

23 March 2015

International Accounting Standards Board
1st Floor 30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Sir,

RESPONSE TO EXPOSURE DRAFT – CLASSIFICATION AND MEASUREMENT OF SHARE-BASED PAYMENT TRANSACTIONS (PROPOSED AMENDMENTS TO IFRS 2)

The Institute of Singapore Chartered Accountants (ISCA) appreciates the opportunity to comment on the above Exposure Draft (ED) issued by the International Accounting Standards Board (IASB) in November 2014.

To solicit meaningful feedback for this ED, ISCA sought views from its members through a one-month public consultation and from the ISCA Financial Reporting Committee which includes experienced technical accounting professionals from large accounting firms.

We agree that the proposed amendments address the issues identified by the IFRS Interpretations Committee (IFRIC) and would contribute to the consistent application of IFRS 2. However, we are of the view that the amendments proposed in paragraph 33D would need further clarification with regards to the scope of the proposed exception to IFRS 2.

On the accounting treatment for the incremental fair value upon modification of the cash-settled share-based payment transaction proposed in Question 3(c), we are of the view that where the modification occurs during the vesting period, the difference should be recognised over the period from the modification date until the date when the equity instrument vests.

Our detailed comments and responses to the questions in the ED are set out below.

Question 2 —

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?

We agree with the proposed amendment to allow an exception to the requirements of IFRS 2 for the arrangement described above.

However, we noted that the proposed amendment is worded in such a manner that the exception is restricted to entities which are obliged by tax laws or regulations to deduct and pay an amount of withholding tax to the taxation authorities in respect of an employee's tax obligation. The proposed exception does not seem to apply to other arrangements which might be similar in substance e.g. where entities have a contractual or constructive obligation to employees to deduct and pay the tax amount to the taxation authorities. It is not clear whether it is the intention of IASB that the proposed exception should be narrowly applied. In view of the above deliberations, we recommend that IASB clarifies this.

Question 3 —

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?

We agree with the proposal above except for part (c) in scenarios where the modification occurs during the vesting period. The proposed amendments require the difference between

the carrying amount of the liability at the modification date and the amount recognised in equity at the same date to be recorded in profit or loss immediately. In our view, the difference should be recognised over the period from the modification date until the date when the equity instrument vest.

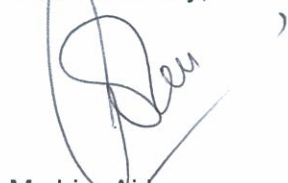
Our view is based on the following reasons:

- the incremental fair value upon modification of the cash-settled share-based payment transaction is not related to the original grant, but to the replacing equity instruments; and
- the proposed accounting treatment deviates from the principles stated in paragraph B43(a) of IFRS 2. Paragraph B43(a) states that if the modification of an equity-settled share-based payment transaction occurs during the vesting period, the incremental fair value is included in the measurement of the amount recognised for services received over the period from the modification date until the date when the modified equity instruments vest, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognised over the remainder of the original vesting period. Following the same principles prescribed in paragraph B43(a) of IFRS 2, if a cash-settled share-based payment transaction is modified to an equity-settled share-based payment transaction during the vesting period, the difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised over the period from the modification date until the date when the equity instruments vest.

We recommend that IASB amend paragraph B41A to take the above into consideration.

Should you require any further clarification, please feel free to contact Ms Lim Ju May, Deputy Director, Technical Standards Development and Advisory, or Mr Benjamin Oh, Manager, Technical Standards Development and Advisory, from ISCA via email at jumay.lim@isca.org.sg or benjamin.oh@isca.org.sg respectively.

Yours faithfully,



Ms Lim Ai Leen
Executive Director
Technical Knowledge Centre and Quality Assurance