

# ***ESTIMATION OF FAIR VALUE OF EQUITY INSTRUMENTS GRANTED IN SHARE-BASED PAYMENT TRANSACTIONS***

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## ***Abstract:***

*Determining the fair value of equity instruments granted in share-based payment transactions is very difficult because it takes into account many variables: the exercise price of the option, the life of the option, the current price of the underlying shares, the expected volatility of the share price, the dividends expected on the shares and the risk-free interest rate for the life of the option. These are depending on other factors, which make the process of determining the fair value too hard. The paper proposes to present these factors minutely and try to give an advice for the company, which must establish the fair value of the option.*

***Keywords:*** fair value, equity instruments, option, dividend

***JEL codes::*** G32, G10