**EXERCISE N. X STOCK OPTIONS (2 Points)**

A company grants 50 stock options to each of its 100 employees. The options will vest if the employees remain with the company for three years. The fair value of the options at the grant date is €6. The company estimates that 20% of its workforce will leave during the three-year period and therefore forfeit their rights to the options.

1. How much should the company record as an expense in each of the three years of the vesting period?

100 x 80% = 80

80 x 50 = 4,000

4,000 x €6 = €24,000

€24,000 /3 = €8,000

Year 1 €8,000

Year 2 €8,000

Year 3 €8,000

1. What is the double entry for this

Dr.Payroll or personnel expense

 Cr.Shareholders’ equity