

Explanatory Statement

Accounting Standard AASB 2008-1
Amendments to Australian Accounting
Standard – Share-based Payments:
Vesting Conditions and Cancellations

February 2008



Australian Government

**Australian Accounting
Standards Board**

EXPLANATORY STATEMENT

Reasons for Issuing AASB 2008-1

Australian Accounting Standards that apply to annual reporting periods beginning on or after 1 January 2005 include International Financial Reporting Standards (IFRSs). IFRSs are issued by the International Accounting Standards Board (IASB). Their adoption in Australia by the Australian Accounting Standards Board (AASB) is in accordance with a strategic direction made by the Financial Reporting Council (FRC).

The AASB has decided it will continue to issue sector-neutral Standards, that is, Standards applicable to both for-profit and not-for-profit entities, including public sector entities. Except for Standards that are specific to the not-for-profit or public sectors or that are of a purely domestic nature, the AASB is using the IASB Standards as the “foundation” Standards to which it adds material detailing the scope and applicability of a Standard in the Australian environment. Additions are made, where necessary, to broaden the content to cover sectors not addressed by an IASB Standard and domestic, regulatory or other issues.

This Standard makes amendments to Australian Accounting Standard AASB 2 *Share-based Payment*. These amendments arise from the issuance in January 2008 of amendments to IFRS 2 *Share-based Payment* by the IASB regarding vesting conditions and cancellations.

Main Features of AASB 2008-1

Application Date

This Standard is applicable to annual reporting periods beginning on or after 1 January 2009, with early adoption permitted for annual reporting periods beginning on or after 1 January 2005 but before 1 January 2009.

Main Requirements

These amendments clarify that vesting conditions comprise service conditions and performance conditions only and that other features of a share-based payment transaction are not vesting conditions. They also specify that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

Consultation Prior to Issuing AASB 2008-1

The AASB issued Exposure Draft ED 146 *Proposed Amendments to AASB 2 Share-based Payment: Vesting Conditions and Cancellations*, the Australian equivalent to the IASB Exposure Draft of *Proposed Amendments to IAS 2 Share-based Payment: Vesting Conditions and Cancellations*, in February 2006. The AASB's ED 146 reproduced the IASB proposals without amendment and sought constituents' views on the IASB's proposed amendments.

The AASB received three submissions on ED 146 which were generally supportive of the proposals. In its submission to the IASB, the AASB supported the proposed amendments.

A Regulatory Impact Statement has not been prepared in connection with the issue of this Standard as the amendments made do not have a substantial direct or indirect impact on business or competition, are of a minor or machinery nature or clarify existing requirements.