Date: - 6th August, 2021

Submission of Suggestions/Comments on Exposure Draft of revised AS 102, Share-based Payments

Comment 1

Para 26 of AS 102 Share-based Payments

After vesting date

Having recognised the goods or services received in accordance with paragraphs 11-25, and a corresponding increase in equity, the entity shall make no subsequent adjustment to total equity after vesting date. For example, the entity shall not subsequently reverse the amount recognised for services received from an employee if the vested equity instruments are later forfeited or, in the case of share options, the options are not exercised. However, this requirement does not preclude the entity from recognising a transfer within equity, i.e., a transfer from one component of equity to another.

Para 26 of AS 102 states that an entity shall not make any subsequent adjustments to total equity after vesting date. However, entity can transfer one component of equity to another.

We would request Accounting Standards Board (ASB) to include examples on various scenarios under which one component of equity can be transferred to another as part of Appendix B – Application guidance.

For example:

1. When employee stock options are lapsed or forfeited after the vesting date, the balance amount in "Share Options Outstanding Account" may be transferred to "Retained earnings".

2. When employee exercises the share option and converts into equity share before the expiry of exercise date, the balance amount in "Share Options Outstanding Account" may be transferred to "Share Capital" / "Securities Premium" as appropriate.

Inclusion of numerical examples in Appendix B – Application guidance will ensure uniform accounting treatment with respect to utilisation of "Share Options Outstanding Account" after the vesting date.

Comment 2

Para 60 and 61 of Share-based Payments

Employee Share-based Payment Plan Administered through a Trust

Para 60 – An entity may administer an employee share-based payment plan through a trust constituted for this purpose. The trust may have different kinds of arrangements, for example, the following:

(a) The entity allots shares to the trust as and when the employees exercise stock options

(b) The entity provides finance to the trust for subscription to the shares issued by the entity at the beginning of the plan.

(c) The entity provides finance to the trust to purchase shares from the market at the beginning of the plan.

Para 61 – Since the trust administers the plan on behalf of the entity, irrespective of the arrangement for issuance of the shares under the employee share-based payment plan, the entity shall recognise in its separate financial statements the expense on account of services received from the employees in accordance with the Standard. Thus, though the trust itself may prepare its own financial statements, for example, to meet regulatory requirements, the separate financial statements of the entity shall present the picture as if the entity itself is administering the employee share-based payment plan. This has two results viz., (i) the entity shall recognise any expense arising from the employee share-based payment plans, and (ii) the operations of trust are included in separate financial statements of the entity insofar as the employee share-based payment plan is concerned. In such a situation, in the separate financial statements of the entity, 'Loans to Trust' will not appear.

Para 60 and 61 prescribes an accounting treatment to be followed in case Employee Stock Option Scheme (ESOS) is administered through a separate Trust.

We would request ASB to explain accounting treatment with respect to various transactions that take place when ESOS is administered through a Trust route. For example, accounting treatment under following scenarios may be specified as a part of Appendix B – Application guidance to ensure that uniform accounting treatment is followed amongst various entities:

1. Presentation of entity's equity shares purchased by the Trust from the Secondary Market / allotted by an entity itself in entity's separate financial statements.

Suggested accounting treatment
Such shares shall be treated akin to "Treasury shares". The face value of equity shares shall be deducted from the total Issued, Subscribed and Paid-up capital. Investment amount in excess of face value shall be deducted from Securities Premium in the separate financial statements.

2. Profit / loss on sale of entity's equity shares in the secondary market by the Trust.

   Suggested accounting treatment
   An entity cannot gain any profit or incur loss by selling its own equity shares. Accordingly, profit/loss on sale of equity shares presented in the Trust's financial statements as other income / expenses shall be added/deducted from the Securities Premium when Trust's Financial statements are included in entity's separate financial statements.

Comment 3

Request ASB to include the following points in the Exposure Draft:

1. Transition guidelines (From Guidance Note on Share-based Payments to AS 102 Share-based Payments).

2. Expected date of application of AS 102 Share-based Payments

With warm regards,

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