

E-tivity 6.1: Understanding the conceptual nature of share-based payment transactions and accounting problem

Question 1. IFRS 2 Share-based payments requires an entity to recognise share-based payment transactions in its financial statements. These include transactions with the employees or other parties where they are to be settled in cash, other assets or equity instruments of the entity.

Required:

- (i) Discuss how share options are issued
- (ii) Discuss the advantages of share-based payments to both employer and employee and suggest why accounting standard setters felt that there was a need for a standard in this area.
- (iii) Briefly explain the accounting treatment of share-based payments recognised by IFRS 2.