AS 20 — Earnings per share (EPS)

I Basic

1. Formula
2. Partly paid up shares
3. Shares with diff nominal values
4. Bonus
5. Right shares

II. Diluted

1. Potential Eq Share
2. Formula
3. Conv Deb
4. Conv Pref Sh
5. Share Warrants / options
6. Negative EPS
7. Multiple PES

I] Basic EPS

1. Formula = $\frac{\text{Earnings available for Equity Share holders} \rightarrow \text{Refer Note (A)}}{\text{Weighted Average No. of equity shares} \rightarrow \text{Refer Note (B)}}$

Note A: Earnings Available for Eq Sh. Holders

Revenue (Total Income) xxx
(-) Total expenses (Int on Deb) (xx)
Profit Before Tax (PBT) xx
(-) Tax (xx)
Profit After Tax (PAT) xx
(-) Pref div
Cumulative (deduct whether it is declared or not)

Int paid on deb
(Tax Benefit is available)
eg 10L
Int (1L)
9L → Tax 9L pe
lagega

Pref div

Non-cumulative (deduct only when it is declared)

Earnings Available for ESH — xxx

Do NOT deduct eq div.

(Tax Benefit is NOT available)

eg 10L → Tax 10L pe lagega.

Prof Div (1L)

9L

Cumulative 10% Pref Share

Yr 1	Yr 2
10%	10% ↱
x	10% ↱

Non-Cumulative 10% Pref Sh.

Yr 1	Yr 2
10%	10%
x	↓

(Yr 1 waala pay Karne ka there is No obligation)

Note B: Weighted Average No. of eq shares (WANES)

Ques 1

Eg: Assume Dec Yr end

		No. of shares
01/01/X1	Balance @ the Begn of the Year	1800
31/05/X1	New shares issued	600
01/11/X1	Buy Back	300

Calculate WANES.

Alternative 1 :

$$1800 \times \frac{12}{12} \; (+) \; 600 \times \frac{7m}{12m} \; (-) \; 300 \times \frac{2m}{12m}$$

= 2100 shares

OR

Alternative 2 :

01/01/x1 — 5m — 31/05/x1 — 5m — 01/11/x1 — 2m

1800 | + 600 | - 300

2400 | 2100

$$1800 \times \frac{5m}{12m} \; (+) \; 2400 \times \frac{5m}{12m} \; (+) \; 2100 \times \frac{2m}{12m}$$

= 2100 shares

2. **Partly paid up shares**

→ They are treated as a fraction of fully paid up equivalent shares.

Eg: Dec 41 end

		Face value	Paid up value
01/01/x1 →	1800 shares	₹10	₹10
01/01/x1 →	1000 shares	₹10	₹5 (Partly paid up shares)

Calculate WANES #

$$1800 \times \frac{12m}{12m} + 500 \text{ shares} \times \frac{12m}{12m}$$

= 2300 shares

#

No. of shares × $\frac{\text{Paid up value}}{\text{Face value}}$

$1000 \times \frac{₹5}{₹10}$ = 500 shares

Ques 2

WANES

$$1800 \text{ shares} \times \frac{12m}{12m} + 600 \text{ shares} \times \frac{₹5}{₹10} \times \frac{2m}{12m}$$

= 1850 shares

3. Shares with different nominal values

→ when an enterprise has equity shares with different nominal values, the no. of eq shares is calculated by converting all such equity shares into equivalent no. of shares of the same nominal value

Eg: Earnings Available for eq sh. holders (EAFESH) : ₹10,00,000

		No. of shares	Face Value	Paid up
01/01/x1	Bal @ the begn of the Year	18000	₹10	₹10
01/01/x1	New Issue	4000	₹5	₹5

These are 2 diff class of shares as they have different face values.

Calculate EPS for both class of shares.

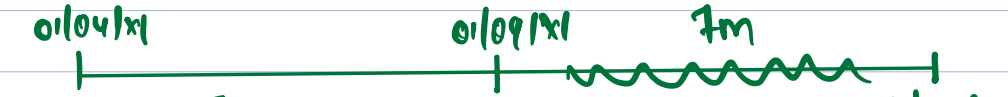
Soln: Basic EPS = $\frac{\text{EAFESH}}{\text{WANES}}$

$$= \frac{10,00,000}{18000 \times \frac{12m}{12m} + 4000 \times \frac{₹5}{₹10} \times \frac{12m}{12m}}$$

EPS : ₹50 (Face value ₹10)

EPS : ₹25 Face value ₹5

Q4 (CUR)



61 shares ₹5 paid up ₹10 face value

600000 (60000)

540000 shares x ₹5 paid (FV ₹10)

Basic EPS: EAFESH / WANES

= 2196000

$600000 \text{ shares} \times \frac{₹5}{₹10} \times \frac{12m}{12m} + 540000 \times \frac{₹5}{₹10} \times \frac{7m}{12m}$

= ₹2196000 / 457500 shares

= ₹4.8 per share

10 share ₹10 1 share ₹100

4. Bonus shares / Share split / Shares consolidation

→ In case of Bonus shares, they are issued to existing shareholders for no additional consideration ∴ the no. of shares outstanding is increased without any increase in cash resources.

→ Therefore in case of Bonus, the date of issue of Bonus shares is irrelevant & Bonus shares are assumed to be o/s from the earliest reporting period (i.e. take the effect of Bonus in C.Y. & P.Y. Both)

→ Just like Bonus, same treatment is also applicable to share split / share consolidation

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Eg:

	20x1	20x2
EAFESH	₹10L	₹10L
WANES	5L shares	5L shares + 5L shares Bonus (1:1 ratio)
Basic EPS	₹2 per share (original)	₹1

Basic EPS of P.Y (Restated) (including the effect of Bonus in P.Y) = EAFESH / WANES (incl. Bonus)

= 10L / 10L shares (5L shares P.Y + 5L Bonus)

= ₹1 per share

If there is Bonus remove 3 EPs (for 2 years)

P.y	C.y.
① Original	① Original.
② Restated	

Qs EPS for the year 20x2 (C.y.) = $\frac{\text{EAFESH}}{\text{WANES}}$

$= \frac{₹60,00,000}{20,00,000 \text{ shares} + \text{Bonus } 40,00,000\ (2:1) \times \frac{3}{12}}$

No months ka weight in Bonus

$\therefore$ ₹1 per share.

EPS for 20x1 (Original) = $\frac{\text{EAFESH}}{\text{WANES}}$

$= \frac{1800000}{20,00,000 \text{ shares}}$

$\therefore$ ₹0.9 per share.

EPS for 20x1 (Restated) = $\frac{\text{EAFESH}}{\text{WANES (incl. Bonus)}}$

$= \frac{18,00,000}{20L \text{ shares} + 40L \text{ shares}}$

$\therefore$ ₹0.3 per share.

Q6 (LDR)

C.y. (x1-x2)

Basic EPS: $\frac{\text{EAFESH (WN1)}}{\text{WANES (WN2)}} = \frac{82,00,000}{15,50,000} = ₹5.29$ per share

WN1 EAFESH	
PAT	90,00,000
Less: Pref div (1cr x 8%)	(8,00,000)
EAFESH	82,00,000

WN2 WANES		
Opn Bal	10,00,000 x 12/12	= 10,00,000
Bonus (+)	5,00,000	(10L x 1/2) 5,00,000
New Issue (+)	200000 x 3/12	= 50,000
		15,50,000

P.y (20x0-x1) = Original EPS = ₹62.30 per share.

EAFESH ?

Basic EPS: $\frac{\text{EAFESH}}{\text{WANES}}$

$62.30 = \frac{\text{EAFESH}}{10,00,000}$

EAFESH = 6,23,00,000

EPS p.y. (Restated): $\frac{\text{EAFESH}}{\text{WANES incl. Bonus}}$

$$= \frac{6,23,00,000}{\underset{\text{shares}}{10,00,000} + \underset{\text{share}}{5,00,000}}$$

$= ₹41.53$ per share

ii) Refer Q. B.

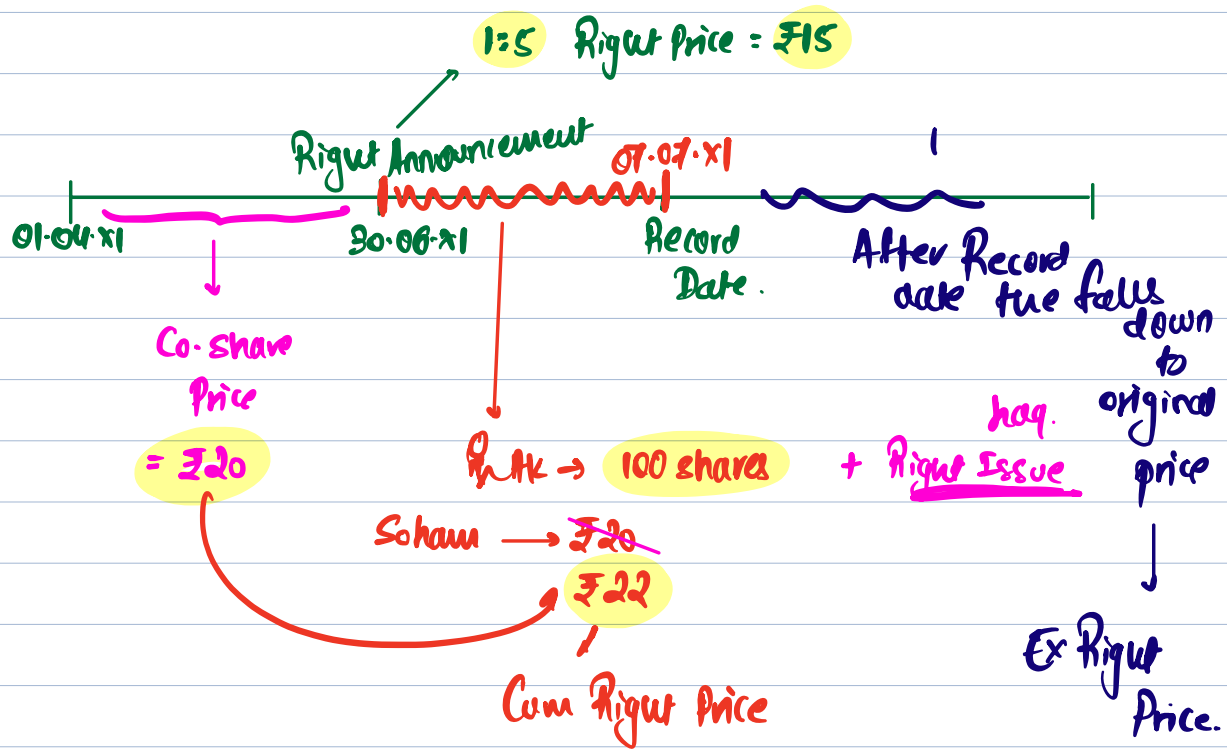
5. Time of inclusion in calculation of weighted average no. of shares

When shares are issued	When to include in denominator
1. Shares issued for cash (eg: New shares issue announced → 01/07 × Cash receivable on new issue → 01/08 ✓)	When cash is receivable
2. Issued for conversion of debentures	Date of conversion
★ 3. Shares given against interest or princ. repayment of loan	Date when interest or prin. ceases to accrue.
4. Shares given for settlement of a liab	Date of settlement
5. Shares given for acquisition of asset	Date when acquired asset is recognised
6. Share to be issued for services rendered.	Date when services are rendered.

V. Imp

6. Right Shares

↳ Existing SH are given shares @ lower price



Right shares are generally issued at less than fair value ∴ it means that there is a Bonus element in right shares also.

Steps to solve

Step ① Calculate theoritical Ex-Right Price

$$= \frac{\text{Fair value of shares o/s Before Right Issue (+) Amount Rec'd in Right shares}}{\text{Total No. of shares after Right Issue.}}$$

Step ② Bifurcate the shares issued under right into Bonus element &

Shares issued for consideration

Note: Under Right Issue also if 2 years are given, then 3 EPS will be calculated (C.Y. → original
PY → original (+) Restated)

Ques 8

Right shares

Step① Compute theoritical Ex-Right Price

$$= \frac{\text{Fair value of shares o/s Before Right Issue (+) Amount Rec'd in Right shares}}{\text{Total No. of shares after Right Issue.}}$$

$$= \frac{(500000 \times ₹21) + (100000 \times ₹15)}{5,00,000 \text{ shares} + 100000 \text{ shares}}$$

= ₹ 20 per share. (Ex Right Price)

Funds raised through right issue = ₹15,00,000
(100000 shares × ₹15)

No. of shares to be issued @ ₹20 to raise ₹15,00,000 = $\frac{15L}{₹20}$ = 75000 shares.

Step ② Rights shares Bifurcation

ⓐ Bonus shares : 25000 shares (1L − 75K shares) ⟶ No time weights

ⓑ Issued for consideration : 75000 shares ⟶ time weight applies.

Basic EPS (C.Y.) 20x2 : $\frac{\text{EAFESH}}{\text{WANES}}$

$$= \frac{15,00,000}{500000 \text{ shares} \times \frac{12m}{12m} + 25000 \text{ shares Bonus} \times \frac{12m}{12m} + 75000 \text{ shares} \times \frac{10m}{12m}}$$

$$= \frac{15,00,000}{5,87,500 \text{ shares}}$$

= ₹ 2.55 per share.

Basic EPS (P.Y) 20x1 (Original) : $\frac{\text{EAFESH}}{\text{WANES}}$

$$= \frac{11,00,000}{5,00,000 \text{ shares}}$$

= ₹ 2.2 per share.

Basic EPS (P.Y) (Restated) = $\frac{\text{EAFESH}}{\text{WANES incl Bonus}}$

$$= \frac{11,00,000}{\underset{\text{shares}}{500000} + \underset{\text{shares}}{25000}}$$

$$= ₹2.09 \text{ per share.}$$

Q9 (WDR)

Right shares

Step ① Compute Theoritical Ex Right Price

$$\frac{\text{Fair value of shares o/s Before Right Issue (+) Amount Rec'd in Right shares}}{\text{Total No. of shares after Right Issue.}}$$

$$\frac{\underset{\text{shares}}{10,00,000} \times ₹25 \quad (+) \quad \underset{\text{shares}}{250000} \times ₹20}{12,50,000 \text{ shares}}$$

$$= ₹24 \text{ (Ex Right Price)}$$

Funds raised through right issue = 50,00,000

No. of shares to be issued @ Ex Right Price (i.e. ₹24) to raise ₹50L

$$= \frac{50,00,000}{₹24} = 208333 \text{ shares}$$

Step ② Rights shares Bifurcation (250000)

ⓐ Issued for consideration: 208333 shares → Time weight applied

ⓑ Bonus (BIF) = 41667 shares → No time weight

Basic EPS (C.Y.) 20X2 = EAFESH / WANES

$$= \frac{30,00,000}{10,00,000 \text{ shares} \times \frac{12}{12} + 41667 \times \frac{12}{12} + 208333 \times \frac{9}{12}}$$

= ₹ 2.50 per share.

Basic EPS P.Y (Original) 20X1 = EAFESH / WANES

$$= \frac{20,00,000}{10,00,000 \text{ shares}}$$

= ₹ 2 per share.

Basic EPS P.Y. (Restated) = EAFESH / WANES (incl. Bonus)

$$= \frac{20,00,000}{10,00,000 \text{ shares} + 41667 \text{ shares}}$$

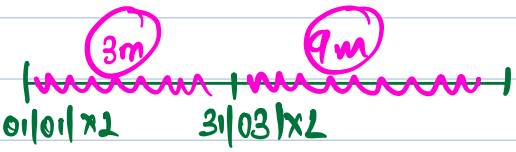
= ₹ 1.92 per share

Extra Part (Q9) Right shares calculation as per ICAI.

Step ① Ex Right Price = ₹24

Step ② Adjustment factor = $\frac{\text{Cum Right Price}}{\text{Ex Right Price}} = \frac{₹25}{₹24} = 1.04$

Step ③ Calculate EPS



Basic EPS (C.Y.) = $\frac{\text{EAFESH}}{\text{WANES}}$

$= \frac{30,00,000}{10,00,000 \times 1.04 \times \frac{3}{12} + 1250000 \times \frac{9}{12}}$

(Shares; 1.04 = Adj Bonus)

$= \frac{300000}{1197500} = ₹2.50$ per share.

Ques 10

Step ① Calculation of Ex Rigw Price

$$= \frac{\text{Fair value of shares o/s Before Rigw Issue (+) Amount recd in Rigw issue}}{\text{Total No. of shares after Rigw Issue.}}$$

$$= \frac{10,00,000 \times 32 + 200000 \times 25}{12,00,000 \text{ shares}}$$

$$= ₹ 30.83 \text{ per share.}$$

Funds raised through rigw issue = ₹ 50,00,000

Shares to be issued @ ₹ 30.83 to raise ₹ 50,00,000 $= \frac{5000000}{30.83}$

$= 162180$ shares

Step ② Rigw shares Bifurcation (200000 shares)

ⓐ Issued for consideration: 162180 shares → Time weigw applies

ⓑ Bonus (BIF) = 37820 shares → No time weigw

Basic EPS c.y = $\frac{EAFESH}{WANES}$

20X3-X4

$$= \frac{30,00,000}{10,00,000 \times \frac{12}{12} + 37820 \times \frac{12}{12} + 162180 \times \frac{8}{12}}$$

$= ₹ 2.62$ per share.

E.P.S. (Original) 20x2-x3 = 2200000 / 10,00,000 = ₹ 2.2 per share	E.P.S (Restated) 20x2-x3 = 22,00,000 / 10,00,000 + 37820 shares Bonus = ₹ 2.12 per share

II] Diluted EPS

1. Potential Eq. Shares

→ Potential Eq Shares are instruments which entitles the holder the right to acquire equity shares in future. (future mein equity share banega)

Examples : Convertible Debentures
Convertible Pref Shares
ESOPs
Share Warrants (It is a instrument that gives the holder, right to purchase the shares of a company at a pre-determined lower price which is set on Day ①)

Formula for diluted EPS = $\frac{\text{EAFESH (+) Effect of Potential Eq Shares}}{\text{WANES (+) Effect of Potential Eq Shares}}$

Eg ① Basic EPS

$\frac{\text{EAFESH}}{\text{WANES}} = \frac{10\text{L}}{1\text{L shares}} = ₹10$ per share.

8% Conv Deb of ₹100 each. [5000 Deb] outstanding for the whole year. These Conv Deb will be converted into Eq Shares where each Deb will be alloted 10 eq shares after 5 years. Tax Rate = 30%.

Compute Diluted EPS.

5000 × 100 × 8% × 70% = ~~40000~~ 28000 Jul

Soln: Diluted EPS = $\frac{\text{EAFESH (+) Effect of Pot. Eq Share} \longrightarrow \text{WN 1}}{\text{WANES (+) Effect of Potential Eq Share} \longrightarrow \text{WN 2}}$

conservatism

$= \frac{10,28,000}{150000 \text{ shares}}$

= ₹6.85 per share

→ Basic se kum aaya ∴ it is Diluted EPS (Reported)

→ Basic se zyada aaya then it is anti-dilutive (Not Reported)

WN (1)

EAFESH	= 10,00,000	
(+) Effect of Pot Eq Share (Savings in Int)	28000	(5000 Deb × ₹100 × 8%) × 70% = ~~40,000~~ 28,000
net of tax	10,28,000	

WN 2

WANES	100000
(+) Effect of potential Eq. Shares	50,000 shares
	150000 shares

Q12

PES = Potential Eq. Share.

Basic EPS = ₹2 per share (Given)

Diluted EPS = $\frac{\text{EAFESH + Effect of PES} \longrightarrow \text{WN1}}{\text{WANES + Effect of PES} \longrightarrow \text{WN2}}$

$= \frac{1,08,40,000}{60,00,000}$

= ₹1.81 per share

WN 1

EAFESH 1,00,00,000

+) Savings in Jul

(1L Def × ₹100 × 12%) 840000

× 70%

OR 1,08,40,000

12L (-) 36L

↓ Jul Exp ↓ Tax on Jul

WN 2 WANES = 50,00,000

(+) Effect of PES = 10,00,000

60,00,000

Q14 (LOR)

i) Basic EPS = $\frac{\text{EA FESH}}{\text{WANES}}$

$= \frac{75L}{10L \text{ shares}}$

= ₹7.5 per share.

ii) Diluted EPS = $\frac{\text{EAFESH (+) Effect of PES}}{\text{WANES + Effect of PES}}$

$= \frac{8060000}{11,10,000 \text{ shares}}$ = ₹7.26 per share. (Dilutive since it is less than Basic EPS)

WN ①

EAFESH	75,00,000
(+) Savings in Int (1L × ₹100 × 8%) × 70%	560000
	80,60,000

WN ②

WANES	10,00,000
(+) Effect of PES	110000
	11,10,000

Eg 2 (UDR) (Deb issued during the year)

Basic EPS = $\frac{\text{EAFESH}}{\text{WANES}} = \frac{₹10,00,000}{10,00,000 \text{ shares}} = ₹1$ per share.

C.Y.

On 01.07.X1 issue of 10% Conv Deb of ₹7,00,000 (FV ₹100), they are convertible into 10,000 equity shares after 5 years.

Tax Rate = 30%.

Compute Basic & Diluted EPS for X1-X2.

Soln: Basic EPS = ₹1 per share.

Diluted EPS = $\frac{\text{EAFESH (+) Effect of PES} \longrightarrow \text{WN 1}}{\text{WANES (+) Effect of PES} \longrightarrow \text{WN 2}}$

$= \frac{10,36,750}{10,02,500} = 1.03$ → This is more than Basic EPS

∴ it is anti dilutive.

(Here Basic EPS = Diluted EPS = 1)

WN 1

EAFESH	10,00,000
(+) Savings in Int (700000 × 10% × 9m/12m) × 70%	36750
	10,36,750

WN 2

WANES	10,00,000 shares
(+) Effect of PES (10,000 shares × 9m/12m)	7500 shares
	10,07,500 shares

Eg 3 (CDR)

EAFESH = 1,00,00,000
WANES = 50,00,000 shares
} Basic EPS = ₹2

No. of 12% Conv Deb of ₹100 each = 1,00,000 Deb
Each Deb is convertible into 10 equity shares

Interest Exp for current year = ₹9,00,000

Tax Rate = 30%.
Compute Basic & Diluted EPS

Soln: Hidden Adj

Deb Jut for 12 Months = 12,00,000 → 12m
Jut Exp in Ques = 9,00,000 → ? 9m

This means Conv Deb was there only for 9 months in C.Y.

$$\text{Diluted EPS} = \frac{\text{EAFESH + Effect of PES}}{\text{WANES + Effect of PES}} = \frac{1,06,30,000}{57,50,000} = ₹1.85 \text{ per share}$$

It is less than Basic EPS
∴ reported.

WN ①

EAFESH	1,00,00,000
(+) Effect of PES (Savings in Int) 900000 (9m) x 70%	630000
	1,06,30,000

WN ② WANES = 50,00,000 shares

(+) Effect of PES
(100000 Deb x 10 share) x 9/12 = 750000 shares

57,50,000 shares

* Convertible Pref Share

Eg: Basic EPS = $\frac{10L}{1L \text{ shares}}$ = ₹10 per share.

8% Conv Pref shares of ₹100 each [5000 Pref shares] outstanding for whole year. These conv Pref Share will be converted into 10 eq shares for each pref share. Tax Rate = 30%.

Compute Diluted EPS.

Irrelevant for Pref Shares as Pref div has no tax impact.

Diluted EPS = $\frac{\text{EAFESH} + \text{Effect of PES} \longrightarrow \text{WN1}}{\text{WANES} + \text{Effect of PES} \longrightarrow \text{WN2}}$

= $\frac{₹10,40,000}{150000 \text{ shares}}$

= ₹6.93 per share

WN1

EAFESH	10,00,000
(+) Saving in Div (~~Net of tax~~) (5000 Pref shares × ₹100 × 8%)	40,000
	₹10,40,000

WN2

WANES	1,00,000
(+) Effect of PES (5000 Pref share × 10 eq. shares)	50,000 shares
	150000 shares

* Share Warrants / ESOPs

Eg: EAFESH = ₹20,00,000

WANES = 5,00,000 shares

No. of options/warrants granted = 2,00,000 warrants against which 200000 shares will be issued after 3 years.

Market price during current year 20x1 = ₹40.
Exercise price for one share = ₹30.

$2L \times \frac{10}{40} = 50K$

Calculate Basic & Diluted EPS

Soln: Basic EPS = $\frac{\text{EAFESH}}{\text{WANES}}$

$= \frac{20,00,000}{5,00,000 \text{ shares}} = ₹4 \text{ per share.}$

Diluted EPS: $\frac{\text{EAFESH + Effect of PES} \longrightarrow \text{WN①}}{\text{WANES + Effect of PES} \longrightarrow \text{WN②}}$

$= \frac{20,00,000}{5,50,000 \text{ shares}} = ₹3.64$

WN1 EAFESH → 20,00,000

(+) Effect of PES → NIL due to warrants

WN 2 WANES 5,00,000

(+) Effect of PES ~~2,00,000 shares~~

(2,00,000 shares × ₹10 / ₹40) → Free comp

→ Mkt price

= 50000 shares

5,50,000 shares

logic

2,00,000 shares

- Free comp 50000 shares
  - Impact on numerator → Nil
  - ∴ Impact considered on Denominator
- Consideration (BIF) 150000 shares
  - Impact on numerator
    - ↓
    - Cannot be measured (Paisa aaya But use kitna Earnings Kamaya caut measure)
    - ∴ Ignore from both numerator & denominator.

Please Note: Warrant is neither right share nor Bonus.

Q15

i) Basic EPS :- $\frac{\text{EAFESH}}{\text{WANES}}$

$= \frac{12,00,000}{5,00,000 \text{ shares}}$

= ₹2.4 per share.

ii) Diluted EPS : $\frac{\text{EAFESH + Effect of PES} \longrightarrow \text{WN1}}{\text{WANES + Effect of PES} \longrightarrow \text{WN 2}}$

$= \frac{12,00,000}{5,25000 \text{ shares}}$

= ₹2.29 per share.

WN 1

EAFESH = 1200000

(+) Effect of PES NIL

12,00,000

WN 2 WANES 5,00,000

(+) Effect of PES 25000 shares

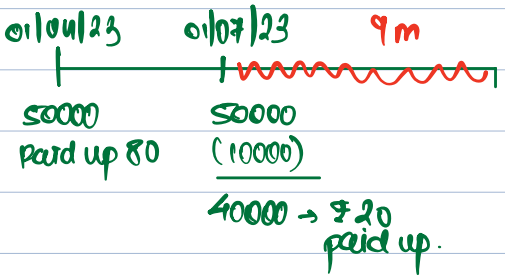
(100000 × 5 → Free / 20 → Mkt price)

5,25000 shares

Q16 (LOR)

i) Basic EPS = EAFESH / WANES

(PAI) (-) Pref div



$$= \frac{3440000 (-) 160000}{50000 \times \frac{80}{100} \times \frac{12}{12} + 40000 \times \frac{20}{100} \times \frac{9}{12}}$$

$$= \frac{184000}{46000}$$

= ₹4 per share.

ii) Diluted EPS = EAFESH (+) Effect of PES / WANES (+) Effect of PES

= 268000 / 76000 shares = ₹3.53 per share. (It is less than Basic ∴ it is diluted)

WKN ①	
EAFESH	184000
(+) Savings in Int (net of tax) (10L × 12%) × 70%	84000
	268000

WKN ② WANES	46000 shares
(+) Effect of PES (10000 Deb × 3 shares)	30000 shares
	76000 shares

2. EPS in case of negative earnings

Eg.	Basic	Diluted EPS	
	10	7	→ Dilutive
	(10)	(7)	→ Anti-Dilutive
	(10)	(12)	→ Dilutive

3. EPS in case of continued & discontinued operations

In case of companies where profit/loss for continued & discontinued both are given, in such case whether Pot. Eq shares are dilutive or not would be calculated only on profit/loss from continuing operations.

Eg: Profit from continuing op 100000
loss from disc op. (25000)

WANES = 10,000

Pot Eq Shares (warrants) only free component given = 2000 shares

Check whether PES are dilutive or not.

Soln: Basic EPS = $\frac{\text{EAFESH (only cont op)}}{\text{WANES}}$

$= \frac{100000}{10000 \text{ shares}} = ₹10 \text{ per share.}$

Diluted EPS = $\frac{100000 + NIL}{10000 \text{ shares} + 2000 \text{ shares}}$

(only consider cont^n op)

$= \frac{100000}{12000 \text{ shares}}$

= ₹ 8.33 (It is less than Basic ∴ Dilutive)

Q17 (LOR)

	Separate FS of X42	Consolidated FS of X42
Basic EPS = $\frac{EAFESH}{WANES}$	$\frac{(2cr)}{500000 \text{ shares}}$	$\frac{40L}{500000 \text{ shares}}$
	= (₹40) per share.	= ₹8 per share.
Diluted EPS = $\frac{EAFESH + Effect\ of\ PES}{WANES + Effect\ of\ PES}$	= $\frac{(2cr) + NIL}{500000 \text{ shares} + 100000 \text{ shares}}$	= $\frac{40L}{500000 + 100000 \text{ shares}}$
	= (₹33.33) per sh.	= ₹6.67 per share
	Anti dilutive	↓
		Dilutive.

∴ Basic EPS = Diluted EPS = (₹40 per share)

(Separate FS)

Q18

i) Basic (Only of Cont Op) = $\frac{\text{EAFESH}}{\text{CWANES}}$

$= \frac{240000}{1000 \text{ shares}}$

= ₹240 per share.

ii) Dilutive (Only of Cont) = $\frac{\text{EAFESH + Effect of PES}}{\text{CWANES @1}}$

$= \frac{240000 + \text{NIL}}{1000 \text{ shares} + 200 \text{ shares}}$

= ₹200 per share (Less than Basic ∴ Dilutive)

Extra Combine Profit (Cont + Disc) = (120000)
(2·4L) (36L)

Basic EPS = $\frac{(120000)}{1000 \text{ shares}}$

= (₹120)

Diluted EPS = $\frac{(120000)}{1200 \text{ shares}}$

= (₹100)

Report this even if it is anti dilutive as cont. op Basic & Diluted both are reported.

4. Multiple Potential Eq. Shares (Calculation of Diluted EPS)

(LOR)

Eg: AK Ltd has the following infon for the year ended 31·3·x2.

EAFESH = 950000

Shares on 01/04/x1 → 50,000 shares

New Issue on 01/07/x1 → 30,000 shares

i) AK Ltd has also issued 40000 share warrants/options, which will be alloted shares after 3 years (Mkt price = ₹20, Exercise price = ₹15)

ii) AK Ltd has also issued 12% Conv Deb of ₹6,00,000 which will be converted into 1000 eq. shares.

iii) It has also issued 10% Conv Pref Share of ₹500000 to be converted into 10000 eq. shares.

Tax Rate = 30%. Compute Basic & Diluted EPS.

Soln: i) Basic EPS: $\frac{\text{EAFESH}}{\text{WANES}}$

$$= \frac{950000}{50000 \text{ shares} + 30000 \text{ shares} \times \frac{9m}{12m}}$$

$$= \frac{950000}{72500 \text{ shares}}$$

= ₹ 13.10 per share

ii) Diluted EPS = EAFESH (+) Effect of PES ⟶ WN ①
WANES (+) Effect of PES. ⟶ WN ②

= 1050400 / 93500 shares = ₹ 11.23 per share.

WN ① Numerator

EAFESH :	₹ 950000
(+) Impact of warrants	NIL
(+) Impact of Conv Deb (Savings in Int net of tax) (600000 × 12%) × 70%	₹ 50400
(+) Impact of Pref Sh (Savings in Div) (500000 × 10%)	₹ 50000
	10,50,400

WN ② Denominator

WANES =	72,500 shares
(+) Impact of warrants (40000 × 75/120) =	10000 shares
(+) Impact of Conv Deb =	1000 shares
(+) Impact of Conv Pref Shares =	10000 shares
	93500 shares

Why kattappa? Because there are more than 1 class of PES.
∴ we will have to evaluate each class separately
Follow Below Steps.

Step ① Calculate incremental EPS for each PES.

= Incremental Effect on Numerator / Incremental Effect on Denominator

(lowest to highest)

Step 2 Ranking

① Warrants : $\frac{0}{10000 \text{ shares}}$ = 0 — I

② Conv Deb = $\frac{50400}{1000 \text{ shares}}$ = ₹50.40 — III

③ Conv Pref share = $\frac{50000}{10000 \text{ shares}}$ = ₹5 per share. — II

Step 3 Conclusion (Dilutive / Antidilutive)

Particulars	Numerator	Denominator	EPS	Conclusion
① Basic EPS	950000	72500	13.10	-
(+) Warrants (Rank I)	0	10000		
	950000	82500	11.52	Dilutive
(+) Conv Pref Share (Rank II)	50000	10000		
	10,00,000	92500	10.81	Dilutive
(+) Conv Deb (Rank III)	50400	1000		
	1050400	93500	11.23	Anti Dil

↓ Not be considered in diluted EPS as it is anti dilutive

↓ Jaise he anti aaye plz stop.

Diluted EPS = $\frac{950000 + 0 + 50000}{72500 + 10000 + 10000}$

(Consider only PES which are dilutive)

= 10·81

Reported

warrants

Pref

Q22 (CDR) (Jan '25 PYQ)

Question 1

(a) *XYZ Limited has provided you the following information as on 31st March,2024:*

Particulars	₹
Net profit (After Tax)	*₹ 31,20,000*
No. of shares outstanding as on 31-3-2024 of ₹ 10 each	*8,00,000*
Average fair value of one equity share during the year 2023-24	*₹ 25*
Weighted average on. Of shares under option during the year 2023-24	*80,000*
Exercise price for shares under option during the year 2023-24	*₹ 20*
12% Debentures of ₹ 100 each	*₹ 30,00,000*
(Each debenture is convertible into 4 equity shares)	
Tax rate	*30%*

The company issued one equity share as bonus for every 5 equity shares outstanding as on 1st October, 2023. It further issued 2,00,000 equity shares of ₹ 10 each as on 1st January, 2024. The Financial Year of the company ends on 31st March each year.

You are required to calculate Basic and Diluted earnings per share as on 31st March, 2024 (round off your answer to 2 decimal places). ***(5 Marks)***

Soln: Q22 (LDR)

No. of shares outstanding on 31/03/24 = 8,00,000 (It includes New Issue & Bonus Shares)

Jug

Con① Calculation of Shares on Day 1, Bonus shares, New Issue.

Total shares on Yr end	800000	
(-) New Issue (Given)	(200000)	
Opn Shares + Bonus	600000	6
(-) Bonus	(100000)	1
Opn Shares	500000	5

i) Basic EPS = $\frac{3120000}{5L \times \frac{12}{12} + 1L \times \frac{12}{12} + 2L \times \frac{3}{12}}$

Opn Shares — Bonus — New Issue

$= \frac{3120000}{650000 \text{ shares}}$ = ₹4.8 per share.

ii) Diluted EPS (Multiple PEs)

Step① Incremental EPS = Impact on Num / Impact on Den.

Step② Ranking

i) Warrants = 0 / 16000 → 80000 × 5/25 = 0 — I

ii) Conv Deb = 252000 / 120000 shares → 30000 Deb × 4 eq. share. → 30L × 12% × 70% = 21 — II

Step③ Conclusion

Particulars	Numerator	Denominator	EPS	Conclusion
1) Basic EPS	3120000	650000	4.8	-
(+) warrants	0	16000		
	3120000	6,66,000	4.68	Dilutive
(+) Conv Deb	252000	120000		
	3372000	786000	4.29	Dilutive.

Diluted EPS = 4.29