

## **Australian Accounting Standards Board**

### **Rejected Issue – Not Taken onto the UIG Agenda**

#### **Employee Share Loan Plans**

**(December 2005)**

##### **The Issue**

The issue is the accounting treatment of employee share loan plans. Under many such plans, employee share purchases are facilitated by means of a loan from the issuer with recourse only to the shares. The issue is whether the loan should be considered part of the potential share-based payment, with the entire arrangement treated as an option under Accounting Standard AASB 2 *Share-based Payment*, or whether the loan should be accounted for separately as a financial asset.

##### **Reasons for Not Adding the Issue to the UIG's Agenda**

The issue was referred in the first instance to the IFRIC for consideration. The IFRIC concluded at its November 2005 meeting that the issue of shares using the proceeds of a loan made by the share issuer, when the loan is recourse only to the shares, would be treated as an option grant in which options were exercised on the date or dates when the loan was repaid. The IFRIC decided it would not expect diversity in practice and would not take this item onto its agenda.

At its December 2005 meeting, the AASB decided not to add this issue to the Urgent Issues Group's agenda. The AASB agreed with the conclusions of the IFRIC.

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