

Private Company Council

Employee Share-Based Payment Accounting Improvements

December 10, 2014

Issue 1: Expected Term

Alternative A

- Allow use of simplified method for “plain-vanilla” awards
- Awards with repurchase features would not be precluded

Alternative B

- Allow use of simplified method for all awards with service and performance conditions

Alternative C

- Allow use of contractual term as the estimate for expected term for all awards with service and performance conditions

Staff Recommendation

Alternative B

Issue 2: Classification of Awards with Repurchase Features

Alternative A

- Align classification guidance for put and call rights that are contingent upon an event within the employee's control

Alternative B

- Assess classification of awards with a formula value repurchase feature that meets certain criteria as a fair value repurchase feature

Alternative C

- Ignore repurchase features that are contingent upon certain limited events (e.g., employee termination, death, disability, etc.) for classification purposes, and account for them if the put or call is ultimately exercised

Split Staff Recommendation

One staff member supports both Alternatives A & B;
one staff member supports only Alternative A

Issue 3: Intrinsic Value

- Allow a private company to switch from measuring liability awards at fair value to measuring liability awards at intrinsic value

Staff Recommendation

Add to project

Issue 4: Entities Permitted to Apply Private Company Practical Expedients

Alternative A

- Retain Topic 718 definition of *public entity*

Alternative B

- Use the Update 2013-12 definition of *public business entity*

Staff Recommendation

Alternative A