



ACCOUNTING
STANDARDS
BOARD

URGENT ISSUES TASK FORCE

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Abstract 44 'FRS 20 (IFRS 2) - Group and Treasury Share Transactions'

The ASB today issued UITF Abstract 44 which has the effect of implementing IFRIC Interpretation 11 'IFRS 2 – Group and Treasury Share Transactions' in the UK and the Republic of Ireland for entities preparing their financial statements in accordance with UK accounting standards and, in doing so, are applying FRS 20 (IFRS 2) 'Share-based Payment'.

The Abstract addresses how to apply FRS 20 to arrangements involving an entity's own equity instruments or equity instruments of another entity in the same group. The Abstract requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity-instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments needed are obtained. The Abstract also provides guidance on whether share-based payment arrangements, in which suppliers of goods or services of an entity are provided with equity instruments of the entity's parent should be accounted for as cash-settled or equity-settled in the entity's financial statements.

FRS 20 is a converged standard with IFRS 2, and so this abstract is necessary to keep the accounting requirements of each standard the same. However, a number of UITF members have raised issues with the Abstract. These issues include the cash-settled treatment the Abstract requires for awards made by subsidiaries over the parent equity. This imposes a potential compliance burden on subsidiaries perhaps out of proportion to the benefit to the users of their accounts, thereby creating an entry which is reversed on consolidation. The ASB is minded to consider an amendment to FRS 20 to remove this burden and to invite UK constituents to comment on this matter.

The UITF is also concerned that further issues may need clarification. An example is the situation when a parent grants share options to the employees of its subsidiary and, on exercise of the option, the subsidiary is contractually obliged to pay its parent the difference between the exercise price and the market price of the share issued. The UITF will consider whether it is necessary to develop additional guidance.