The Institute of
Chartered Accountants
in Australia

29 February 2008

The Chairman
Australian Accounting Standards Board
PO Box 204
Collins Street West Victoria 8007

E-mail: standard@aasb.com.au

Dear David

**ED 161 Proposed Amendments to AASB 2 *Share Based Payment* and AASB Interpretation 11 *AASB 2 – Group and Treasury Share Transactions* Group Cash-settled Share-based Payment Transactions**

The Institute of Chartered Accountants in Australia (the Institute) welcomes the opportunity to submit these comments on the proposed amendments contained in ED 161.

In the Appendix to this letter we address the specific matters raised by the AASB. We also enclose our submission to the IASB for your information. Overall we support the proposed amendments, although we note that feedback received from some of our membership indicated that in practice these transactions are infrequent.

If you require any further information on any of our views please contact Kerry Hicks on (02) 9290 5703 or kerry.hicks@charteredaccountants.com.au.

Yours sincerely

Bill Palmer

Bill Palmer
General Manager Standards and Public Affairs

33 Erskine Street
Sydney NSW 2000
GPO Box 3921
Sydney NSW 2001
service> 1300 137 322
phone> 61 2 9290 1344
fax> 61 2 9262 1512

27–29 Napier Close
Deakin ACT 2600
phone> 61 2 6282 9600
fax> 61 2 6282 9800

L32, 345 Queen Street
Brisbane Qld 4000
phone> 61 7 3233 6500
fax> 61 7 3233 6555

L11, 1 King William Street
Adelaide SA 5000
phone> 61 8 8113 5500
fax> 61 8 8231 1982

TCCI, 30 Burnett Street
North Hobart Tas 7000
phone> 1800 014 555
fax> 61 3 9670 3143

L3, 600 Bourke Street
Melbourne Vic 3000
phone> 61 3 9641 7400
fax> 61 3 9670 3143

Grd, 28 The Esplanade
Perth WA 6000
phone> 61 8 9420 0400
fax> 61 8 9321 5141

**Appendix**

**Detailed Answers to AASB Questions**

The AASB requested comments on:

**(a) any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly any issues relating to:**

**(i) not-for-profit entities;**

**(ii) public sector entities;**

We do not believe that these amendments will unduly inconvenience not-for-profit or public sector entities, as few of them are companies limited by shares and able to make share-based payments. If a public sector entity is for-profit and limited by shares, then the rules in the proposed amendment are appropriate.

**(b) whether, overall, the proposals would result in financial reports that would be useful to users; and**

We agree that the proposals would result in financial reports that would be useful to users. It is easy to lose sight of the fact that the main message of AASB/IFRS 2 is that expenses need to be recognized when services are rendered or goods purchased when they are paid for with equity instruments rather than money. These amendments merely clarify the situation when they are paid for with money, the amount of which is linked to the value of an equity instrument.

While Company Law still retains the notion of separate legal identity for companies, even those within a group which as a whole is a reporting entity, guidance as to how to ensure that the expense and the payment are reflected in the correct company is appropriate. These amendments reflect the same underlying philosophy as the way in which the AASB decided to handle tax consolidation in Interpretation 1052.

**(c) whether the proposals are in the best interests of the Australian economy.**

We agree that the proposals, as part of the adoption of IFRS and international harmonization, are in the best interests of the Australian economy.

The Institute of Chartered Accountants in Australia

29 February 2008

Sir David Tweedie
International Accounting Standards Board
1st Floor, 30 Cannon Street
LONDON EC4M 6XH
United Kingdom

Via 'Open to Comment' page on www.iasb.org

Dear Sir David

**Proposed Amendments to IFRS 2 *Share-based Payment* and IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions*: Group Cash–settled Share-based Payment Transactions**

The Institute of Chartered Accountants in Australia welcomes the opportunity to comment on and is supportive of the proposed amendments to IFRS 2 *Share-based Payment* and IFRIC 11 *AASB 2 – Group and Treasury Share Transactions*: Group Cash–settled Share-based Payment Transactions.

The Institute is the professional body representing some 44,000 Chartered Accountants in Australia. Our members work in diverse roles across commerce and industry, academia, government and public practice throughout Australia and in 107 countries throughout the world.

Overall we support the proposed amendments as in our view they clarify the current requirements. However, we also consider the time has come for a complete re-write of IFRS 2 to emphasise the principles on which it is based and move the increasing number of rules to an Appendix of Implementation Guidance. This was suggested in an interesting article in November 2007's issue of Accountancy, page 74, "Good in Principle". If resources and priorities do not permit a complete revision, we suggest that the Board may at least wish to consider the merits of incorporating IFRIC 11 into the body of IFRS 2 so that users need to refer to only one statement.

We also draw the Board's attention to the fact that with this amendment the IASB may be setting a precedent that could be applied in expense allocation between members of a group of companies in circumstances other than for share-based payments. Is the Board suggesting by analogy that an expense always has to be booked in the company that buys the goods or benefits from the services concerned? We suggest that the whole issue of recognition, measurement and disclosure between subsidiaries, other group members and parents in single company accounts needs to be clarified.

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Our detailed comments are in the attached appendix.

If you require further information on any of our views, please contact Kerry Hicks by email to kerry.hicks@charteredaccountants.com.au.

Yours sincerely

Bill Palmer
General Manager Standards and Public Affairs

CC David Boymal, Chairman, Australian Accounting Standards Board
Stephen Harrison, Chief Executive Officer, Global Accounting Alliance

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Sydney NSW 2000
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**Appendix**

**Detailed Answers to IASB Questions**

**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).

(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 these proposals.

We also suggest that the word “parent” be replaced by the word “shareholder” in paragraph 3A of IFRS 2 and IFRIC 11. We see no difference in principle between the situation where the parent of a subsidiary is obliged to make such payments and the situation where a shareholder in a joint venture is obliged to make such payments and suggest that the use of the word “parent” may lead to an artificial distinction between like transactions.

**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?

The transitional provisions appear reasonable.