



**Submission: ED 2014/5 Classification and Measurement
of Share-based Payment Transactions (Proposed
Amendments to IFRS 2)**

February 2015

23 February, 2015

The Chairman International Accounting Standards Board 30 Cannon Street London EC4M 6XH United Kingdom By email: info@ifrs.org	The Chair Australian Accounting Standards Board PO Box 204 Collins Street West Victoria 8007 Australia By email: standard@asb.gov.au
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Dear Sir, Madam

Classification and Measurement of Share-based Payment Transactions

The Institute of Public Accountants (IPA) welcomes the opportunity to comment on the Exposure Draft ED 2014/5 'Classification and Measurement of Share-based Payment Transactions (proposed amendments to IFRS 2)'. The IPA supports the IASB attempt to address divergent practice in accounting for share-based payments as set out in ED 2014/5; however, we do not support the application of the amendments on a prospective basis. Rather, the IPA is of the view IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' paragraph 24, requiring retrospective application of new pronouncements except when impracticable, should be applied.

While the IPA supports the IASB addressing diversity in practice when applying IFRS, we have concerns as to efficiency and effectiveness of the mechanisms to address such divergent practice. The IPA has the view that changes in ED 2014/5 are interpretative issues that did not require amendments to IFRS 2 'Share-based Payment'. The amendments should have been dealt with at the IFRIC level as interpretation (alternatively as implementation guidance).

Addressing divergent practice requires a timely response to emergent issues. The fact these matters are addressed as amendments to the standard addressed via an IASB exposure draft are indicative of a need to address the current terms of reference and operations of IFRIC, including the nature of due process.

The IPA is a professional organisation for accountants recognised for their practical, hands-on skills and a broad understanding of the total business environment. Representing more than 35,000 members in Australia and in over 80 countries, the IPA represents members and students working in industry, commerce, government, academia and private practice. Through representation on special interest groups, the IPA ensures the views of its members are voiced with government and key industry sectors and makes representations to Government including the Australian Tax Office (ATO), Australian Securities and Investments Commission (ASIC) and the Australian Prudential Regulation Authority (APRA) on issues affecting our members, the profession and the public interest. The IPA recently merged with the Institute of Financial Accountants of the UK, making the new IPA Group the largest accounting body in the SMP/SME sector in the world.

Our detailed comments and responses to the questions in the Exposure Draft are set out in Appendix A.

If you would like to discuss our comments, please contact me or our technical advisers Mr Stephen LaGreca (stephenlagreca@aol.com) or Mr Colin Parker (colin@gaap.com.au) (a former member of the AASB), GAAP Consulting.

Yours faithfully



Vicki Stylianou
Executive General Manager, Leadership

APPENDIX A

Question 1

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

Do you agree? Why or why not?

IPA response

The IPA supports the proposed amendment on the basis the changes result in a consistent application of the measurement requirements of IFRS 2.

Question 2

The IASB proposes to specify that a share based payment transaction in which the entity settles the share-based payment arrangement by withholding a specified portion of the equity instruments to meet the statutory tax withholding obligation 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?

IPA response

The IPA supports the proposed amendments. However, the IPA does not consider the requirement to meet taxation withholding requirements change the fact the transaction is an equity-settled share-based payment and as such the proposed amendment should not be considered an exception to IFRS 2.

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 its 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 is 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 is derecognised upon the modification; and the equity share-based payment is 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 amount recognised in equity at the same date is recorded in the profit and loss immediately.*

Do you agree? Why or why not?

IPA response

The IPA is of the opinion that a modification of an award from a cash-settled transaction to equity-settled transaction represents the extinguishment of the original liability and the replacement award should be measured at the date of such extinguishment; that is, the date the parties agree to the modification.

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?

IPA response

The IPA disagrees with the prospective application of these amendments. The IPA is of the view the application of the amendments should be consistent with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” paragraph 24 requiring retrospective application of new pronouncements except when impracticable.

Question 5

Do you have any other comments on the proposals?

IPA response

No other comments.