

**QN. 3**

**In The Books of Brite Limited  
Journal Entries**

Date	Particulars	L.F	Dr. (Rs.)	Cr. (Rs.)
2010 April 1	Employee Compensation Expenses A/c (W Note No.1) Dr. To Employee Stock Options Outstanding A/c (Being grant of 25,000 stock options to employees at Rs. 50 when market price is Rs. 140)		22,50,000	22,50,000
2011 1 <sup>st</sup> Jan to 28 <sup>th</sup> Feb	Bank A/c (24,000 x Rs.50) Dr. Employee Stock Options Outstanding A/c (W Note 2) Dr. To Equity Share Capital A/c (24,000 x Rs.10) To Securities Premium A/c [24,000 x (Rs.140-Rs.10)] (Allotment of 24,000 equity shares of Rs.10 each at a premium of Rs.130 per share to the employees)		12,00,000 21,60,000 31,20,000	2,40,000
Mar 1	Employee stock options outstanding A/c (Rs.22,50,000 – Rs.21,60,000) Dr. To Employee Compensation Expenses A/c (Being entry for lapse of stock options for 1,000 shares)		90,000	90,000
Mar 31	Profit & Loss A/c Dr. To Employee Compensation Expenses A/c (Being transfer of employee compensation expense to profit and loss account)		21,60,000	21,60,000

**W Note No. 1**

**Value of Options = Number of Options Granted x (Market Price – Exercise Price)**

Value of Options = 25,000 x (Rs.140 – Rs.50)

Value of Options = Rs. 22,50,000

**Vesting period is less than a year. This value of options shall be amortised on a straight line basis over the vesting period.**

The amount to be amortised every year = Rs. 22,50,000 ÷ 1 = Rs. 22,50,000 each year

## W Note No. 2

**Employee Compensation Expenses to be transferred to P&L =**

**(Total Value of Compensation ÷ Total No of Options ) x Number of Options Exercised**

(Rs. 22,50,000 ÷ 25,000 ) x 24,000 = Rs. 21,60,000

## QN. 4

### In The Books of X Co Limited Journal Entries

Date	Particulars	L.F	Dr. (Rs.)	Cr. (Rs.)
2012 April 1	Employee Compensation Expenses A/c (W Note No.1) Dr. To Employee Stock Options Outstanding A/c (Being grant of 20,000 stock options to employees at Rs. 70 when market price is Rs. 120)		14,00,000	14,00,000
2013 15 <sup>th</sup> March To 31 <sup>st</sup> March	Bank A/c (16,000 x Rs.50) Dr. Employee Stock Options Outstanding A/c (W Note 2) Dr. To Equity Share Capital A/c (16,000 x Rs.10) To Securities Premium A/c [16,000 x (Rs.120-Rs.10)] (Allotment of 16,000 equity shares of Rs.10 each at a premium of Rs.110 per share to the employees)		8,00,000 11,20,000 17,60,000	1,60,000
Mar 1	Employee stock options outstanding A/c (Rs.14,00,000 – Rs.11,20,000) Dr. To Employee Compensation Expenses A/c (Being entry for lapse of stock options for 4,000 shares)		2,80,000	2,80,000
Mar 31	Profit & Loss A/c Dr. To Employee Compensation Expenses A/c (Being transfer of employee compensation expense to profit and loss account)		11,20,000	11,20,000

## W Note No. 1

**Value of Options = Number of Options Granted x (Market Price – Exercise Price)**

Value of Options = 20,000 x (Rs.120 – Rs.50)

Value of Options = Rs. 14,00,000

**Vesting period is less than a year. This value of options shall be amortised on a straight line basis over the vesting period.**

The amount to be amortised every year = Rs. 14,00,000 ÷ 1 = Rs14,00,000 each year

**W Note No. 2**

**Employee Compensation Expenses to be transferred to P&L =**

**(Total Value of Compensation ÷ Total No of Options ) x Number of Options Exercised**

(Rs. 14,00,000 ÷ 20,000 ) x 16,000 = Rs. 11,20,000

**QN. 8**

**In The Books of Arihant Limited  
Journal Entries**

Date	Particulars	L.F	Dr. (Rs.)	Cr. (Rs.)
10/12/12	Bank A/c (16,000 x Rs.50) Dr.		8,00,000	
To 31/03/13	Employee Compensation Expenses A/c Dr.		11,20,000	
	To Equity Share Capital A/c (16,000 x Rs.10)			1,60,000
	To Securities Premium A/c [16,000 x (Rs.120- Rs.10)]			17,60,000
31/03/2013	Profit and Loss A/c Dr.		11,20,000	
	To Employee Compensation Expenses A/c			11,20,000