SAS Quadra 05. Bloco J. CFC
Brasília, Distrito Federal – Brazil
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March 25, 2015

commentletters@ifrs.org

IFRS Foundation
30 Cannon Street
London EC4M 6XH
United Kingdom

Subject: Classification and Measurement of Share-based Payment Transactions
Reference: ED/2014/5

Dear Board Members,

The Comitê de Pronunciamentos Contábeis - CPC (Brazilian Accounting Pronouncements Committee)[1] welcomes the opportunity to respond to this exposure draft.

We are a standard-setting body engaged in the study, development and issuance of accounting standards, interpretations and guidance for Brazilian companies.

Our detailed responses to the specific questions posed in the ED are set forth in the following pages.

If you have any questions about our comments, please do not hesitate to contact us at operacoes@cpc.org.br.

Yours sincerely,

Silvio Takahashi
Chair of International Affairs
Comitê de Pronunciamentos Contábeis (CPC)

1
The Brazilian Accounting Pronouncements Committee (CPC) is a standard-setting body engaged in the study, development and issuance of accounting standards, interpretations and guidances for Brazilian companies. Our members are nominated by the following entities: ABRASCA (Brazilian Listed Companies Association), APIMEC (National Association of Capital Market Investment Professionals and Analysts), BMFBOVESPA (Brazilian Stock Exchange and Mercantile & Future Exchange), CFC (Federal Accounting Council), FIPECAFI (Financial and Accounting Research Institute Foundation) and IBRACON (Brazilian Institute of Independent Auditors).

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Question 1: The IASB proposes to clarify that accounting for the effects of vesting and non-vesting conditions on the measurement of a cash-settled share-based payment should follow the approach used for measuring equity-settled share-based payments in paragraphs 19–21A of IFRS 2. Do you agree? Why or why not?

Answer to question 1

We agree that is necessary to clarify that accounting for the effects of vesting and non-vesting conditions on the measurement of a cash-settled share-based payment, because, until now, as a result of the lack of guide in IFRS 2 for this type of share-based payments, there was diversity in the practice of measurement of the liability. So, we agree that the approach would be the same used for measuring equity-settled share-based payments in paragraphs 19–21A of IFRS 2.

Question 2: The IASB proposes to specify that a share-based payment transaction in which the entity settles the share-based payment arrangement net by withholding a specified portion of the equity instruments to meet the statutory tax withholding obligation should be classified as equity-settled in its entirety. This is required if the entire share-based payment transaction would otherwise have been classified as an equity-settled share-based payment transaction if it had not included the net settlement feature. Do you agree? Why or why not?

Answer to question 2

In Brazil is common to find a share-based payment transaction in which the entity settles the share-based payment arrangement net by withholding a specified portion of the equity instruments to meet the statutory tax withholding obligation. Thus, there was a doubt whether the portion of the equity instruments hold by the entity should be classified as cash-settled share-based payment or as equity-settled share-based payment. So, we support the proposed requirement.

Question 3: The IASB proposes to specify the accounting for modifications to the terms and conditions of a cash-settled share-based payment transaction that results in a change in its classification from cash-settled to equity-settled. The IASB proposes that these transactions should be accounted for in the following manner:

(a) the share-based payment transaction is measured by reference to the modification-date fair value of the equity instruments granted as a result of the modification;

(b) the liability recognised in respect of the original cash-settled share-based payment is derecognised upon the modification, and the equity-settled share-based payment is recognised to the extent that the services have been rendered up to the modification date; and

(c) the difference between the carrying amount of the liability as at the modification date and the amount recognised in equity at the same date is recorded in profit or loss immediately.

Do you agree? Why or why not?

Answer to question 3

We agree with the proposed criteria and requirements to the accounting for modifications to the terms and conditions of a cash-settled share-based payment transaction that results in a change in its classification from cash-settled to equity-settled.

Question 4: The IASB proposes prospective application of these amendments, but also proposes to permit the entity to apply the amendments retrospectively if it has the information needed to do so and this information is available without the use of hindsight. Do you agree? Why or why not?

Answer to question 4

We agree with the proposed prospective application of these amendments and the permission to the entity to apply the amendments retrospectively if it has the information needed to do so and this information is available without the use of hindsight.

Question 5: Do you have any other comments on the proposals?

Answer to question 5

Our comment is in order to suggest that IFRS 2 has more detailed guidance in cases where the instrument is reclassified from equity to liability.