CL 89

Institute of Certified Public Accountants of Kenya

E-mail: icpak@icpak.com
Website:www.icpak.com

Drop-In Box No. 164, Revlon Professional Plaza, 2nd Floor
Biashara Street /Tubman Road, Nairobi

CPA Centre
Ruaraka, Thika Road
P.O. Box 59963
Tel: (254-2) 860930/862768
(254-2) 802635/636/745
Fax:(254-2) 862206
Nairobi, Kenya

6th March

Kimberley Crook
Project Manager
International Accounting Standards Board

Dear Crook

RE: COMMENTS ON ED 02 SHAREBASED PAYMENTS

Following our review of the Exposure Draft stated above we wish to make the following comments.

Question 12
While the term expected life is defined in the draft, the term contracted life is not. This leaves room for misinterpretation which should be avoided. We propose that the term be likewise defined.

Question 16
While not advocating for prescriptive guidance on the estimation of the fair value of options, we do observed that at least parameters that are fundamental to such estimations should be given. There should be a minimum number of parameters or factors that should be considered in the estimation which should be clearly stated in the standard to achieve some desired level of consistency and accuracy.

Question 18
The draft indicates that when an entity cancels a share option or grant during the vesting period (other than by forfeiture when the vesting conditions are no satisfied), the entity should continue to recognise the services rendered by the counterparty in the reminder of the vesting period as if the grant had not been cancelled.

It is not clear what will motivate an entity to cancel or in other words how an entity will benefit from a cancellation. How will this requirement protect the counterparty? We fell these should be clarified.

Question 22
The applicability of the standard to grants of equity instruments that were granted after the publication of the exposure draft and had not vested at the effective date of the IFRS

seems to limit the scope unnecessarily. The question of those grants that existed before the publication of the draft and will not have vested when the IFRS becomes effective still arises. It is our view that they also should be included if there is no justifiable reason for their exclusion.

Paragraph 29

Paragraph 29 (b) refers to deduction of equity. The deduction of equity so referred to needs to be clarified since in Kenya reduction of the share capital is restricted. It is not clear which account under equity is meant to take this type of transactions. We propose that more guidance be given in this respect.

We appreciate the spirit of the standard and hope that our comments will be useful in bettering the principles represented in the draft standard and the clarity of the same.

Yours sincerely
James Mburu
For Chief Executive