財團法人
會計研究發展基金會
ACCOUNTING RESEARCH AND DEVELOPMENT FOUNDATION

Comment Letters
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

March 12, 2008

Dear Sir / Madam

Exposure Draft Of Proposed Group Cash-settled Share-based Payment Transactions

The Special Task Force of the Financial Accounting Standards Committee (FASC) of Accounting Research and Development Foundation in Taiwan appreciates the opportunity to respond to the above exposure draft.

The enclosures are our comments on the exposure draft. The comments are those of the Special Task Force and do not necessarily represent official opinions of the FASC.

If you should have any question about our comments, please contact us. You may direct your inquiries either to myself (conrad@mail.ntpu.edu.tw) or to Ms. Li (irene@ardf.org.tw).

Sincerely Yours,

Conrad Chang

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Enclosures－Response to Exposure Draft Of Proposed Group Cash-settled Share-based Payment Transactions

Question 1

Specifying how a subsidiary that receives goods or services from its suppliers (including employees) should account for cash-settled share-based payment arrangements described in new paragraph 3A of IFRIC 11

The proposed amendments specify that:

(a) in the financial statements of a subsidiary that receives goods or services from its suppliers under the arrangements described in new paragraph 3A of IFRIC 11, the subsidiary should apply IFRS 2 to account for the transactions with its suppliers. In other words, in the financial statements of the subsidiary, such cash-settled share-based payments are within the scope of IFRS 2 (see new paragraph 3A of IFRS 2 and new paragraph 11A of IFRIC 11).

(b) the subsidiary should measure the goods or services received from its suppliers in accordance with the requirements applicable to cash-settled share-based payment transactions, as set out in IFRS 2 (see new paragraph 11B of IFRIC 11).

Do you agree with the proposals? If not, why?

Response

We agree with the proposal to specify how a subsidiary that receives goods or services from its suppliers (including employees) should account for cash-settled share-based payment arrangements described in new paragraph 3A of IFRIC 11.

We believe that there are two more related issues which should be included in this ED：

1. The first issue concerns share-based payment transactions in which the terms of the arrangement provide either the parent or the suppliers (including employees) of the subsidiary with the choice of whether the parent settles the transaction in cash (or other assets) or by issuing equity instruments.

   In our opinion, the parent should apply IFRS 2 to account for the transactions with the employees of its subsidiary; so should the subsidiary.

The parent shall account for the components of that transaction as a cash-settled share-based payment transaction to the extent the parent has incurred a liability to settle in cash (or other assets), and as an equity-settled share-based payment transaction to the extent there is no such liability. The subsidiary shall account for cash-settled share-based payment transactions in accordance with new paragraph 11B of IFRIC 11, and account for equity-settled share-based payment transactions in accordance with paragraph 8 of IFRIC 11.

2. The second issue concerns share-based payment arrangements in which entity's shareholder other than the parent incurs a liability to make cash payments to the entity's suppliers (including employees). In accordance with paragraph 3 of IFRS2, transfers of an entity's equity instruments by its shareholders to parties that have supplied goods or services to the entity (including employees) are share-based payment transactions. We believe that the guidance of IFRIC 11 for the parent also applies to other shareholders, and we hope that the proposed amendments to IFRS 2 and IFRIC 11 can clarify this issue.

Question 2

The proposed amendments to IFRS 2 would be required to be applied retrospectively, subject to the transitional provisions of IFRS 2.

Do you agree with the proposal? If not, what do you propose and why?

Response

We don't have any special suggestion about this question.