AS 20 Earning Per Share.

EPS given by

$$= \frac{\text{Earnings available to Eq. Holders}}{\text{weighted No. of Shares outstanding}}$$

* 1) also called as basis of EPS.
* 2) weight of Time is to be used.

situations causing Diffrent ways to calculations of EPS.

A. Fresh Cash flows

- ✓ for cash
- ✓ for in exchange of Asset
- ✓ Right Issue
- ✓ In a scheme of Amalgamation
- ✓ conversion of partly paid to fully paid up.

↓

Restate previous years Basic EPS

↓

page 2.

B. Cosmetic Changes

- ✓ Stock split
- ✓ Reverse split/ Bonus/consolidation
- ✓ pure Bonus

↓

Restate previous years Basic EPS

↓

page 2.

C. Potential Equity

- ESOP
- Equity Instruments
- convertible prefrence shares
- Debentures
- share warrants.

↓

"Incroachments"

↓

Calculate, in addition to Basic EPS, Anti-/Dilutive EPS.

↓

page 3

D. Buy Back

- Bonus Element if shares Bought Back at Higher values.
- Bonus element in Right Issue.

- Pure Bonus is assumed to be in existence from Beginning of origin of those class of shares.

↓

If there are convertible debentures, a provision for Bonus not to their shares is shall be made. [SEBI ICDR. Regulations]

↓

Bonus shall be used for Restatement EPS of previous period.

↓

& when issued, shall become part of Basic No. of shares.

~~options out~~

Bonus in Right shares.

↓

Right shares are usually Issued at Excercise price which is less than MV.

↓

Diffrence Between MV & EP shall be treated as "BONUS"

Bonus Element in Buy Back

↓

Where Buy Back is made at a higher price than Market price.

↓

Diffrence Between, MP & BBP shallbe treated as Bonus.

↓

Calculating Bonus Element-

a) No. shares o/s × Adjusting Factor.

b) Adjusting Factor

Fair value prior to Excercise of Right / Theoretical Ex-Right FV

c) Theoretical Ex. Right price.

$$= \frac{N_0 \times P_0 + N_1 P_1}{N_0 + N_1}$$

$$= \frac{\text{amount o/s} + \text{amount Received}}{}$$

Notes:

- Right Issue's Bonus stays into picture. (considered into weighted shares) till the Issuance of Right shares.

↓

- same is applicable to Bonus.

↓

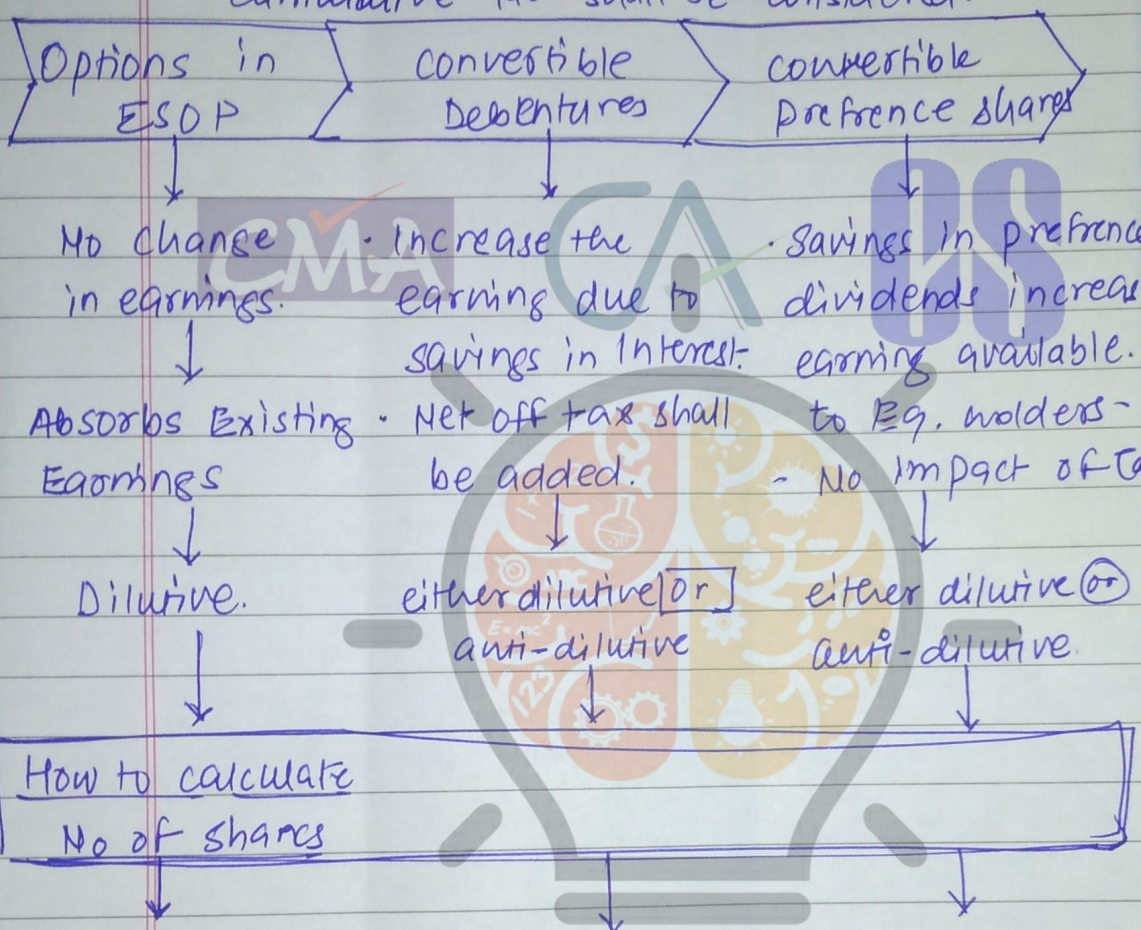
(Announcement से Excecise तक)

Potential Equity

Calculation of Dilutive EPS-

(RTP M17 Q6)

Presenting in the sequence in which calculations have been done ~~By~~ under AS 20. At every stage cumulative No. shall be considered.



Note:

In all the case of Dilution.

No shares are to be calculated by adding No. of potential equity into No of shares used for Basic EPS.

↓

Do not consider shares used for Restatement of EPS.

Reasons for ⇒ No of shares ↑, But No change in Resources.

Dilution.

Q.6.|65|RTP 2017 May. AS 20. EPS.

WN1 Calculation of No. of shares.

	2016	2017
a). Fully paid up.	100,000	100,000
Party paid up.		
1) 100000 × 5/10 × 12/12	50,000	
2) 1000000 × 5/10 × 6/12		25,000
3) 1000000 × 10/10 × 6/12		50000.
	150000	175,000
b) Bonus shares issued. [only for Restatement of EPS]		
• 200000 × 1/8 for o/s shares.	25,000	25,000
• 10,000 × 4 × ~~100~~ 1/8	5,000.	5,000
[Bonus on convertible debe. provided for, ICDR-SEBI]	180,000	205,000
c) Options outstanding. (Bonus element) 10000 × (75-60)/75	2000	2,000
	~~182,000~~	~~207000~~
	152000	207000
d) convertible Debentures. 10,000 × 4.	40,000	40000
	192,000	247000
e) convertible. preference shares. 80,000 × 2	160,000	160000
	352000	407000

for Dilution No. of shares for Basic EPS + conversion of shares.

WN 2

SR No.	particulars.	2016.	2017.
a)	Basic EPS.	$\frac{1000000}{150000} = 6.67$	$\frac{1000000}{205000}$ (WN1-b) $= 4.88$
b)	Restatement	$\frac{10,00,000}{150000} = 5.55$	— (NA)
c)	Dilution due to options	$\frac{1000000}{192000} = 6.57$ [Dilutive]	$\frac{1000000}{207000} = 4.83$ [Dilutive]
d)	due to convert. debentures. Net saving = I(1-t) = 120000 × (1-0.30) = 84000/-	$\frac{1084000}{192000} = 5.64$ [Dilutive]	$\frac{1084000}{247000} = 4.38$ [Dilutive]
e)	dilution due to convert. preference shares. = savings in dividend =	$\frac{1884000}{352000} = 5.35$ [Dilutive]	$\frac{1884000}{407000} = 4.62$ [Anti Dilutive]