

Share Based Payments

Definitions

equity-settled share-based payment transactions	transactions, in which the entity receives goods or services as consideration for equity instruments of the entity (including shares or share options)
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cash-settled share-based payment transactions	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
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Either Equity settled or cash settled	transactions in which the entity receives or acquires goods or provide either the entity or the supplier of those goods or services and the terms of the arrangement services with a choice of whether the entity settles the transaction in cash or by issuing equity instruments
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<u>Recognition</u>	DR Expense / Asset Cr Equity / Liability / Asset
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Credit will go to Equity in case of Equity settled, while credit will be liability or cash / bank (actual payment in case of Cash settled SBP)

<u>Measurement</u>	for transaction with the employees, always at Fair Value of equity instruments granted.
	In other cases, at the fair value of the goods or services received. If Fair value of goods and services can not be determined, then at Fair Value of equity instruments granted.

Steps in calculating charge for the year

Step 1	Identify whether the transaction is Equity settled or cash settled
Step 2	Calculate Cumulative Charge upto current year by using following formula -
for Equity settled	FV at Grant Date * No of options estimated to get vested at the end of the respective year * proportion of expired portion to total vesting period
For Cash settled	FV at each reporting date * No of options estimated to get vested at the end of the respective year * proportion of expired portion to total vesting period
Step 3	Calculate cumulative charge for the previous year by using same formula stated above (<i>pay attention to expired period & estimated options at the end of last year</i>)
Step 4	Charge for the current year = Step 2 - Step 3

Actual settlement of transactions

Equity settled SBP	To the extent option is exercised, amount is transferred to Share Premium Account. Balance amount is transferred to Retained Earnings.
Cash settled SBP	amount will be paid to the supplier of goods / services

Never consider Market Based conditions. **Always** **consider non-market conditions** for adjusting estimated options likely to vest. Always consider estimation valid at the end of each year as entry is to be passed at the end of the year.