IND AS-33 [Earning per share]

Introduction

1. Earning Per share [E.P.S] is a measure of performance of the Company

2. This IND AS requires the entity to calculate & present the E.P.S on the Face of the statement of Profit & loss for Current year & previous year

3. E.P.S is of 2 Types
   - → Basic EPS
   - → Diluted EPS

Ex MrA Share hold = 5000 share of A Ltd

A Ltd paid 50,000 profit to MrA

$$\text{Earning per share} = \frac{50,000}{5000} = ₹10$$

Basic EPS

Basic Earning per share tells investor how much of a firm's net Income was alloted to (Distribute) each share of Common stock → (Equity share)

$$\text{Basic EPS} = \frac{\text{Profit / loss attributable to ordinary Equity shareholder}}{\text{weighted Avg No. of ordinary Equity shareholder}}$$

Note :-

① EPS Can be negative also

② ordinary Equity share means orginal Equity share only.

Profit/loss attributable to the ordinary Equity shareholder

		₹
Earning before Interest & Tax [EBIT]	=	xxxx
less:- Interest Expense [Int on loan, debenture, Bonds, debusit etc]	=	(xxx)
Earning before tax [EBT]		xxx
less:- Tax Expense		(xxx)
Earning After tax [EAT] / Profit after tax [PAT]		xxxx
less:- Preference share Dividend		(xxx)
Profit/loss attributable to Equity Share holder		xxxx

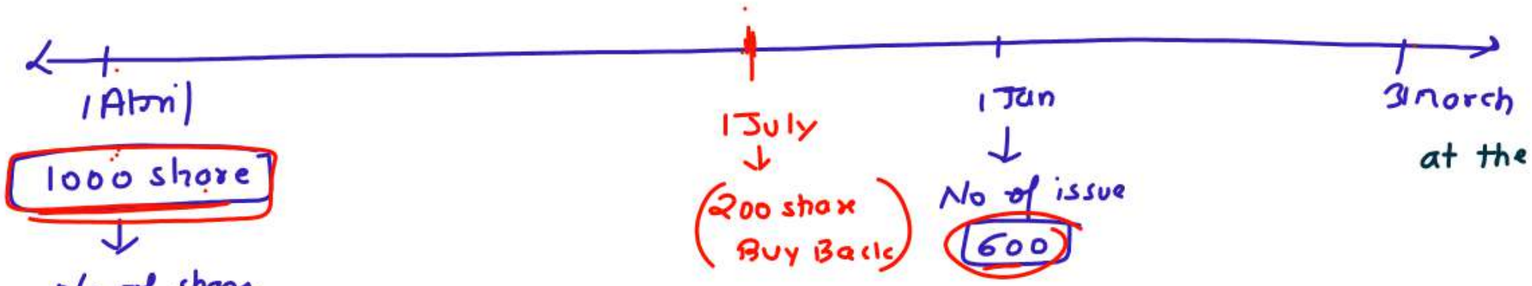
Weighted Average No. of ordinary Equity share

① It mean No. of ordinary Equity share are adjusted by Time factor i.e.,
[No. of days for which share are outstanding as a proportion of Total No. of days in a year]

② It is calculated as follow :-

		₹
No. of Equity share outstanding in the Beg of the year [After Adjustment of party paid up share, Bonus share, Right issue]	=	XXX
(+) No. of Equity share issued during the year X (No. of days/month ÷ years in day/month)	=	XXX
(-) No. of Equity share Buy back during the year X (No. of days/month ÷ years in day/month)	=	(XXX)
Weighted Avg No. of ordinary Equity share		XXXX

Ex



at the end = 1000 + 600

= 1600

Profit for EsH = 2,20,000

$$EPS = \frac{2,20,000}{1600} = 137.5$$

600 X 100 X 3 = 180,000

150 X 100 X 12 = 180,000

No. of share in Beg $1000 \times \frac{12}{12}$ = 1000 share

(+) No. of Issue in Middle = $600 \times \frac{3}{12}$ = 150 share

(-) Buy Back = $200 \times \frac{6}{12}$ (100 share)

1150 share

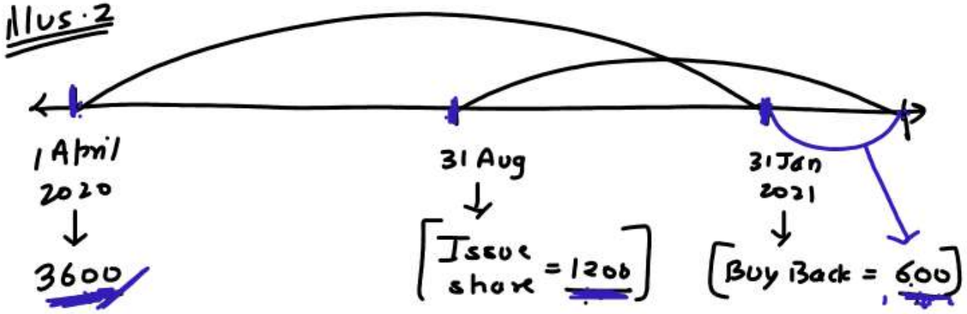
$$EPS = \frac{220,000}{1150} = 191.$$

Illustration=1

Calculating profit/loss attributable to ESH

Particular	₹
Gross profit for the year ended	350,000
(-) operating Exp	(100,000)
EBIT	250,000
(-) Tax @ 30%	(75000)
EAT / PAT	175,000
(-) Dividend to PSH [20,000 x 10%]	(2000)
Profit attributable to ESH	173,000

Illus.2



		share
No. of Eq. share o/s in the Beg	$\left[\frac{3600}{12} \times 12\right]$ =	3600
(+) No. of Eq. shar of Issue	$\left[\frac{1200}{12} \times 7\right]$ =	700
(-) No. of Equ. share Buy Back	$\left[\frac{600}{12} \times 2\right]$ =	(100)
		4200

ill-3

Profit attributable to ESH = 21 lakh

Weighted No. of ES (ill-2) = 4200

$$EPS = \frac{21,00,000}{4200}$$

$$= \boxed{₹500}$$

Special Cases [for Calculating Weighted Avg No of Eq. share]

(1) partly paidup share

Ex

Beg of year

1000 share @ 10 each fully paid up

1000 share @ 10 each paid only 8 till

2000 shar

No of Eq shar o/s in Beg

$$\left[1000 \times \frac{12}{12} \times \frac{10}{10}\right] = 1000$$

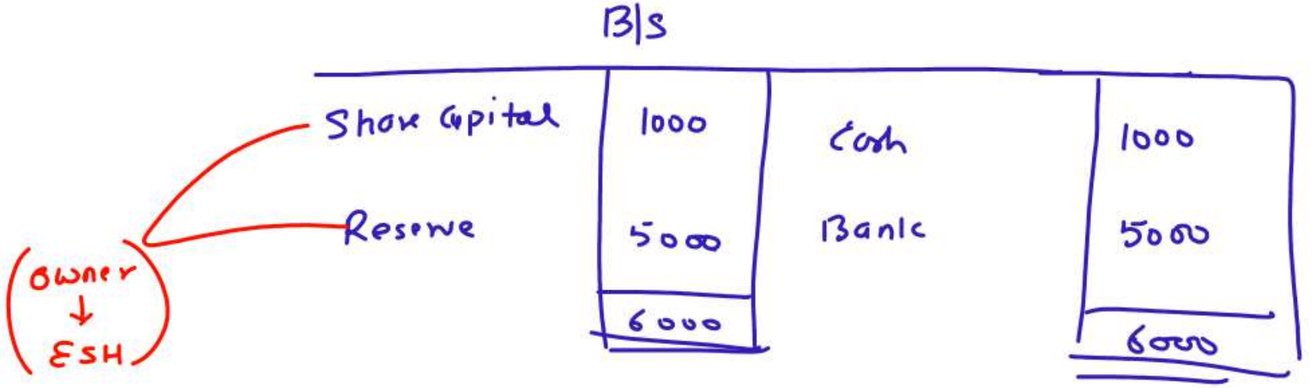
$$\left[1000 \times \frac{12}{12} \times \frac{8}{10}\right] = 800$$

1800

⑤ Bonus share

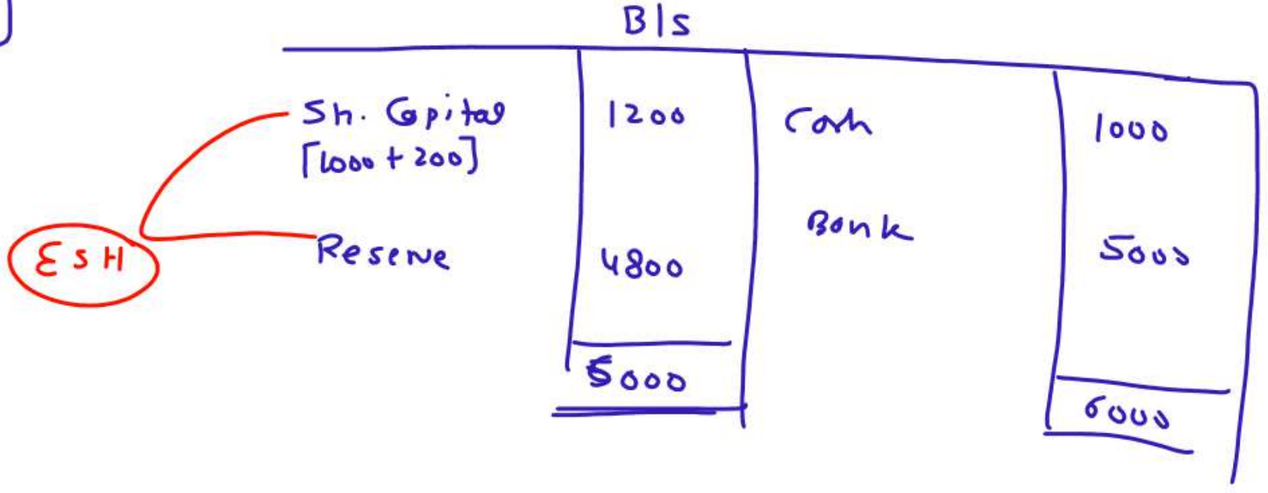
Normal share issue in Cash/Bank [1000]

Bank/Cash A/c – Dr
To share Capital



Bonus share issue [1 : 5] = [1000 × 1/5 = 200]

Reserve A/c – Dr
To share Capital

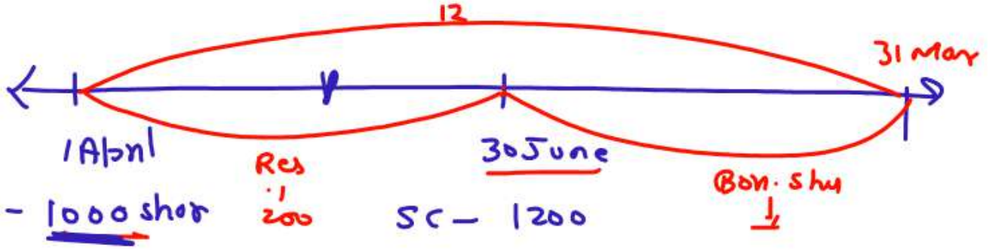


Ex

1000 share @ 10 each in the Beg of the year (1 April)

Bonus share = 1 : 5 (30 June)

Bonus share = $1000 \times \frac{1}{5} = \boxed{200}$



SC – 1000 shar | SC – 1200
Reserve – 5000 | R – 4800
5000 | 6000

No. of Es o/s in Beg $\left[\text{shar} \times \frac{12}{12}\right]$ = xxx

$\left[\text{BAF} = \left[1 + \text{Bonus Ratio}\right] \times \text{No. of shar in Beg}\right.$

BAF → Bonus Adjustment Factor

BAF = 1 + B. Ratio

$= \frac{1}{1} + \frac{1}{5}$

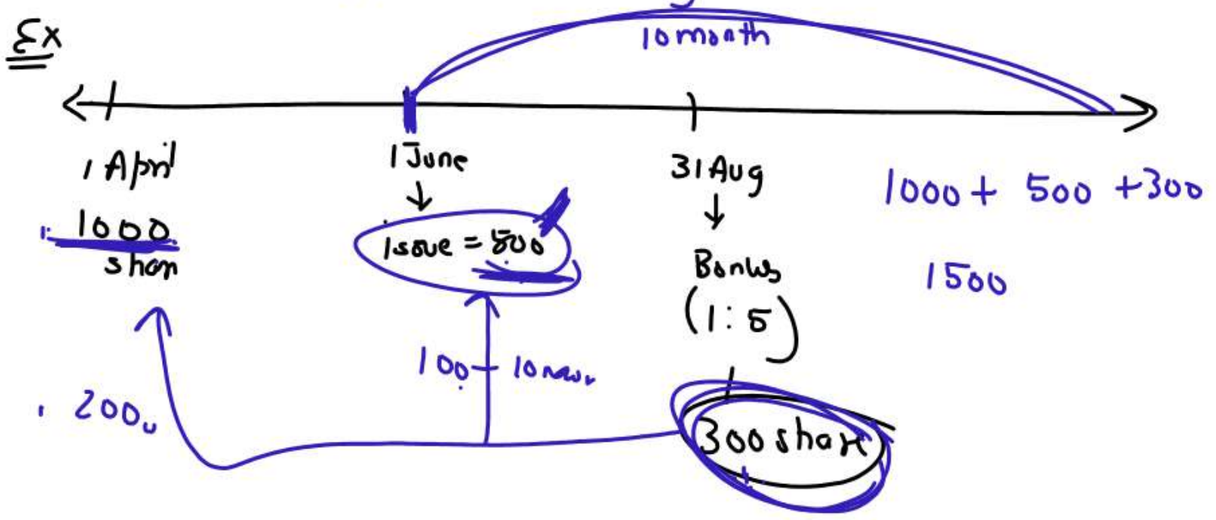
$= \frac{5+1}{5}$

$= \boxed{\frac{6}{5}}$

No. of Eq. shar o/s in Beg

$\left[1000 \times \frac{6}{5}\right] = \left[1200 \times \frac{12}{12}\right] = \boxed{1200}$

Ex



(3) Right Issue

Issue price = 10

Bonus /= 3 share
Discount

Right price = 7

BIS

Share Capital (1000 x 10)	10,000	Cash [1000 x 7]	7000
Reserve	2000 ~~5000~~	Bank	5000
	12000		12000

Right Adjustment Factor [RAF]

step1 :- Calculate Theortical Ex-right value / share

$$= \frac{\text{Esting MPS} \times \text{No of Existing share} + \text{Right issue price} \times \text{No. of Right share}}{\text{No of Existing share} + \text{Right issues share}}$$

step2 :- $RAF = \frac{MPS}{\text{Theortical Ex-Right Value / share}}$

step3 :- No of Eq. sh o/s in Beg $\left[\text{No. of share o/s} \times RAF \times \frac{12}{12}\right] = xxx$

before Right issue (3m) $\left[1000 \times \frac{10}{9.5} \times \frac{3}{12}\right]$ + After Right issue (9m) $\left(1200 \times \frac{9}{12}\right)$

No. of Exsiting share = 1000 — (1 April)

Right share = 200 [1:5] → (15 July)

Issue/Right price - 7

MKt price/share = 10

$$\text{Theortical Ex-Right value/share} = \frac{(1000 \times 10) + (200 \times 7)}{1000 + 200}$$

$$= \frac{11400}{1200}$$

$$= \boxed{9.5}$$

$$RAF = \frac{10}{9.5} = (1.05263)$$

Concept Diluted EPS

① Diluted EPS means Reduction in Basic EPS Calculated on the Assumption that are potential Equity share are issued.

② Potential Equity share [PES] including Convertible prefrence share, Convertible Bonds, Convertible debenture, option / warrants, Contingent share etc.

Calculation of Diluted EPS

$$\text{Diluted EPS} = \frac{\text{Profit/loss used in Basic EPS} + \text{Adjustment in Earning due to PES}}{\text{weighted used in Basic EPS} + \text{Adjustment in share due to PES}}$$

Where,

EPS = Earning per share

PES = Potential Equity share

Ex

Existing

Share holder = 10,000

Profit = 20 lakh

→ [Convertible prefrence share / Bonds / debenture] →

Shareholder (Existing) = 10,000

Convertible Eq. share = 5000

15000

(Convert into Equity share)

Existing Profit = 20L

Earning due to PES = 5L

(Promise kia PSH / DH / BH ke sath ki aage jaake Redemption ke time par Convert krdenge Equity share)

⇓

Potential Equity share

$$\text{Basic EPS} = \frac{20L}{10,000}$$

$$= \boxed{200 / \text{share}}$$

$$\text{Diluted EPS} = \frac{20L + 5L}{10lc + 5lc} = \frac{25L}{15lc}$$

$$= \boxed{167 / \text{share}}$$

Reduction in Basic EPS

[Diluted EPS]

Diluted EPS

If it is less than Basic EPS

It is dilutive & Hence Reported as Diluted E.P.S

if its more than Basic EPS

It is an Antidilutive & Hence Not Reported as Diluted EPS

Consider Diluted EPS same As Basic EPS

Adjustment due to Potential Equity share in Calculation of Diluted EPS

1. Convertiable prefrence share

Ex

Profit Attributable to ESH = 20 lakh
Weighted No. of ES = 10,000
EPS = 200

[Equity share = 100 each FV]

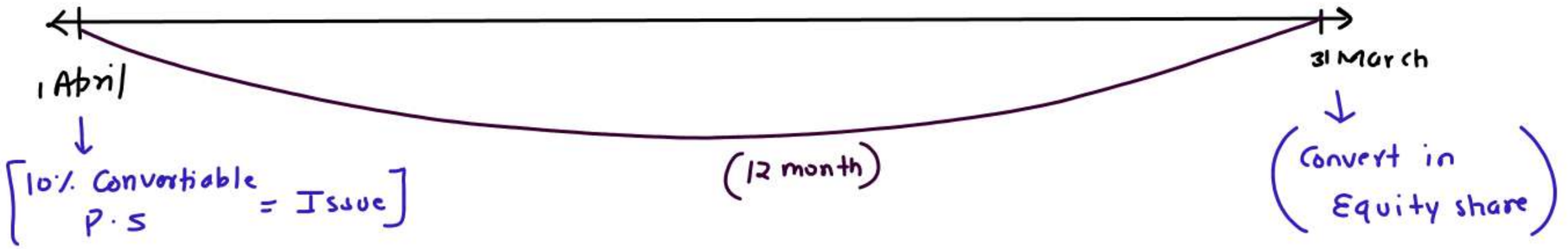
10% Convertiable Prefrence share = 5 lakh (100 each) – P.S.

before Conversion → (Dividend paid to PSH) = 5L × 10% = 50,000

$$\text{Diluted EPS} = \frac{20\text{lakh} + 50\text{k}^{\text{WN-1}}}{10{,}000 + 5000^{\text{WN-2}}} = \frac{20{,}50{,}000}{15000} = 137 \text{ share}$$

Applying Time Factor in Adjustment due to P E S in Calculation of Diluted E.P.S

Case I



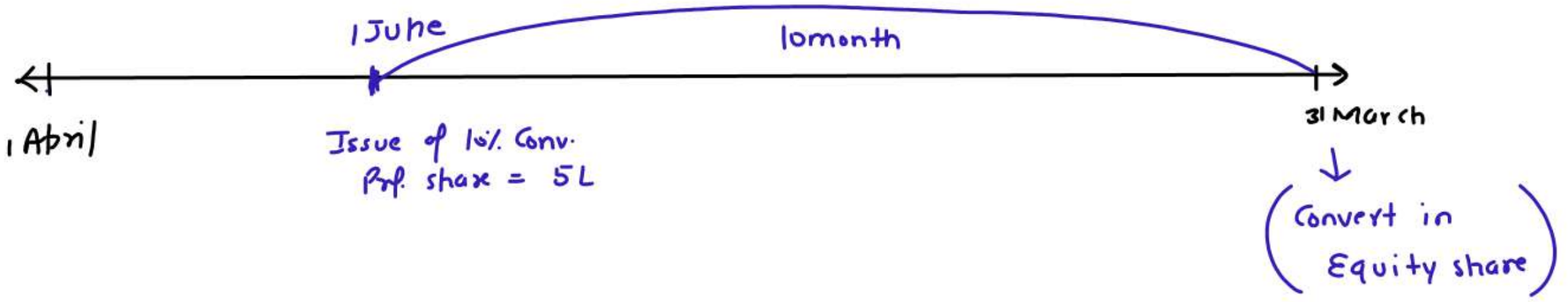
Time factor Adjustment

WN-1 Earning = $50,000 \times \frac{12}{12}$ = **50,000**

WN-2 No. of shar = $5000 \times \frac{12}{12}$ = **5000**

Applying Time Factor in Adjustment due to PES in Calculation of Diluted E.P.S

Case 2



Time factor Adjustment

WN-1 Earning = $50,000 \times \frac{10}{12}$ = **41,667**

WN-2 No. of share = $5000 \times \frac{10}{12}$ = **4167**

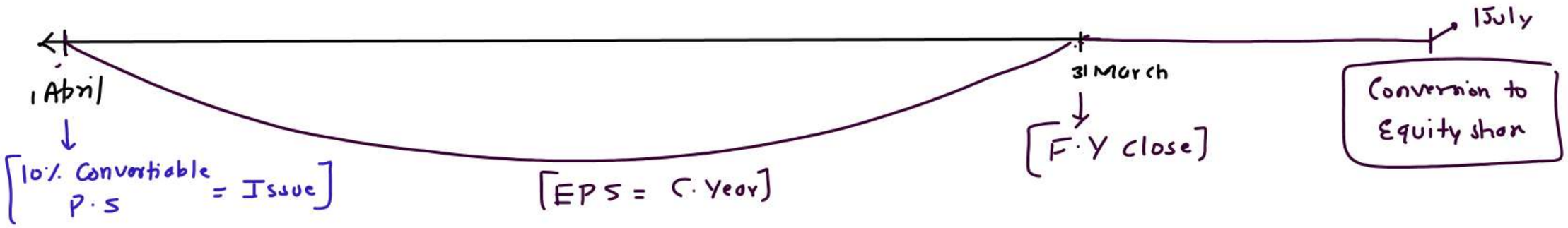
$$\text{Diluted EPS} = \frac{20 \text{ lakh} + 41,667}{10,000 + 4167}$$

$$= \frac{20,41,667}{14,167}$$

$$= \text{Rs } 144/\text{share}$$

Applying Time Factor in Adjustment due to P E S in Calculation of Diluted E.P.S

Case 3



Time factor Adjustment

WN-1 Earning = $50,000 \times \frac{12}{12}$ = **50,000**

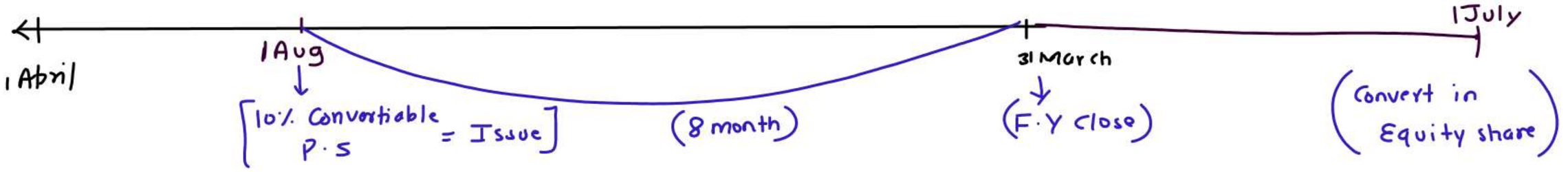
WN-2 No. of shar = $5000 \times \frac{12}{12}$ = **5000**

$$\text{Diluted EPS} = \frac{20L + 50k}{10k + 5k}$$

$$= \boxed{137}$$

Applying Time Factor in Adjustment due to P E S in Calculation of Diluted E.P.S

Case 4



Time factor Adjustment

WN-1 Earning = $50,000 \times \frac{8}{12}$ = **33,333**

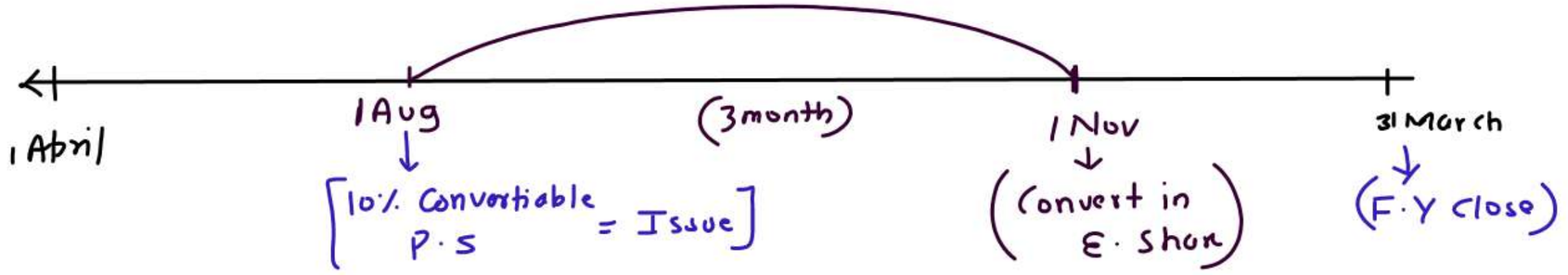
WN-2 No. of share = $5000 \times \frac{8}{12}$ = **3333**

$$\text{Diluted EPS} = \frac{201 + 33,333}{10k + 3333}$$

$$= \boxed{153 \text{ / share}}$$

Applying Time Factor in Adjustment due to P E S in Calculation of Diluted E.P.S

Case



Time factor Adjustment

WN-1 Earning = $50,000 \times \frac{3}{12}$ = **12500**

WN-2 No. of shar = $5000 \times \frac{3}{12}$ = **1250**

$$\text{Diluted EPS} = \frac{20\text{L} + 12500}{10\text{K} + 1250}$$

$$= \boxed{179/\text{shar}}$$

2. Convertible Debenture | Bond

Ex

Profit Attributable to ESH = 20L
Weighted No of ES = 20,000
EPS = 100
[FV of Eq. share = 100]

10% Debenture | Bond = 1 lakh

(Convertiable)

Interest paid to Deb = 10L × 10% = 100,000

Convert in ES = $\frac{1 \text{ lakh}}{100}$ = [10,000 Eq. share]

[Put the Amount after Consider time factor which were discuss in Prefrence share Concept]

$$\text{Diluted EPS} = \frac{20L + \text{Interest}(1 - \text{tax Rate})}{20{,}000 + 10{,}000} = \frac{20L + 70K}{30{,}000}$$

= 69 | share

logic

EBIT	=	10L
(-) Int Paid	=	(1L)
EBT		9L
(-) Tax 30%		(2.7L)
EAT		6,30,000

30K

EBIT	=	10L
(-) Int Paid	=	(NiL)
EBT		10L
(-) Tax 30%		(3L)
EAT		700,000

Profit ↑ = 70,000

Interest (1 - tax Rate) = 100,000 (1 - 30%)

= 100,000 x 70%

= 70,000

Q4

$$\text{Basic EPS} = \frac{\text{Profit attributable to E S}}{\text{weighted No. of E.S}}$$

$$= \frac{20,00,000}{10,00,000} = \boxed{2 \text{ share}}$$

12% Convertible debenture = $20,000 \times 100$

$= \boxed{20,00,000}$

Interest = $20L \times 12\%$

$= (240,000)$

Interest $(1 - \text{tax}) = 240,000\,(1 - 30\%)$

$= \boxed{168,000}$

No. of Equity share converted = 20,000 deb X 10 share

$= \boxed{200,000 \text{ share}}$

$$\text{Diluted EPS} = \frac{20L + 1,68,000}{10L + 200,000}$$

$$= \frac{21,68000}{1200,000}$$

$= \boxed{1.81 \text{ share}}$

05

Profit = 86,50,000

No. of share = 25,00,000 Eq. share

Basic EPS = $\frac{86.50L}{25L}$ = 3.46/share

Converted Equity share = $[100,000 \times 10] \times \frac{6}{12}$

= $10,00,000 \times \frac{6}{12}$ = 500,000

Interest = 1 Cr × 10%

= 10,00,000

Int (1 − tax) = 10L (1 − 30%)

= $(700,000) \times \frac{6}{12}$

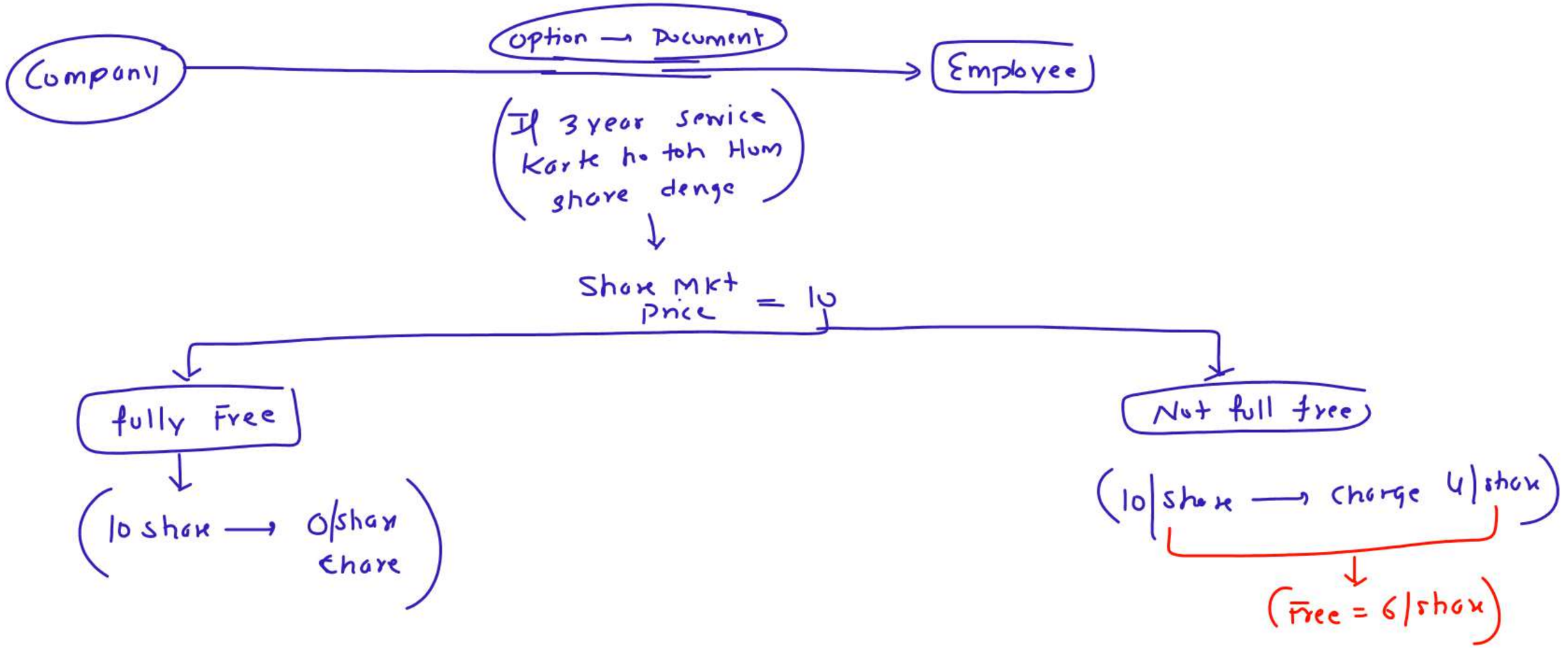
= 350,000

Diluted EPS = $\frac{86\ 50000 + 350,000}{25L + 5L}$

= $\frac{90 \text{ lakh}}{30 \text{ lakh}}$

= 3/share

options | Warrants



Earning due to PES = Nil

No. of share due to PES = [Increase] → 10,000 [MP = 10, EP = 4]

(MP: Mkt price; EP: Exercise price)

$$\text{Diluted EPS} = \frac{\text{Profit} + \text{Earning due to PES}}{\text{No of share} + \text{share due to PES}}$$

(Earning due to PES → Nil)

share due to PES = No. of share under option × $\left(\frac{MP - EP}{MP}\right)$

(Free element)

$$= 10{,}000 \times \frac{10 - 4}{10}$$

$$= 10{,}000 \times \frac{6}{10}$$

$$= 6000$$

Q6

Basic EPS = $\frac{24,00,000}{10,00,000}$

= 2.4 / share

Diluted EPS = $\frac{24,00,000 + Nil}{10,00,000 + \left(200,000 \times \frac{20-15}{20}\right)}$

= $\frac{2400,000}{10,00,000 + \left(2L \times \frac{5}{20}\right)}$

= $\frac{24L}{10L + 50k}$ = $\frac{24L}{10.50L}$

= 2.2857 / share

(or) 2.29

Q7

Share	×	EP/share	=	Amount
320	×	10/share	=	3200
400	×	8/share	=	3200
80 shares				Nil
↓				↓
No. of share increase due to PES				No earning due to PES

$$\text{Diluted EPS} = \frac{\text{Profit used in EPS + earning due to PES}}{\text{share used in EPS + share increase due to PES}}$$

$$= \frac{\text{Profit used in EPS + Nil}}{\text{share used in EPS + 80 shares}}$$

Contingent Issue of share

If Target is Completed → then Company will Issue → Equity share at Free of Cost & some Concessional Rate

- Turnover
- 3year service
- Profit target
- Sale Target

Jab yhe target Complete ho tabh Company ke share issue krne ki liablity aayeg that is Called Contingent (liab)

Note :- SAME TREATMENT AS PES OPTION / WARRANT