

FASB STAFF RECOMMENDATION

Topic: EITF Issue No. 00-18, "Accounting Recognition for Certain Transactions involving Equity Instruments Granted to Other Than Employees"

Date discussed: March 15, 2007

The Task Force was asked to consider in Issue 3 of Issue 00-18, for transactions that include a grantee performance commitment, how the grantee should account for the contingent right to receive, upon performing as specified in the arrangement, grantor equity instruments that are consideration for the grantee's future performance. Issue 00-18 has been inactive since it was last discussed by the Task Force in March of 2002.

At the March 2002 EITF meeting, the Task Force was not asked to reach a consensus on Issue 3 but generally agreed that the grantee should account for the arrangement as an executory contract (that is, generally no accounting before performance) in the same manner as if the grantor had agreed to pay cash (upon vesting). The Board intends to address the accounting by the grantee through the Board's project on revenue recognition.

Also at the March 2002 EITF meeting, the Task Force directed the FASB staff to further develop a measurement date approach for nonemployee share-based payment awards similar to the approach in EITF Issue No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring or in Conjunction with Selling, Goods or Services," and to focus on improving the guidance used to determine the date at which a commitment for counterparty performance to earn the equity instruments is reached. Since then, the Board issued FASB Statement No. 123, *Share-Based Payment* (revised December 2004). That standard was the result of the completion of the Board's first phase of a two-phase project to broadly reconsider the accounting guidance on share-based payment awards. The first phase focused on the accounting for share-based payment awards issued to employees, and the second phase is intended to address the accounting for share-based payment awards issued to nonemployees and employee share ownership plans. In March 2005, the Board decided not to begin the second phase of the share-based payment project immediately, but rather to wait for further development of the Board's liabilities and equity project.

Since the Board has on its agenda projects to reconsider the accounting for (a) revenue recognition, which will resolve Issue 3 of 00-18, and (b) share-based payment awards issued to nonemployees, which will address the measurement date approach for nonemployees, the staff recommends that Issue 3 of Issue 00-18 and any further consideration of the measurement date approach for nonemployees be removed from the Task Force's agenda.