FRC
MAURITIUS
FINANCIAL REPORTING COUNCIL
(Established under the Financial Reporting Act 2004)

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The Director
International Accounting Standards Board
30 Cannon Street
EC4M 6XH
London
UNITED KINGDOM

Dear Sir

Exposure Draft on Classification and Measurement of Share-based Payment Transactions

The Financial Reporting Council (Mauritius) has one of its main functions to ensure co-ordination and cooperation with international institutions in the development and enforcement of financial reporting, accounting and auditing standards.

The FRC is pleased to respond to the International Accounting Standards Board's (IASB's) Exposure Draft, *Classification and Measurement of Share-based Payment Transactions*. The comments and responses to the specific questions are included in the following pages.

For any further clarifications, please contact us at **frc.mauritius@intnet.mu**.

Yours faithfully

Financial Reporting Council
FRC
Mauritius

S. Naiken
Chief Executive Officer

(a) Effects of vesting conditions on the measurement of a cash-settled share-based payment.

<u>Question 1</u>

The IASB proposes to clarify that accounting for the effects of vesting and non-vesting conditions on the measurement of a cash-settled share-based payment should follow the approach used for measuring equity-settled share-based payments in paragraphs 19–21A of IFRS 2.

Do you agree? Why or why not?

<u>Comments to Question 1</u>

Yes, FRC agrees to the proposed amendment as this will bring consistency in the application of IFRS 2 regarding the impact of vesting and non- vesting conditions in the fair value determination of share-based payment transaction.

(b) Classification of share-based payment transactions with net settlement features.

<u>Question 2</u>

The IASB proposes to specify that a share-based payment transaction in which the entity settles the share-based payment arrangement net by withholding a specified portion of the equity instruments to meet the statutory tax withholding obligation should be classified as equity-settled in its entirety. This is required if the entire share-based payment transaction would otherwise have been classified as an equity-settled share-based payment transaction if it had not included the net settlement feature.

Do you agree? Why or why not?

<u>Comments to Question 2</u>

Yes. FRC agrees with the proposed amendment because we believe that the scenario mentioned in paragraph33D is an equity settled shared plan in its entirety.

However, it is noted that when the entity settles the withholding tax, it is expected that the cash payment is likely to differ from the cost recognised during the vesting period for the number of equity instruments. This amendment doesn't address the treatment of such difference noted and it is not clear as to whether the para 29 of IFRS 2 should be applied "whereby when the payment exceeds the fair value of the equity instruments, any such excess shall be recognised as an expense". FRC would recommend IASB to issue guidance in the form of example to address this concern.

(c) Accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

<u>Question 3</u>

The IASB proposes to specify the accounting for modifications to the terms and conditions of a cash-settled share-based payment transaction that results in a change in its classification from cash-settled to equity-settled. The IASB proposes that these transactions should be accounted for in the following manner:

(a) the share-based payment transaction is measured by reference to the modification-date fair value of the equity instruments granted as a result of the modification;

(b) the liability recognised in respect of the original cash-settled share-based payment is derecognised upon the modification, and the equity-settled share-based payment is recognised to the extent that the services have been rendered up to the modification date; and

(c) the difference between the carrying amount of the liability as at the modification date and the amount recognised in equity at the same date is recorded in profit or loss immediately.

Do you agree? Why or why not?

<u>Comments to Question 3</u>

Yes, agree to the proposed amendments and the recognition of the difference between the liability and the amount recognized in equity should be recorded in profit or loss which is consistent with the requirement of extinguishment of liabilities. This will also reduce the diversity in accounting these types of transactions in the future.

FRC however suggests that more clarifications should be given on how to calculate fair value taking into consideration, to the extent the services have been rendered up to the modification date.

<u>Question 4</u>

The IASB proposes prospective application of these amendments, but also proposes topermit the entity to apply the amendments retrospectively if it has the information needed to do so and this information is available without the use of hindsight.

Do you agree? Why or why not?

<u>Comments to Question 4</u>

Retrospective restatements will enhance the comparability. It is also in line with IAS 8, paragraph 23, which require retrospective application unless it is impracticable.

Question 5

Do you have any other comments on the proposals?

Comments to Question 5

i. There is alack of illustrative examples in the ED, for instance, showing the effects of vesting conditions on the measurement of a cash-settled share-based payment, and classification of share-based payment transactions in its entirety when there are statutory tax withholding obligation.

ii. if equity-settled share based payments changes to cash based, will the accounting entries be similar to proposals for changes from cash based to equity ?

iii. In general, there should be more guidance on how to deal with group Share-based payment schemes involving not only parent company, but other related companies of the Group.

iv. IASB should consider a more comprehensive review of IFRS 2 to address all implementation issues.