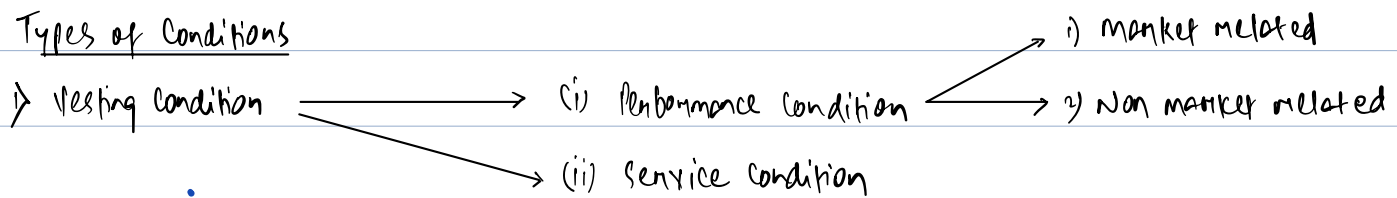


Types of Conditions



(i) Performance condition {P.C.} ÷ Achievement of P.C. and remaining in employment until P.C. is satisfied.

{Entity shall estimate length of expected vesting period at grant date based on most likely outcome.}

Market related ÷ To achieve target price of shares or to achieve specified target based on market price of shares. {It is not in Entity's control}

Estimate expected length of vesting period at grant date and not subsequently revised.

Non market related ÷ Parameter linked with internal performance or activities of Entity and not market driven. Here length of vesting period can be re-estimated subsequently.

(ii) Service condition ÷ SBP is dependent upon minimum term to be served to be eligible for SBP.

↳ Non vesting condition ÷ SBP expenses recognised immediately. In case of liability, remeasurement of liability done at each R.P. end and at settlement date.

Modification, Cancellation & Settlement {Refer 911 10 & 911 11}

Modification ÷ If modification increase fair value of award, such additional cost recognised over remaining vesting period.

Cancellation ÷ If grant of Equity Instt. is cancelled, recognise remaining SBP Expenses immediately. Any payment made to employees is deducted from equity to the extent of fair value of options. Excess payment recognised in P/L.

If SBP includes liability component, remeasure fair value of liability at the date of cancellation and settlement with adjustment to P/L. Any payment made accounted for extinguishment of liability.

Parent
Inv in Subs
To SBPA 100000

Subs.
E.Pit. 100000
To Cap Cont.
from Parent

Group SBP Plan

Parent issues its own shares from SBP Plan issued by its subsidiary. ∴

Parent → Investment in Subsidiary

Bank A/c

To SBPR (Equity)

Subsidiary → Employee Comp. Exp.

To Bank

To Capital Contⁿ from Parent.

Subsidiary Provides right to its employees to get Eq. Instt. of its Parent

Parent → Emp. Comp. Exp.

To Dividend Income (P/L)

Subsidiary → Dividend Distribution (R.E.)

To SBPR (Equity)

Additional Points

- i) For measurement from liability of each R.P. end, Fair Value of option is taken.
However at the time of settlement, intrinsic value of option is taken
- ii) At each R.P. end, total Expenses is calculated and then Exp. recognized on Cumulative Catch up Basis. (Suppose 3 yrs V.P., Exp 1st yr recog. - 60000. At 2nd yr and total Exp. 210000,
∴ Exp. 2nd yr recog. = $\frac{210000}{3} \times 2 - 60000 = 80000$)
- iii) In illustration 2 Q says vested immediately. Therefore Entire Exp. recog. immediately.
However subsequent change in liability remeasured at each R.P. end.
- iv) Fair value of shares with restrictions (Equity settled)
Fair value of shares without restrictions (cash settled)
- v) SBP should be formed with Binding Agreement and with External Parties
{Shareholders not Covered}
- vi)

All the Best and Don't miss RTP MTP Q.7 (Graded Vesting)