

**AASB 2 Share-based Payment and  
IFRS for SMEs Section 26 Share-based Payment**

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**1. Executive Summary**

**Main differences in recognition, measurement or presentation requirements**

The recognition and measurement requirements of AASB 2 and the *IFRS for SMEs* are essentially the same. Section 26 expresses some of the requirements in a manner different from AASB 2, which may have an impact on recognition and measurement. In particular, this is the case for:

- (a) fair value measurement, whereby the *IFRS for SMEs* requirements are expressed as a three-tier hierarchy, while AASB 2 has two tiers;
- (b) share-based payment with a cash alternative, whereby the *IFRS for SMEs* requirements refer to past practice of equity settlement and the cash settlement having no commercial substance, while AASB 2 refers to these factors in the inverse; and
- (c) share-based payments that are group plans, whereby the *IFRS for SMEs* permits recognition as an expense, while AASB 2 would generally require recognition as an expense.

The *IFRS for SMEs* also provides some guidance on ‘government-mandated plans’ that is not dealt with by AASB 2 and would not be relevant in Australia at this stage.

**Disclosure proposals**

It is proposed to:

- exclude paragraphs 45(c), 45(d), 46, 47(a), 47(b), 47(c)(ii), 47(c)(iii), 48, 49, 50, 51 and 52 from the Reduced Disclosure Regime (RDR); and
- add paragraphs RDR46.1, RDR46.2 and RDR50.1 to the RDR.

**2. Analysis of disclosure requirements**

	Text in AASB 2 <i>Share-based Payment</i>	Text in <i>IFRS for SMEs</i> Section 26 <i>Share-based Payment</i>	Comment
44	<p><b>An entity shall disclose information that enables users of the financial statements to understand the nature and extent of share-based payment arrangements that existed during the period.</b></p>	<p>26.18 An entity shall disclose the following information about the nature and extent of share-based payment arrangements that existed during the period:</p> <p>(a) a description of each type of share-based payment arrangement that existed at any time during the period, including the general terms and conditions of each arrangement, such as vesting requirements, the maximum term of options granted, and the method of settlement (eg whether in cash or equity). An entity with substantially similar types of share-based payment arrangements may aggregate this information.</p> <p>(b) the number and weighted average exercise prices of share options for each of the following groups of options:</p> <p>(i) outstanding at the beginning of the period.</p> <p>(ii) granted during the period.</p> <p>(iii) forfeited during the period.</p> <p>(iv) exercised during the period.</p> <p>(v) expired during the period.</p> <p>(vi) outstanding at the end of the period.</p> <p>(vii) exercisable at the end of the period.</p>	<p>Paragraphs 44, 45(a) and 45(b) and paragraph 26.18 of the <i>IFRS for SMEs</i> correspond. Paragraphs 44, 45(a) and 45(b) should be retained in the RDR.</p> <p>Paragraphs 45(c) and 45(d) have no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.</p>
45	<p>To give effect to the principle in paragraph 44, the entity shall disclose at least the following:</p> <p>(a) a description of each type of share-based payment arrangement that existed at any time during the period, including the general terms and conditions of each arrangement, such as vesting requirements, the maximum term of options granted, and the method of settlement (e.g. whether in cash or equity). An entity with substantially similar types of share-based payment arrangements may aggregate this information, unless separate disclosure of each arrangement is necessary to satisfy the principle in paragraph 44;</p> <p>(b) the number and weighted average exercise prices of share options for each of the following groups of options:</p> <p>(i) outstanding at the beginning of the period;</p> <p>(ii) granted during the period;</p> <p>(iii) forfeited during the period;</p> <p>(iv) exercised during the period;</p> <p>(v) expired during the period;</p> <p>(vi) outstanding at the end of the period; and</p>		

<p style="text-align: center;"><b>Text in AASB 2 Share-based Payment</b></p>	<p style="text-align: center;"><b>Text in IFRS for SMEs Section 26 Share-based Payment</b></p>	<p style="text-align: center;"><b>Comment</b></p>
<p>(vii) exercisable at the end of the period;</p> <p>(c) for share options exercised during the period, the weighted average share price at the date of exercise. If options were exercised on a regular basis throughout the period, the entity may instead disclose the weighted average share price during the period; and</p> <p>(d) for share options outstanding at the end of the period, the range of exercise prices and weighted average remaining contractual life. If the range of exercise prices is wide, the outstanding options shall be divided into ranges that are meaningful for assessing the number and timing of additional shares that may be issued and the cash that may be received upon exercise of those options.</p>		
<p><b>46 An entity shall disclose information that enables users of the financial statements to understand how the fair value of the goods or services received, or the fair value of the equity instruments granted, during the period was determined.</b></p> <p>47 If the entity has measured the fair value of goods or services received as consideration for equity instruments of the entity indirectly, by reference to the fair value of the equity instruments granted, to give effect to the principle in paragraph 46, the entity shall disclose at least the following:</p> <p>(a) for share options granted during the period, the weighted average fair value of those options at the measurement date and information on how that fair value was measured, including:</p> <p>(i) the option pricing model used and the inputs to that model, including the</p>	<p>26.19 For equity-settled share-based payment arrangements, an entity shall disclose information about how it measured the fair value of goods or services received or the value of the equity instruments granted. If a valuation methodology was used, the entity shall disclose the method and its reason for choosing it.</p> <p>26.20 For cash-settled share-based payment arrangements, an entity shall disclose information about how the liability was measured.</p> <p>26.21 For share-based payment arrangements that were modified during the period, an entity shall disclose an explanation of those modifications.</p>	<p>Paragraph 46 and paragraphs 26.19 and 20.20 of the <i>IFRS for SMEs</i> cover similar issues. However, the difference in wording implies a more significant disclosure burden under AASB 2, particularly when read in the context of paragraphs 47, 48 and 49.</p> <p>Paragraphs 47, 48 and 49 add significantly to the detail that is likely to be required to be disclosed and have no equivalent in the <i>IFRS for SMEs</i>.</p> <p>Given the more burdensome nature of the disclosures required by paragraphs 46 to 49, compared with paragraphs 26.19 and 26.20 of the <i>IFRS for SMEs</i>, RDR paragraphs should be added using the wording in paragraphs 26.19 and 26.20 of the</p>

<p><b>Text in AASB 2 <i>Share-based Payment</i></b></p>	<p><b>Text in <i>IFRS for SMEs</i> Section 26 <i>Share-based Payment</i></b></p>	<p><b>Comment</b></p>
<p>weighted average share price, exercise price, expected volatility, option life, expected dividends, the risk-free interest rate and any other inputs to the model, including the method used and the assumptions made to incorporate the effects of expected early exercise;</p> <p>(ii) how expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility; and</p> <p>(iii) whether and how any other features of the option grant were incorporated into the measurement of fair value, such as a market condition;</p> <p>(b) for other equity instruments granted during the period (i.e. other than share options), the number and weighted average fair value of those equity instruments at the measurement date, and information on how that fair value was measured, including:</p> <p>(i) if fair value was not measured on the basis of an observable market price, how it was determined;</p> <p>(ii) whether and how expected dividends were incorporated into the measurement of fair value; and</p> <p>(iii) whether and how any other features of the equity instruments granted were incorporated into the measurement of fair value; and</p> <p>(c) for share-based payment arrangements that were</p>		<p><i>IFRS for SMEs</i> in accordance with paragraph IN3 of this Appendix, and paragraphs 46 to 49 should be excluded from the RDR, with the exception of paragraph 47(c)(i) – see below.</p> <p>Paragraph 47(c)(i) and paragraph 26.21 of the <i>IFRS for SMEs</i> correspond. Paragraph 47(c)(i) should be retained in the RDR.</p>

<p align="center"><b>Text in AASB 2 Share-based Payment</b></p>	<p align="center"><b>Text in IFRS for SMEs Section 26 Share-based Payment</b></p>	<p align="center"><b>Comment</b></p>
<p>modified during the period:</p> <ul style="list-style-type: none"> <li>(i) an explanation of those modifications;</li> <li>(ii) the incremental fair value granted (as a result of those modifications); and</li> <li>(iii) information on how the incremental fair value granted was measured, consistently with the requirements set out in (a) and (b) above, where applicable.</li> </ul> <p>48 If the entity has measured directly the fair value of goods or services received during the period, the entity shall disclose how that fair value was determined, for example, whether fair value was measured at a market price for those goods or services.</p> <p>49 If the entity has rebutted the presumption in paragraph 13, it shall disclose that fact, and give an explanation of why the presumption was rebutted.</p>		
	<p>26.22 If the entity is part of a group share-based payment plan, and it recognises and measures its share-based payment expense on the basis of a reasonable allocation of the expense recognised for the group, it shall disclose that fact and the basis for the allocation (see paragraph 26.16).</p>	<p>Paragraph 26.22 of the <i>IFRS for SMEs</i> has no equivalent in AASB 2 and, based on paragraph IN4 of this Appendix, should not be added to the RDR.</p>
<p><b>50 An entity shall disclose information that enables users of the financial statements to understand the effect of share-based payment transactions on the entity’s profit or loss for the period and on its financial position.</b></p> <p>51 To give effect to the principle in paragraph 50, the entity shall disclose at least the following:</p> <ul style="list-style-type: none"> <li>(a) the total expense recognised for the period arising</li> </ul>	<p>26.23 An entity shall disclose the following information about the effect of share-based payment transactions on the entity’s profit or loss for the period and on its financial position:</p> <ul style="list-style-type: none"> <li>(a) the total expense recognised in profit or loss for the period.</li> <li>(b) the total carrying amount at the end of the period for liabilities arising from share-based payment</li> </ul>	<p>Paragraphs 50 and paragraphs 51(a) and 51(b)(i) and paragraph 26.23 of the <i>IFRS for SMEs</i> cover similar issues. However, the difference in wording in paragraph 50 implies a more significant disclosure burden under AASB 2, particularly when read in the context of paragraphs 51 and 52.</p> <p>Paragraphs 50 and 51 are interrelated</p>

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<p>from share-based payment transactions in which the goods or services received did not qualify for recognition as assets and hence were recognised immediately as an expense, including separate disclosure of that portion of the total expense that arises from transactions accounted for as equity-settled share-based payment transactions; and</p> <p>(b) for liabilities arising from share-based payment transactions:</p> <p>(i) the total carrying amount at the end of the period; and</p> <p>(ii) the total intrinsic value at the end of the period of liabilities for which the counterparty’s right to cash or other assets had vested by the end of the period (e.g. vested share appreciation rights).</p> <p>52 If the information required to be disclosed by this Standard does not satisfy the principles in paragraphs 44, 46 and 50, the entity shall disclose such additional information as is necessary to satisfy them.</p>	<p>transactions.</p>	<p>and the first clause of paragraph 51(a) and 51(b)(i) and paragraph 26.23 of the <i>IFRS for SMEs</i> correspond. With the exception of paragraph 51(a) and 51(b)(i), given the more burdensome nature of the disclosures required by paragraphs 50 to 52, compared with paragraph 26.23 of the <i>IFRS for SMEs</i>, an RDR paragraph should be added using the wording in paragraph 26.23 in accordance with paragraph IN3 of this Appendix, and paragraphs 50 to 52 should be excluded from the RDR.</p>

### 3. AASB 2 *Share-based Payment*: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 2 *Share-based Payment*, showing requirements from which it is proposed entities applying the RDR should be exempt as shaded text.

- 44 An entity shall disclose information that enables users of the financial statements to understand the nature and extent of share-based payment arrangements that existed during the period.**
- 45 To give effect to the principle in paragraph 44, the entity shall disclose at least the following:
- (a) a description of each type of share-based payment arrangement that existed at any time during the period, including the general terms and conditions of each arrangement, such as vesting requirements, the maximum term of options granted, and the method of settlement (e.g. whether in cash or equity). An entity with substantially similar types of share-based payment arrangements may aggregate this information, unless separate disclosure of each arrangement is necessary to satisfy the principle in paragraph 44;
  - (b) the number and weighted average exercise prices of share options for each of the following groups of options:
    - (i) outstanding at the beginning of the period;
    - (ii) granted during the period;
    - (iii) forfeited during the period;
    - (iv) exercised during the period;
    - (v) expired during the period;
    - (vi) outstanding at the end of the period; and
    - (vii) exercisable at the end of the period;
  - (c) for share options exercised during the period, the weighted average share price at the date of exercise. If options were exercised on a regular basis throughout the period, the entity may instead disclose the weighted average share price during the period; and
  - (d) for share options outstanding at the end of the period, the range of exercise prices and weighted average remaining contractual life. If the range of exercise prices is wide, the outstanding options shall be divided into ranges that are meaningful for assessing the number and timing of additional shares that may be issued and the cash that may be received upon exercise of those options.
- 46 An entity shall disclose information that enables users of the financial statements to understand how the fair value of the goods or services received, or the fair value of the equity instruments granted, during the period was determined.**

**RDR46.1** For equity-settled share-based payment arrangements, an entity applying the Reduced Disclosure Regime shall disclose information about how it measured the fair value of goods or services received or the value of the equity instruments granted. If a valuation methodology was used, the entity shall disclose the method and its reason for choosing it.

**RDR46.2 For cash-settled share-based payment arrangements, an entity applying the Reduced Disclosure Regime shall disclose information about how the liability was measured.**

- 47 If the entity has measured the fair value of goods or services received as consideration for equity instruments of the entity indirectly, by reference to the fair value of the equity instruments granted, to give effect to the principle in paragraph 46, the entity shall disclose at least the following:
- (a) for share options granted during the period, the weighted average fair value of those options at the measurement date and information on how that fair value was measured, including:
    - (i) the option pricing model used and the inputs to that model, including the weighted average share price, exercise price, expected volatility, option life, expected dividends, the risk-free interest rate and any other inputs to the model, including the method used and the assumptions made to incorporate the effects of expected early exercise;
    - (ii) how expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility; and
    - (iii) whether and how any other features of the option grant were incorporated into the measurement of fair value, such as a market condition;
  - (b) for other equity instruments granted during the period (i.e. other than share options), the number and weighted average fair value of those equity instruments at the measurement date, and information on how that fair value was measured, including:
    - (i) if fair value was not measured on the basis of an observable market price, how it was determined;
    - (ii) whether and how expected dividends were incorporated into the measurement of fair value; and
    - (iii) whether and how any other features of the equity instruments granted were incorporated into the measurement of fair value; and
  - (c) for share-based payment arrangements that were modified during the period:
    - (i) an explanation of those modifications;
    - (ii) the incremental fair value granted (as a result of those modifications); and
    - (iii) information on how the incremental fair value granted was measured, consistently with the requirements set out in (a) and (b) above, where applicable.
- 48 If the entity has measured directly the fair value of goods or services received during the period, the entity shall disclose how that fair value was determined, for example, whether fair value was measured at a market price for those goods or services.
- 49 If the entity has rebutted the presumption in paragraph 13, it shall disclose that fact, and give an explanation of why the presumption was rebutted.
- 50 An entity shall disclose information that enables users of the financial statements to understand the effect of share-based payment transactions on the entity's profit or loss for the period and on its financial position.**



**RDR50.1** An entity applying the Reduced Disclosure Regime shall disclose the following information about the effect of share-based payment transactions on the entity's profit or loss for the period and on its financial position:

- (a) the total expense recognised in profit or loss for the period.**
- (b) the total carrying amount at the end of the period for liabilities arising from share-based payment transactions.**

51 To give effect to the principle in paragraph 50, the entity shall disclose at least the following:

- (a) the total expense recognised for the period arising from share-based payment transactions in which the goods or services received did not qualify for recognition as assets and hence were recognised immediately as an expense, including separate disclosure of that portion of the total expense that arises from transactions accounted for as equity-settled share-based payment transactions; and
- (b) for liabilities arising from share-based payment transactions:
  - (i) the total carrying amount at the end of the period; and
  - (ii) the total intrinsic value at the end of the period of liabilities for which the counterparty's right to cash or other assets had vested by the end of the period (e.g. vested share appreciation rights).

52 If the information required to be disclosed by this Standard does not satisfy the principles in paragraphs 44, 46 and 50, the entity shall disclose such additional information as is necessary to satisfy them.