



# RSM Bird Cameron

Chartered Accountants

## The growth in performance rights plans

New employee share scheme tax legislation, moves by remuneration committees to longer term incentivised remuneration for senior executives and the volatility seen in Australian share prices in the last 24 months have been key determinants in a significant trend by Australian listed companies withdrawing from share option schemes and replacing them with performance right plans, whereby executives are remunerated through the issue of performance rights which vest into ordinary shares based on the meeting of certain performance conditions.

### The accounting issues

The complexities of the performance conditions can create a headache when it comes to accounting for performance rights plans under AASB 2 "Accounting for Share Based Payments" with significant issues around;

- determining the expected vesting period;
- estimating the probability of achieving performance targets such as Total Shareholder Return ("TSR") v market and sector TSR's; and
- valuing the underlying equity instrument which has been granted.

### How can we help:

With year end fast approaching it is imperative that management consider accounting issues around measurement and recognition that are presented with performance rights plans, which will require careful review of the plan rules and the performance and vesting conditions.

RSM Bird Cameron has significant experience in providing advice on the valuation, accounting and measurement of equity based remuneration plans, including;

- the design and scoping of performance rights valuation methodologies that are compliant with AASB 2;
- review of accounting policies for performance rights and providing sign off for external auditors;
- valuing performance rights; and
- designing and building accounting and administration models for performance rights plans.

If you have a performance rights plan you are accounting for this year end or are in the process of reviewing your remuneration plans for executives and would like more information about our services, please contact:

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