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**STATUTORY BOARD FINANCIAL  
REPORTING STANDARD**

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**SB-FRS 102**

**Group Cash-settled Share-based  
Payment Transactions**

**Amendments to SB-FRS 102**

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***GROUP CASH-SETTLED SHARE-BASED PAYMENT TRANSACTIONS  
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# STATUTORY BOARD FINANCIAL REPORTING STANDARD

# SB-FRS 102

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## Amendments to Statutory Board Financial Reporting Standard 102 *Share-based Payment*

This document sets out amendments to SB-FRS 102 *Share-based Payment*. The amendments finalise the proposals that were contained in the exposure draft *Group Cash-settled Share-based Payment Transactions* (proposed amendments to SB-FRS 102 and INT SB-FRS 111) published in 2008.

Entities shall apply these amendments to all share-based payments within the scope of SB-FRS 102 for annual periods beginning on or after 1 January 2010. Earlier application is permitted.

In the rubric, the first sentence is amended as follows (new text is underlined and deleted text is struck through).

Statutory Board Financial Reporting Standard 102 *Share-based Payment* (SB-FRS 102) is set out in paragraphs 1–~~62~~ 64 and Appendices A–C. All the paragraphs ...

### Introduction

In the Introduction to SB-FRS 102, after paragraph IN2, a heading and paragraph IN2A are added.

### Reasons for amending SB-FRS 102 in November 2009

IN2A In November 2009 Accountant-General's Department Financial Reporting Branch amended SB-FRS 102 to clarify its scope and the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when that entity has no obligation to settle the share-based payment transaction. The amendments also incorporate the guidance contained in the following Interpretations:

- o INT SB-FRS 108 *Scope of SB-FRS 102*
- o INT SB-FRS 111 *SB-FRS 102—Group and Treasury Share Transactions*.

As a result, INT SB-FRS 108 and INT SB-FRS 111 are withdrawn.

### Scope

Paragraph 2 is amended and paragraph 3 is deleted (new text is underlined and deleted text is struck through) and paragraph 3A is added.

- 2 An entity shall apply this SB-FRS in accounting for all share-based payment transactions, whether or not the entity can identify specifically some or all of the goods or services

received, including:

- (a) ~~equity-settled share-based payment transactions, in which the entity receives goods or services as consideration for equity instruments of the entity (including shares or share options),~~
- (b) ~~cash-settled share-based payment transactions, in which the entity acquires goods or services by incurring liabilities to the supplier of those goods or services for amounts that are based on the price (or value) of the entity's shares or other equity instruments of the entity, and~~
- (c) transactions in which the entity receives or acquires goods or services and the terms of the arrangement provide either the entity or the supplier of those goods or services with a choice of whether the entity settles the transaction in cash (or other assets) or by issuing equity instruments,

except as noted in paragraphs 5 and 6 3A–6. In the absence of specifically identifiable goods or services, other circumstances may indicate that goods or services have been (or will be) received, in which case this SB-FRS applies.

3 ~~[Deleted] For the purposes of this SB-FRS, transfers of an entity's equity instruments by its shareholders to parties that have supplied goods or services to the entity (including employees) are share-based payment transactions, unless the transfer is clearly for a purpose other than payment for goods or services supplied to the entity. This also applies to transfers of equity instruments of the entity's parent, or equity instruments of another entity in the same group as the entity, to parties that have supplied goods or services to the entity.~~

3A A share-based payment transaction may be settled by another group entity (or a shareholder of any group entity) on behalf of the entity receiving or acquiring the goods or services. Paragraph 2 also applies to an entity that

- (a) receives goods or services when another entity in the same group (or a shareholder of any group entity) has the obligation to settle the share-based payment transaction, or
- (b) has an obligation to settle a share-based payment transaction when another entity in the same group receives the goods or services

unless the transaction is clearly for a purpose other than payment for goods or services supplied to the entity receiving them.

## Equity-settled share-based payment transactions

Paragraph 13A is added as follows:
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### Overview

13A In particular, if the identifiable consideration received (if any) by the entity appears to be less than the fair value of the equity instruments granted or liability incurred, typically this situation indicates that other consideration (ie unidentifiable goods or services) has been (or will be) received by the entity. The entity shall measure the identifiable goods or services received in accordance with this SB-FRS. The entity shall measure the unidentifiable goods or services received (or to be received) as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received (or to be received). The entity shall measure the unidentifiable goods or services received at the grant date. However, for cash-settled transactions, the liability shall be remeasured at the end of each reporting period until it is settled in accordance with paragraphs 30–33.



## Share-based payment transactions among group entities

After paragraph 43, a heading and paragraphs 43A-43D are added.

### Share-based payment transactions among group entities (2009 amendments)

43A For share-based payment transactions among group entities, in its separate or individual financial statements, the entity receiving the goods or services shall measure the goods or services received as either an equity-settled or a cash-settled share-based payment transaction by assessing:

- (a) the nature of the awards granted, and
- (b) its own rights and obligations.

The amount recognised by the entity receiving the goods or services may differ from the amount recognised by the consolidated group or by another group entity settling the share-based payment transaction.

43B The entity receiving the goods or services shall measure the goods or services received as an equity-settled share-based payment transaction when:

- (a) the awards granted are its own equity instruments, or
- (b) the entity has no obligation to settle the share-based payment transaction.

The entity shall subsequently remeasure such an equity-settled share-based payment transaction only for changes in non-market vesting conditions in accordance with paragraphs 19–21. In all other circumstances, the entity receiving the goods or services shall measure the goods or services received as a cash-settled share-based payment transaction.

43C The entity settling a share-based payment transaction when another entity in the group receives the goods or services shall recognise the transaction as an equity-settled share-based payment transaction only if it is settled in the entity's own equity instruments. Otherwise, the transaction shall be recognised as a cash-settled share-based payment transaction.

43D Some group transactions involve repayment arrangements that require one group entity to pay another group entity for the provision of the share-based payments to the suppliers of goods or services. In such cases, the entity that receives the goods or services shall account for the share-based payment transaction in accordance with paragraph 43B regardless of intragroup repayment arrangements.

### Effective date

Paragraph 63, a heading and paragraph 64 are added.

63 An entity shall apply the following amendments made by *Group Cash-settled Share-based Payment Transactions* issued in November 2009 retrospectively, subject to the transitional provisions in paragraphs 53–59, in accordance with SB-FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for annual periods beginning on or after 1 January 2010:

- (a) the amendment of paragraph 2, the deletion of paragraph 3 and the addition of paragraphs 3A and 43A–43D and of paragraphs B45, B47, B50, B54, B56–B58 and

B60 in Appendix B in respect of the accounting for transactions among group entities.

- (b) the revised definitions in Appendix A of the following terms:
  - o cash-settled share-based payment transaction,
  - o equity-settled share-based payment transaction,
  - o share-based payment arrangement, and
  - o share-based payment transaction.

If the information necessary for retrospective application is not available, an entity shall reflect in its separate or individual financial statements the amounts previously recognised in the group's consolidated financial statements. Earlier application is permitted. If an entity applies the amendments for a period beginning before 1 January 2010, it shall disclose that fact.

## **Withdrawal of Interpretations**

64 *Group Cash-settled Share-based Payment Transactions* issued in November 2009 supersedes INT SB-FRS 108 *Scope of SB-FRS 102* and INT SB-FRS 111 *SB-FRS 102—Group and Treasury Share Transactions*. The amendments made by that document incorporated the previous requirements set out in INT SB-FRS 108 and INT SB-FRS 111 as follows:

- (a) amended paragraph 2 and added paragraph 13A in respect of the accounting for transactions in which the entity cannot identify specifically some or all of the goods or services received. Those requirements were effective for annual periods beginning on or after 1 May 2006.
- (b) added paragraphs B46, B48, B49, B51–B53, B55, B59 and B61 in Appendix B in respect of the accounting for transactions among group entities. Those requirements were effective for annual periods beginning on or after 1 April 2007.

Those requirements were applied retrospectively in accordance with the requirements of SB-FRS 8, subject to the transitional provisions of SB-FRS 102.

## Defined terms

In Appendix A, the following definitions are amended (new text is underlined and deleted text is struck through) and a footnote is added.

**cash-settled share-based payment transaction** A **share-based payment transaction** in which the entity acquires goods or services by incurring a liability to transfer cash or other assets to the supplier of those goods or services for amounts that are based on the price (or value) of ~~the entity's shares or other~~ **equity instruments** (including shares or **share options**) of the entity or another group entity.

**equity-settled share-based payment transaction** A **share-based payment transaction** in which the entity receives goods or services

(a) as consideration for its own equity instruments of the entity (including shares or **share options**), or

(b) has no obligation to settle the transaction with the supplier.

**share-based payment arrangement** An agreement between the entity (or another group<sup>(a)</sup> entity or any shareholder of any group entity) and another party (including an employee) ~~to enter into a **share-based payment transaction** which thereby that~~ entitles the other party to receive

(a) cash or other assets of the entity for amounts that are based on the price (or value) of ~~the entity's shares or other~~ **equity instruments** (including shares or **share options**) of the entity or another group entity, or ~~to~~ receive

(b) **equity instruments** (including shares or **share options**) of the entity or another group entity.

provided the specified **vesting conditions**, if any, are met.

<sup>(a)</sup> A 'group' is defined in paragraph 4 of SB-FRS 27 *Consolidated and Separate Financial Statements* as 'a parent and its subsidiaries' from the perspective of the reporting entity's ultimate parent.

**share-based payment transaction** A transaction in which the entity

(a) receives goods or services from ~~as consideration for~~ **equity instruments** of the entity (including shares or **share options**), or ~~acquires goods or services by incurring liabilities to~~ the supplier of those goods or services (including an employee) in a **share-based payment arrangement**, or

(b) incurs an obligation to settle the transaction with the supplier in a **share-based payment arrangement** when another group entity receives those goods or services, for amounts that are based on the price of the entity's shares or other **equity instruments** of the entity.



## Scope of SB-FRS 102

In Appendix B *Application guidance*, a heading and paragraphs B45–B61 are added.

### **Share-based payment transactions among group entities (2009 amendments)**

- B45 Paragraphs 43A–43C address the accounting for share-based payment transactions among group entities in each entity's separate or individual financial statements. Paragraphs B46–B61 discuss how to apply the requirements in paragraphs 43A–43C. As noted in paragraph 43D, share-based payment transactions among group entities may take place for a variety of reasons depending on facts and circumstances. Therefore, this discussion is not exhaustive and assumes that when the entity receiving the goods or services has no obligation to settle the transaction, the transaction is a parent's equity contribution to the subsidiary, regardless of any intragroup repayment arrangements.
- B46 Although the discussion below focuses on transactions with employees, it also applies to similar share-based payment transactions with suppliers of goods or services other than employees. An arrangement between a parent and its subsidiary may require the subsidiary to pay the parent for the provision of the equity instruments to the employees. The discussion below does not address how to account for such an intragroup payment arrangement.
- B47 Four issues are commonly encountered in share-based payment transactions among group entities. For convenience, the examples below discuss the issues in terms of a parent and its subsidiary.

### **Share-based payment arrangements involving an entity's own equity instruments**

- B48 The first issue is whether the following transactions involving an entity's own equity instruments should be accounted for as equity-settled or as cash-settled in accordance with the requirements of this SB-FRS:
- (a) an entity grants to its employees rights to equity instruments of the entity (eg share options), and either chooses or is required to buy equity instruments (ie treasury shares) from another party, to satisfy its obligations to its employees; and
  - (b) an entity's employees are granted rights to equity instruments of the entity (eg share options), either by the entity itself or by its shareholders, and the shareholders of the entity provide the equity instruments needed.
- B49 The entity shall account for share-based payment transactions in which it receives services as consideration for its own equity instruments as equity-settled. This applies regardless of whether the entity chooses or is required to buy those equity instruments from another party to satisfy its obligations to its employees under the share-based payment arrangement. It also applies regardless of whether:
- (a) the employee's rights to the entity's equity instruments were granted by the entity itself or by its shareholder(s); or
  - (b) the share-based payment arrangement was settled by the entity itself or by its shareholder(s).
- B50 If the shareholder has an obligation to settle the transaction with its investee's employees, it provides equity instruments of its investee rather than its own. Therefore, if its investee is in the same group as the shareholder, in accordance with paragraph 43C, the shareholder shall measure its obligation in accordance with the requirements applicable to cash-settled share-

based payment transactions in the shareholder's separate financial statements and those applicable to equity-settled share-based payment transactions in the shareholder's consolidated financial statements.

### **Share-based payment arrangements involving equity instruments of the parent**

B51 The second issue concerns share-based payment transactions between two or more entities within the same group involving an equity instrument of another group entity. For example, employees of a subsidiary are granted rights to equity instruments of its parent as consideration for the services provided to the subsidiary.

B52 Therefore, the second issue concerns the following share-based payment arrangements:

- (a) a parent grants rights to its equity instruments directly to the employees of its subsidiary: the parent (not the subsidiary) has the obligation to provide the employees of the subsidiary with the equity instruments; and
- (b) a subsidiary grants rights to equity instruments of its parent to its employees: the subsidiary has the obligation to provide its employees with the equity instruments.

*A parent grants rights to its equity instruments to the employees of its subsidiary (paragraph B52(a))*

B53 The subsidiary does not have an obligation to provide its parent's equity instruments to the subsidiary's employees. Therefore, in accordance with paragraph 43B, the subsidiary shall measure the services received from its employees in accordance with the requirements applicable to equity-settled share-based payment transactions, and recognise a corresponding increase in equity as a contribution from the parent.

B54 The parent has an obligation to settle the transaction with the subsidiary's employees by providing the parent's own equity instruments. Therefore, in accordance with paragraph 43C, the parent shall measure its obligation in accordance with the requirements applicable to equity-settled share-based payment transactions.

*A subsidiary grants rights to equity instruments of its parent to its employees (paragraph B52(b))*

B55 Because the subsidiary does not meet either of the conditions in paragraph 43B, it shall account for the transaction with its employees as cash-settled. This requirement applies irrespective of how the subsidiary obtains the equity instruments to satisfy its obligations to its employees.

### **Share-based payment arrangements involving cash-settled payments to employees**

B56 The third issue is how an entity that receives goods or services from its suppliers (including employees) should account for share-based arrangements that are cash-settled when the entity itself does not have any obligation to make the required payments to its suppliers. For example, consider the following arrangements in which the parent (not the entity itself) has an obligation to make the required cash payments to the employees of the entity:

- (a) the employees of the entity will receive cash payments that are linked to the price of its equity instruments.
- (b) the employees of the entity will receive cash payments that are linked to the price of its parent's equity instruments.

- B57 The subsidiary does not have an obligation to settle the transaction with its employees. Therefore, the subsidiary shall account for the transaction with its employees as equity-settled, and recognise a corresponding increase in equity as a contribution from its parent. The subsidiary shall remeasure the cost of the transaction subsequently for any changes resulting from non-market vesting conditions not being met in accordance with paragraphs 19–21. This differs from the measurement of the transaction as cash-settled in the consolidated financial statements of the group.
- B58 Because the parent has an obligation to settle the transaction with the employees, and the consideration is cash, the parent (and the consolidated group) shall measure its obligation in accordance with the requirements applicable to cash-settled share-based payment transactions in paragraph 43C.

### **Transfer of employees between group entities**

- B59 The fourth issue relates to group share-based payment arrangements that involve employees of more than one group entity. For example, a parent might grant rights to its equity instruments to the employees of its subsidiaries, conditional upon the completion of continuing service with the group for a specified period. An employee of one subsidiary might transfer employment to another subsidiary during the specified vesting period without the employee's rights to equity instruments of the parent under the original share-based payment arrangement being affected. If the subsidiaries have no obligation to settle the share-based payment transaction with their employees, they account for it as an equity-settled transaction. Each subsidiary shall measure the services received from the employee by reference to the fair value of the equity instruments at the date the rights to those equity instruments were originally granted by the parent as defined in Appendix A, and the proportion of the vesting period the employee served with each subsidiary.
- B60 If the subsidiary has an obligation to settle the transaction with its employees in its parent's equity instruments, it accounts for the transaction as cash-settled. Each subsidiary shall measure the services received on the basis of grant date fair value of the equity instruments for the proportion of the vesting period the employee served with each subsidiary. In addition, each subsidiary shall recognise any change in the fair value of the equity instruments during the employee's service period with each subsidiary.
- B61 Such an employee, after transferring between group entities, may fail to satisfy a vesting condition other than a market condition as defined in Appendix A, eg the employee leaves the group before completing the service period. In this case, because the vesting condition is service to the group, each subsidiary shall adjust the amount previously recognised in respect of the services received from the employee in accordance with the principles in paragraph 19. Hence, if the rights to the equity instruments granted by the parent do not vest because of an employee's failure to meet a vesting condition other than a market condition, no amount is recognised on a cumulative basis for the services received from that employee in the financial statements of any group entity.

## Amendments to Guidance on Implementing SB-FRS 102

The heading before paragraph IG5 and paragraph IG5 are amended (new text is underlined and deleted text is struck through).

After paragraph IG5, a heading, paragraphs IG5A–IG5D and a new IG Example 1 are added.

Before paragraph IG6, a heading is added.

After paragraph IG11, IG Example 1 is renumbered IG Example 1A and its footnote is deleted. In paragraph IG12 'Example 1' is amended to 'Example 1A'.

### **Measurement date for ~~t~~Transactions with parties other than employees**

IG5 For transactions with parties other than employees (and others providing similar services) that are measured by reference to the fair value of the equity instruments granted, paragraph 13 of SB-FRS 102 includes a rebuttable presumption that the fair value of the goods or services received can be estimated reliably. ~~In these situations, paragraph 13 of SB-FRS 102 requires the entity to measure that fair value at the date the entity obtains the goods or the counterparty renders service.~~

#### **Transaction in which the entity cannot identify specifically some or all of the goods or services received**

IG5A In some cases, however, it might be difficult to demonstrate that goods or services have been (or will be) received. For example, an entity may grant shares to a charitable organisation for nil consideration. It is usually not possible to identify the specific goods or services received in return for such a transaction. A similar situation might arise in transactions with other parties.

IG5B Paragraph 11 of SB-FRS 102 requires transactions in which share-based payments are made to employees to be measured by reference to the fair value of the share-based payments at grant date.\* Hence, the entity is not required to measure directly the fair value of the employee services received.

\*In SB-FRS 102, all references to employees include others providing similar services.

IG5C It should be noted that the phrase 'the fair value of the share-based payment' refers to the fair value of the particular share-based payment concerned. For example, an entity might be required by government legislation to issue some portion of its shares to nationals of a particular country that may be transferred only to other nationals of that country. Such a transfer restriction may affect the fair value of the shares concerned, and therefore those shares may have a fair value that is less than the fair value of otherwise identical shares that do not carry such restrictions. In this situation, the phrase 'the fair value of the share-based payment' would refer to the fair value of the restricted shares, not the fair value of other, unrestricted shares.

IG5D Paragraph 13A of SB-FRS 102 specifies how such transactions should be measured. The following example illustrates how the entity should apply the requirements of the SB-FRS to a transaction in which the entity cannot identify specifically some or all of the goods or services received.

**IG Example 1**

*Share-based payment transaction in which the entity cannot identify specifically some or all of the goods or services received*

**Background**

An entity granted shares with a total fair value of CU100,000<sup>(a)</sup> to parties other than employees who are from a particular section of the community (historically disadvantaged individuals), as a means of enhancing its image as a good corporate citizen. The economic benefits derived from enhancing its corporate image could take a variety of forms, such as increasing its customer base, attracting or retaining employees, or improving or maintaining its ability to tender successfully for business contracts.

The entity cannot identify the specific consideration received. For example, no cash was received and no service conditions were imposed. Therefore, the identifiable consideration (nil) is less than the fair value of the equity instruments granted (CU100,000).

**Application of requirements**

Although the entity cannot identify the specific goods or services received, the circumstances indicate that goods or services have been (or will be) received, and therefore SB-FRS 102 applies.

In this situation, because the entity cannot identify the specific goods or services received, the rebuttable presumption in paragraph 13 of SB-FRS 102, that the fair value of the goods or services received can be estimated reliably, does not apply. The entity should instead measure the goods or services received by reference to the fair value of the equity instruments granted.

(a) In this example, and in all other examples in this guidance, monetary amounts are denominated in 'currency units (CU)'.

**Measurement date for transactions with parties other than employees**

IG6 ...

After paragraph IG8 the heading 'Illustrative examples' is deleted. The headings above paragraphs IG9, IG18 and IG20 are raised to the same level as those above paragraphs IG1, IG4A, IG5 and IG8.

After IG Example 13, a heading, paragraph IG22A and IG Example 14 are added, as follows.

## Share-based payment transactions among group entities

IG22A Paragraphs 43A and 43B of SB-FRS 102 specify the accounting requirements for share-based payment transactions among group entities in the separate or individual financial statements of the entity receiving the goods or services. Example 14 illustrates the journal entries in the separate or individual financial statements for a group transaction in which a parent grants rights to its equity instruments to the employees of its subsidiary.

### IG Example 14

*Share-based payment transactions in which a parent grants rights to its equity instruments to the employees of its subsidiary*

#### Background

A parent grants 200 share options to each of 100 employees of its subsidiary, conditional upon the completion of two years' service with the subsidiary. The fair value of the share options on grant date is CU30 each. At grant date, the subsidiary estimates that 80 per cent of the employees will complete the two-year service period. This estimate does not change during the vesting period. At the end of the vesting period, 81 employees complete the required two years of service. The parent does not require the subsidiary to pay for the shares needed to settle the grant of share options.

#### Application of requirements

As required by paragraph B53 of the SB-FRS, over the two-year vesting period, the subsidiary measures the services received from the employees in accordance with the requirements applicable to equity-settled share-based payment transactions. Thus, the subsidiary measures the services received from the employees on the basis of the fair value of the share options at grant date. An increase in equity is recognised as a contribution from the parent in the separate or individual financial statements of the subsidiary.

The journal entries recorded by the subsidiary for each of the two years are as follows:

#### *Year 1*

Dr Remuneration expense ( $200 \times 100 \times \text{CU}30 \times 0.8/2$ )	CU240,000	
Cr Equity (Contribution from the parent)		CU240,000

#### *Year 2*

Dr Remuneration expense ( $200 \times 100 \times \text{CU}30 \times 0.81 - 240,000$ )	CU246,000	
Cr Equity (Contribution from the parent)		CU246,000

## Table of Concordance

This table shows how the contents of INT SB-FRS 108 and INT SB-FRS 111 correspond with SB-FRS 102 (as amended in 2009).

<b>INT SB-FRS 108 paragraph</b>	<b>SB-FRS 102 (amended) paragraph</b>	<b>INT SB-FRS 111 paragraph</b>	<b>SB-FRS 102 (amended) paragraph</b>
1	2	1	B48
2, 3	IG5A, IG5B	2, 3	B51, B52
4	None	4-6	B46
5	IG5C	7	B49
6	2	8	B53
7, 8	2	9	B59
9	2	10	B61
9-12	13A	11	B55
13	64	12	64
IE1-IE4	IG Example 1	IE1-IE4	IG Example 14
BC1-BC5	None	BC1, BC2	None
BC6-BC12	None	BC3-BC18	None
BC13	None	BC19	None
		BC20	None
		BC21, BC22	None