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Exposure Draft:
International Accounting Standards Board
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Exposure Draft of 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 Australian Accounting Standards Board (AASB) is pleased to submit its comments on the Exposure Draft of 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. In formulating these comments, the AASB has sought and considered the views of Australian constituents (these responses are published on the AASB's website: www.aasb.com.au).

Whilst the AASB is generally supportive of the principles behind the proposed changes, it is of the opinion that the current drafting suffers from some inconsistencies and can be improved. Areas which are currently unclear are elaborated on in the following page.

The AASB's detailed responses to the specific questions accompanying the Exposure Draft are attached.

If you have any queries regarding any matters in this submission, please contact Joanna Spencer (jspencer@aaasb.com.au) or myself.

Yours sincerely,

A handwritten signature in black ink that reads "David Boymal".

David Boymal
Chairman

Exposure Draft of 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*

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.

In principle, the AASB agrees with the proposed changes that will give rise to group cash-settled share-based transactions being accounted for in accordance with IFRS 2. However, the AASB considers that some inconsistencies occur with the proposals as currently drafted.

IFRS 2 paragraph 3 clarifies that transfers of equity instruments (i.e. equity-settled share-based payment transactions) by an entity's shareholders are within the scope of IFRS 2, however the amendments do not apply the same scope to cash-settled share-based payment transactions. Therefore, it is suggested that shareholders be added to proposed paragraph 3A of IFRS 2.

Further the proposed paragraph 3A of IFRS 2 extends the scope of cash-settled share-based payment transactions, however the corresponding definition in Appendix A remains unchanged, therefore it is suggested that the definition in Appendix A be revised to reflect the amendment in paragraph 3A.

In addition, it appears that most scenarios between the entity and parent (or another entity in the group) have been covered by IFRS 2, IFRIC 11 or the proposed changes. Paragraph 2(b) addresses cash-settled share-based payment liabilities incurred by the entity based on its own share price and the proposed paragraph 3A addresses parent or group liability based on entity, parent or group entity share-based price. However, one possible situation that does not appear to have been addressed is when the entity grants a cash-settled share-based payment transaction based on the price of the parent's or another entity in the group's equity instruments. It is unclear whether the first sentence in proposed paragraph 3A, that is the phrase "or another entity in the group", could include liabilities incurred by the entity itself. Therefore, we suggest that either the wording in IFRS 2 paragraph 2(b) and the definition of cash-settled share-based payment transaction be amended or the proposed wording in IFRS 2 paragraph 3A be amended to reflect this possibility.

Question 2 – Transition

The AASB agrees that the proposed amendments to IFRS 2 and IFRIC 11 should be applied retrospectively. However, as the proposals are currently drafted paragraphs 12 (existing) and 12A (proposed) of IFRIC 11 will not complement each other. Paragraph 12A only refers to paragraphs 11A and 11B of IFRIC 11 whilst paragraph 12 refers to the whole interpretation, which would include paragraphs 11A and 11B. Therefore, it is suggested that either the wording in paragraph 12 be amended to exclude paragraphs 11A and 11 B or paragraphs 12 and 12A be amalgamated to reflect that the amendments made in paragraph 11A and 11B are to be applied at a date later than the remainder of the interpretation.