

IFRS 2 *Share-based Payment* (May 2013)

Timing of the recognition of intercompany recharges

The Interpretations Committee received a request for clarification about IFRS 2 *Share-based Payment* relating to intragroup recharges made in respect of share-based payments. In the submitter's example, the parent company of an international group grants share-based awards to the employees of its subsidiaries. The obligation to settle these awards is the parent's. The awards are based on the employee's service to the subsidiary. The subsidiary and the parent both recognise the sharebased transaction in accordance with IFRS 2— typically over the vesting period of the awards. The parent has also entered into recharge agreements with its subsidiaries that require the subsidiaries to pay the parent the value of the share-based awards upon settlement of the awards by the parent. The submitter asked whether the subsidiary's liability to its parent in respect of these charges should be recognised from the date of grant of the award or at the date of exercise of the award. Outreach conducted suggests that there is diversity in practice in the recognition of these liabilities. Some respondents view the recharge and the share-based payments as linked and recognise both from the date of grant over the vesting period. Others think that the recharge is a separate transaction recognised by analogy with liabilities, the distribution of equity or as an executory contract.

When discussing accounting for the intercompany recharge transaction, the Interpretations Committee was concerned at the breadth of the topic. It thought that resolving this issue would require it to address the accounting for intragroup payment arrangements generally within the context of common control and that any conclusions drawn could have unintended consequences on the treatment of other types of intercompany transactions. In the absence of guidance about intercompany transactions within existing Standards and the Conceptual Framework, they did not think that they would be able to resolve this issue efficiently. For that reason, the Interpretations Committee decided not to add this issue to its agenda.