ESOP

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.		22,50,000	
	To Employee Stock Options Outstanding A/c				22,50,000
	(Being grant of 25,000 stock options to employees at Rs. 50 when market price is Rs. 140)				
2011 1st Jan to 28th Feb	Bank A/c (24,000 x Rs.50)	Dr.		12,00,000	
	Employee Stock Options Outstanding A/c (W Note 2)	Dr.		21,60,000	
	To Equity Share Capital A/c (24,000 x Rs.10)				2,40,000
	To Securities Premium A/c [24,000 x (Rs.140-Rs.10)]			31,20,000	
	(Allotment of 24,000 equity shares of Rs.10 each at a premium of Rs.130 per share to the employees)				
Mar 1	Employee stock options outstanding A/c (Rs.22,50,000 – Rs.21,60,000)	Dr.		90,000	
	To Employee Compensation Expenses A/c				90,000
	(Being entry for lapse of stock options for 1,000 shares)				
Mar 31	Profit & Loss A/c	Dr.		21,60,000	
	To Employee Compensation Expenses A/c				21,60,000
	(Being transfer of employee compensation expense to profit and loss account)				

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

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 To 31/03/13	Bank A/c (16,000 x Rs.50)	Dr.		8,00,000	
	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