



Azadi Ka Amrit Mahotsav Activity

“Youth Excellence Symposium- 9 Virtual Program” conducted by Women & Young Members Excellence Committee of ICAI on 26th May 2023

The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)
Women & Young Members Excellence Committee

YOUTH EXCELLENCE SYMPOSIUM - 9

Virtual Program on
**Practical aspects of
ESOP Implementation and
ESOP Valuation**

26th May, 2023 | 4:00 PM to 6:00 PM
FEES NIL

Welcome Address

Introductory Remarks

Speakers

Moderators

Registration and participation link: <https://live.icai.org/wymec/26052023/>
Send your queries in advance at wymec@icai.in or LIVE during Program

As part of country wide Azadi ka Amrit Mahotsav initiatives, envisaged by Government of India, to commemorate and celebrate 75 years of India's Independence, the Women & Young Members Excellence Committee (WYMEC) of ICAI organized “Youth Excellence Symposium - 9 Virtual Program” on 26th May 2023.

CA. Kartikey Kandoi was speaker of the said program. Coordinators for the day were CA. Gautam Mota, CA. Utkarsh Sharma, CA. Jignesh Gala and CA. Priten Shah.

The program covered discussion on “Practical aspects of ESOP Implementation and ESOP Valuation”. Deliberations were made on Overview of ESOP & Key Terms, ESPO Implementation, Practical Aspects of ESOP Valuation, Group Share Based Agreements, etc.

Agenda

- Overview of ESOP and Key Terms
- ESOP Implementation Key Points
- Practical Aspects of ESOP Valuation
- ESOP Accounting
- Group Share Based Arrangements
- Ind AS 102 v/s ICAI GN (2020) v/s ICAI GN (2005)
- Q&A and Open Forum Discussion

Share-Based Payments – Classification

- Employee Stock Options Plan (ESOP)
- Share Appreciation Rights (SAR)
- Share based payments with cash alternatives
- Employee Stock Purchase Scheme (ESPS)

What is ESOP?

Regulatory Norms – ESOP

Regulatory norms and Accounting principles for ESOP of Indian Companies:

- Companies Act Section 62(1)(b)
- Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021
- Rule 12 of Companies (Share Capital and Debentures) Rules, 2014
- Special Resolution by Shareholders
- GN on Share-Based Payments issued by ICAI (2020)
- Ind AS 102: Share-Based Payments (Ind AS Accounting)
- IFRS 2: Share-Based Payments (IFRS Accounting)
- ASC 718 and ASC 915-50 for employees and nonemployees, respectively (US GAAP Accounting)

ESOP Implementation/ Lifecycle – Stages

Share-Based Payments – ESOP Plan

ESOP Plan Document (Master Plan)

Key Terms (Definitions):

- Stock Option
- Employees and others providing similar services
- Equity instrument
- Equity instrument granted
- Equity-settled SBPT
- Fair Value
- Grant Date
- Measurement Date
- Corporate Action
- Administrator
- Vest
- Vesting period
- Vesting condition
- Performance condition
- Service condition
- Treatment on Death, resignation etc
- Exercise period
- Buy back provisions
- Lock in Period

Tax Treatment for Employees

Taxation in hands of Employees

Grant Date	Vesting Date	Exercise Date	Transfer of Share
No Tax	No Tax	Salary Income (Perquisite) = Share Price on Exercise Date - Exercise Price	Capital Gain = Sales Consideration - Share Price on Exercise Date

Fair Value of Stock Options (ESOP, ESPS, SAR)

For ESOP Accounting, we typically requires two valuations:

- Company's share price
- Fair Value of option

Date of Valuation will depend on type of Stock options:

- Equity-settled plan – Grant date fair value
- Cash-settled plan – Grant date, each reporting date, settlement date

Fair Value of option can be determined using following methods:

- Black- Scholes model
- Binomial/Lattice model
- Monte- Carlo simulation model

Amongst the three, Black- Scholes model is a widely used method by Indian listed and non-listed companies.

The program concluded by giving Vote of Thanks to the Speakers and the participants.

Glimpses of the Virtual Program held on 26th May 2023

