



## **Amendments to HKFRS 2 *Share-based Payment* – Group Cash-settled Share-based Payment Transactions**

### **HKICPA Standard Setting Department Staff Summary (August 2009)**

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The HKICPA Standard Setting Department welcomes your comments and feedback, which should be sent to [commentletters@hkicpa.org.hk](mailto:commentletters@hkicpa.org.hk).

### **Introduction**

1. Amendments to HKFRS 2 *Share-based Payment* – Group Cash-settled Share-based Payment Transactions clarify how an individual subsidiary in a group should account for some share-based payment arrangements in its own financial statements.
2. Entities shall apply the amendments retrospectively to annual periods beginning on or after 1 January 2010, subject to the transitional requirements in HKFRS 2. 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.

### **Reasons for issuing Amendments to HKFRS 2**

3. The objective of the Hong Kong Institute of Certified Public Accountants (HKICPA) in issuing amendments to HKFRS 2 is to maintain international convergence arising from the issuance of Amendments to IFRS 2 by the International Accounting Standards Board (IASB).
4. The amendments clarify:
  - i) the scope of HKFRS 2. An entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.
  - ii) the interaction of HKFRS 2 and other standards. The amendments clarify that in HKFRS 2 a 'group' has the same meaning as in HKAS 27 *Consolidated and Separate Financial Statements*, that is, it includes only a parent and its subsidiaries.
5. The amendments to HKFRS 2 also incorporate guidance previously included in HK(IFRIC) – Int 8 *Scope of HKFRS 2* and HK(IFRIC) – Int 11 *HKFRS 2 – Group and Treasury Share Transactions*.

## **Main features of the Amendments**

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6. 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:
- i) the nature of the awards granted, and
  - ii) 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.

7. The entity receiving the goods or services shall measure the goods or services received as an equity-settled share-based payment transaction when:
- i) the awards granted are its own equity instruments, or
  - ii) 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.

8. 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.
9. Intragroup repayment arrangements will not affect the application of the principles described above for the classification of group-settled share-based payment transactions.

## **Other references on Amendments to IFRS 2**

1. Deloitte IAS Plus on Clarification of accounting for group cash-settled share-based payment transactions  
<http://www.iasplus.com/iasplus/0907ifrs2amendments.pdf>
2. KPMG IFRS Briefing Sheet on Amendments to IFRS 2  
[http://www.kpmg.com.hk/en/virtual\\_library/Audit/IFRS\\_briefingsheet/IFRSBS09140.pdf](http://www.kpmg.com.hk/en/virtual_library/Audit/IFRS_briefingsheet/IFRSBS09140.pdf)
3. Ernst & Young Supplement to IFRS outlook on Group cash-settled share-based payment transactions  
[http://www.ey.com/Publication/vwLUAssets/Supplement\\_45/\\$File/Supplement\\_45.pdf](http://www.ey.com/Publication/vwLUAssets/Supplement_45/$File/Supplement_45.pdf)

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