**Exercises – Share based Payment – IFRS 2**

An entity grants 100 share options to each of its 500 employees. Each grant is conditional upon the employee working for the entity over the next three years. The entity estimates that the fair value of each share option is CU15. 2 On the basis of a weighted average probability, the entity estimates that 20 per cent of employees will leave during the three-year period and therefore forfeit their rights to the share options.

**Scenario 1**

a) Record this transaction, assuming that everything turned out exactly as expected:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Year | |  | | --- | | Calculation | | Remuneration expense for period | Cumulative remuneration expense |
| 1 | |  | | --- | | 50,000 options × 80% × U15 × 1/3 years | | 200,000 | 200,000 |
| 2 | |  | | --- | | (50,000 options × 80% × CU15 × 2/3 years) CU200,000 | | 200,000 | 400,000 |
| 3 | |  | | --- | | (50,000 options × 80% × CU15 × 3/3 years) – CU400,000 | | 200,000 | 600,000 |

**Scenario 2**

During year 1, 20 employees leave. The entity revises its estimate of total employee departures over the three-year period from 20 per cent (100 employees) to 15 per cent (75 employees). During year 2, a further 22 employees leave. The entity revises its estimate of total employee departures over the three-year period from 15 per cent to 12 per cent (60 employees). During year 3, a further 15 employees leave. Hence, a total of 57 employees forfeited their rights to the share options during the three-year period, and a total of 44,300 share options (443 employees × 100 options per employee) vested at the end of year 3.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Year | |  | | --- | | Calculation | | Remuneration expense for period | Cumulative remuneration expense |
| 1 | |  | | --- | | 50,000 options × 85% × CU15 × 1/3 years | | 212,500 | 212,500 |
| 2 | |  | | --- | | (50,000 options × 88% × CU15 × 2/3 years) – CU212,500 | | 227,500 | 440,000 |
| 3 | |  | | --- | | (44,300 options × CU15) – CU440,000 | | 224,500 | 664,500 |