

IFRS 2

**Share based payment**

# Share based payment transactions

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 (including employees, top management) with a choice of whether the entity settles the transaction in cash (or other assets) or by issuing equity instruments.

**(a) equity-settled share-based payment transactions (shares, share options or other equity instruments granted to employees as part of their remuneration package, in addition to a cash salary and other employment benefits).**

**(b) cash-settled share-based payment transactions** (an entity might grant **share appreciation rights** to employees as part of their remuneration package, whereby the employees will become **entitled to a future cash payment** (rather than an equity instrument), based on the increase in the entity's share price from a specified level over a specified period of time).

This IFRS **applies** to share-based payment transactions in which an entity acquires or receives goods or services.

**Goods includes** inventories, consumables, property, plant and equipment, intangible assets and other non-financial assets.

However, an entity shall **not apply** this IFRS to transactions in which the entity **acquires goods as part** of the net assets acquired in a **business combination** as defined by IFRS 3 Business Combinations .

# Recognition

An entity shall **recognise the goods or services** received or acquired as assets in a share-based payment transaction **when it obtains the goods or as the services are received.**

The entity shall **recognise a corresponding increase in equity** if the goods or services were received in an equity-settled share-based payment transaction, or **a liability** if the goods or services were acquired in a cash-settled share-based payment transaction.

When the goods or services received or acquired in a share-based payment transaction **do not qualify for recognition as assets** , they shall be **recognised as expenses in P&L**. Eg. an entity might acquire goods as part of the research phase of a project to develop a new product.

Typically, **an expense arises from the consumption of goods or services.** For example, **services** are typically consumed immediately, in which case an expense is recognised in P&L as the counterparty renders service.

Goods might be consumed over a period of time or, in the case of inventories, sold at a later date, in which case an **expense is recognised when the goods are consumed or sold.**

# Measurement

For **equity-settled share-based payment transactions**, the entity shall measure the goods or services received, and the corresponding increase in equity, directly, at the **fair value of the goods or services received**.

If the entity cannot estimate reliably the fair value of the goods or services received, the entity shall measure their value, and the corresponding increase in equity, indirectly, by reference to the **fair value of the equity instruments granted**.

The fair value of those equity instruments shall be measured at grant date.

For **cash-settled share-based payment transactions**, the entity shall measure the goods or services acquired and the corresponding liability incurred at the **fair value of the liability**.

Until the liability is settled, the entity shall remeasure the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.