

DiplFR: Study Text

For exams in December 2020 and June 2021

Chapter 14, Section 1.10.3 Example

The accounting entries for the liability component contained an error. The corrections are highlighted yellow in the extract below.

- For the liability component - treat as cash-settled

DEBIT	Profit or loss	\$40,667
	(20,000 shares × \$6.10 × 1/3)	
CREDIT	Liability	\$40,667

The expense is spread over the three year vesting period. The liability component should be remeasured to reflect the fair value of the cash alternative at each year-end date up to the vesting date.