changes to be applied in annual periods beginning on or after 1 January 2007. The amendments are to be applied retrospectively.

Invitation to Comment

The Council on Corporate Disclosure and Governance (CCDG) invites comments on the amendments proposed in this Exposure Draft, particularly on the questions set out below. Comments are most helpful if they:

- (a) comment on the questions as stated;
- (b) contain a clear rationale; and
- (c) include any alternative the Council should consider, if applicable.

Respondents should submit comments in writing so as to be received no later than **2 May 2006**.

Question 1 – Vesting conditions

The Exposure Draft proposes that vesting conditions should be restricted to performance conditions and service conditions.

Do you agree? If not, what changes do you propose, and why?

Question 2 – Cancellations

The Exposure Draft proposes that cancellations by parties other than the entity should be accounted for in the same way as cancellations by the entity.

Do you agree that all cancellations should be treated in the same way? If not, please specify the nature of any differences between types of cancellations and explain how they influence the selection of appropriate accounting requirements.

Question 3 – Effective date and transition

The proposed changes would apply to periods beginning on or after 1 January 2007, and would be required to be applied retrospectively. Earlier application would be encouraged.

Are the proposed effective date and transition appropriate? If not, what do you propose, and why?

Proposed Amendments to FRS 102

Share-based Payment

In Appendix A, the definition of **vesting conditions** is amended (new text is underlined and deleted text is struck through) as follows.

vesting conditions ...Vesting conditions are either ~~include~~ service conditions, which require the other party to complete a specified period of service, or ~~and~~ performance conditions, which require specified performance targets to be met (such as a specified increase in the entity's profit over a specified time).

Paragraph 28 is amended (new text is underlined and deleted text is struck through) as follows.

28 If ~~the entity cancels or settles~~ a grant of equity instruments is cancelled or settled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied) ...

Paragraph 61 is added, as follows.

61 An entity shall apply the following amendments retrospectively in annual periods beginning on or after 1 January 2007:

- (a) the revised definition of vesting conditions in Appendix A;*
- (b) the amendment in paragraph 28.[†]

Earlier application is encouraged. If an entity applies the amendments above for a period beginning before 1 January 2007, it shall disclose that fact.

* Vesting conditions are either ~~include~~ service conditions, ... ~~and~~ or performance conditions...

[†] If ~~the entity cancels or settles~~ a grant of equity instruments is cancelled or settled.