



International Accounting Standards Committee®

# Press Release

For immediate release

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## **IASC PUBLISHES G4+1 POSITION PAPER ON ACCOUNTING FOR SHARE-BASED PAYMENT**

The Staff of the International Accounting Standards Committee (IASC) today published a Discussion Paper entitled *Accounting for Share-based Payment*. The principal author is Kimberley Crook, a project director with the UK Accounting Standards Board (ASB) on secondment from PricewaterhouseCoopers in London. A significant contribution was made by Kathryn Cearns, a project director with the ASB. Other ASB staff members as well as staff members of the other G4+1 organisations also assisted in the preparation of this Position Paper.

This Discussion Paper results from efforts of a Working Group consisting of board members and senior staff of the standard-setting bodies of Australia, Canada, New Zealand, the UK and the USA, and the International Accounting Standards Committee. Whilst members of the Working Group represented the standard-setting bodies to which they were affiliated, the views they expressed were their own and had not necessarily been officially deliberated by the bodies themselves.

The main proposals in this Paper are:

- a transaction whereby an entity obtains goods and services from other parties, including employees and suppliers, with payment taking the form of shares or share options issued by the entity to those other parties, should be recognised in the financial statements, with a corresponding charge to the income statement when those goods or services are consumed;

- such a transaction should be measured at the fair value of the shares or options issued. In most cases, an option-pricing model should be applied to establish the fair value of an option;
- vesting date is the appropriate measurement date, i.e. the date at which the fair value of the shares or options issued should be established, for the purposes of measuring the transaction amount. Vesting date is the date upon which the other party (the employee or supplier), having performed all of the services or provided all of the goods necessary, becomes unconditionally entitled to the options or shares; and
- where performance by the other party occurs between grant date, being the date upon which the contract between the entity and the other party (the employee or supplier) is entered into, and vesting date, an estimate of the transaction amount should be accrued over the performance period.

Other issues discussed include the treatment of lapsed options, options that are repriced or otherwise modified, employee share plans with cash alternatives and share appreciation rights.

Sir Bryan Carsberg, IASC Secretary-General, welcomed the publication of the Discussion Paper, noting that: “accounting for share-based payments is an area of increasing importance internationally. As more enterprises enter public ownership, the existence of (and thus the need for appropriate accounting for) share-based payments is growing rapidly. In responses to the United States Securities and Exchange Commission’s Concept Release on International Standards, this topic was one of the most often mentioned areas where IASC standards were needed. The United States has had accounting standards in place for several years, but their most recent standard, Statement of Financial Accounting Standards No.123, Accounting for Stock-based Compensation, was extremely controversial. This Position Paper draws on the US experience as well as recent developments in other countries, and should aid the convergence of accounting standards for share-based payments. The comments received will be of immense value to the new IASC Board who will have the responsibility of developing accounting standards in this area.”

All the organisations that participate in the G4+1 have agreed to publish the Position Paper in their own jurisdictions. They will consider, in the light of comments received in response to the Position Paper, whether its proposals should form a basis for developing new accounting standards.

Comments on the Discussion Paper are invited by **31 October 2000** to IASC's E-mail address: [commentletters@iasc.org.uk](mailto:commentletters@iasc.org.uk)

Copies of the G4+1 Discussion Paper *Accounting for Share-based Payment* is available direct from Publications Department, International Accounting Standards Committee, 166 Fleet Street, London EC4A 2DY, United Kingdom. Telephone: +44 (020) 7427-5927. Fax: +44 (020) 7353-0562, E-mail: [publications@iasc.org.uk](mailto:publications@iasc.org.uk) Internet: <http://www.iasc.org.uk> at a price of £ (US \$ ) each.

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**NOTES TO EDITORS**

The G4+1 comprises members of the standard-setting bodies from Australia, Canada, New Zealand, the UK and the USA. Representatives of the International Accounting Standards Committee attend as observers. G4+1 organisations seek to further their shared objectives through analyses and discussions of financial reporting issues; to learn more about the timing and approach of standard-setting agenda projects in other jurisdictions; to further their shared objectives by exchanging new ideas and approaches to financial reporting issues and standard-setting processes; and to further their shared objectives by pursuing projects that have the potential to bring about convergence of high quality financial reporting standards across member jurisdictions.