

# 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 Mr A Share hold = 5000 share  
of A Ltd

A Ltd paid 50,000 profit to Mr A

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

## # Basic EPS

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

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

Note :-

- ① EPS can be negative also
- ② Ordinary Equity share means original Equity share only.

# # Profit/loss attributable to the ordinary Equity shareholder

Earning before Interest & Tax [EBIT]	=	₹ xxxx
<u>less:-</u> Interest Expense [Int on loan, debenture, Bonds, deposit etc]	=	(xxx) <hr/>
Earning before tax [EBT]		xxx
<u>less:-</u> Tax Expense		(xxx) <hr/>
Earning After tax [EAT] / Profit after tax [PAT]		xxxx
less:- Preference share Dividend		(xxx) <hr/>
Profit/loss attributable to Equity Shareholder		<hr/> <hr/> 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 partly paid up share, Bonus, Right issue)  
=  $\bar{x}$   
xxx

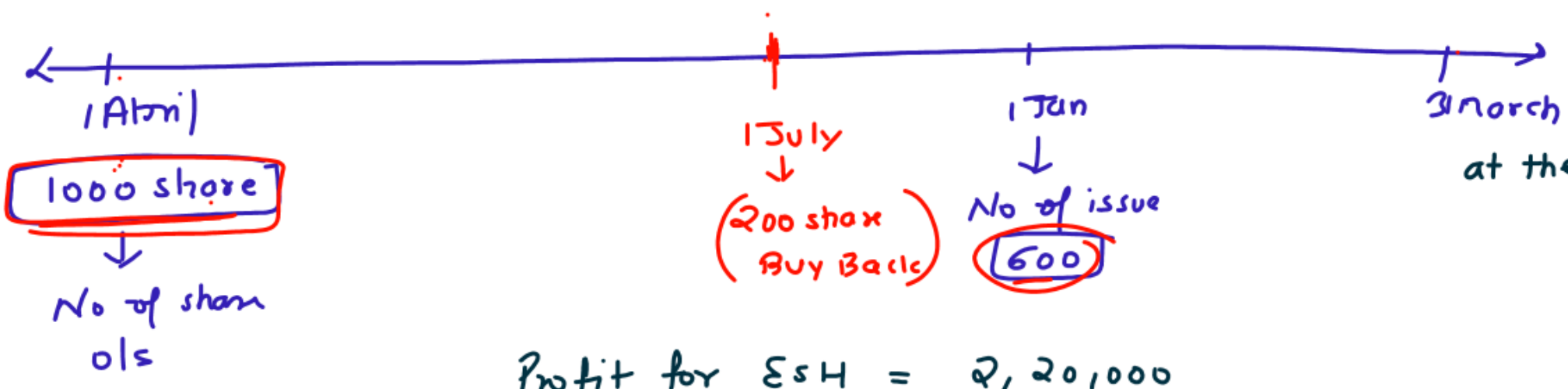
(+) No. of Equity share issued during the year  $\times \frac{\text{No. of days/month}}{\text{years in day/month}}$  = xxx

(-) No. of Equity share Buy back during the year  $\times \frac{\text{No. of days/month}}{\text{years in day/month}}$  = (xxx)

Weighted Avg No. of ordinary Equity share

xxxx

Ex



Profit for ESH = 2,20,000

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

$$600 \times 100 \times 3 = 180,000$$

$$150 \times 100 \times 12 = 180,000$$

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

$$\begin{aligned} (+) \text{ No. of Issue in Middle} &= 600 \times \frac{3}{12} = 150 \text{ share} \\ (-) \text{ Buy Back} &= 200 \times \frac{6}{12} = 100 \text{ share} \\ \hline &1150 \text{ share} \end{aligned}$$

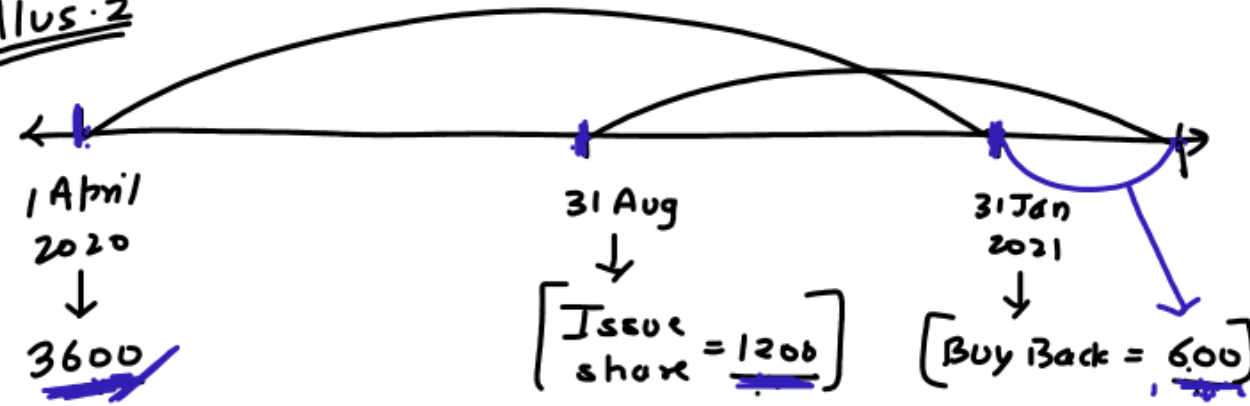
$$EPS = \frac{2,20,000}{1150} = \underline{191}$$

Illustration=1

Calculating profit/loss attributable to ESH

Particular	₹
Gross profit for the year ended	350,000
(-) operating Exp	(100,000)
<b>EBIT</b>	<b>250,000</b>
(-) Tax @ 30%	(75,000)
<b>EAT / PAT</b>	<b>175,000</b>
(-) Dividend to PSH [20,000 x 10%]	(2,000)
<b>Profit attributable to ESH</b>	<b>173,000</b>

Illus. 2



No. of Eq. share o/s in the Beg  $\left[ \frac{3600}{12} \times 12 \right] = \dots \underline{\underline{3600}}$  <sup>share</sup>

(+) No. of Eq. share of Issue  $\left[ \frac{1200}{12} \times 7 \right] = 700$

(-) No. of Equ. share Buy Back  $\left[ \frac{600}{12} \times 2 \right] = \frac{(100)}{4200}$

ex-3

Profit attributable to ESH = 21 lakh

Weighted No. of ES (11-2) = 4200

$$\begin{aligned} \text{EPS} &= \frac{21,00,000}{4200} \\ &= \boxed{\text{₹500}} \end{aligned}$$

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

① partly paid up share

Ex

Beg of year

1000 share @ 10 each fully paid up

1000 share @ 10 each paid only 8 till

2000 share

No of Eq share 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

B/S

Share Capital	1000	Cash	1000
Reserve	5000	Bank	5000
	<u>6000</u>		<u>6000</u>

(owner ↓ ESH)

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

Reserve A/c - Dr  
To share Capital

B/S

Sh. Capital [1000 + 200]	1200	Cash	1000
Reserve	4800	Bank	5000
	<u>6000</u>		<u>6000</u>

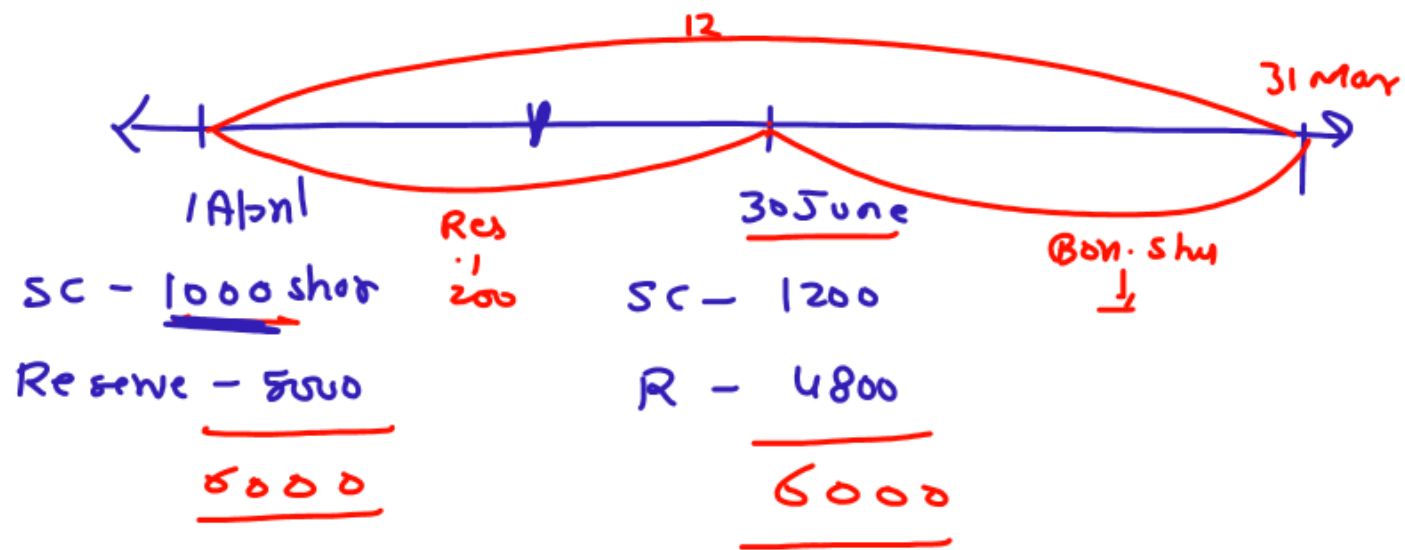
ESH

Ex

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

Bonus share = 1:5 (30 June)

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



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

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

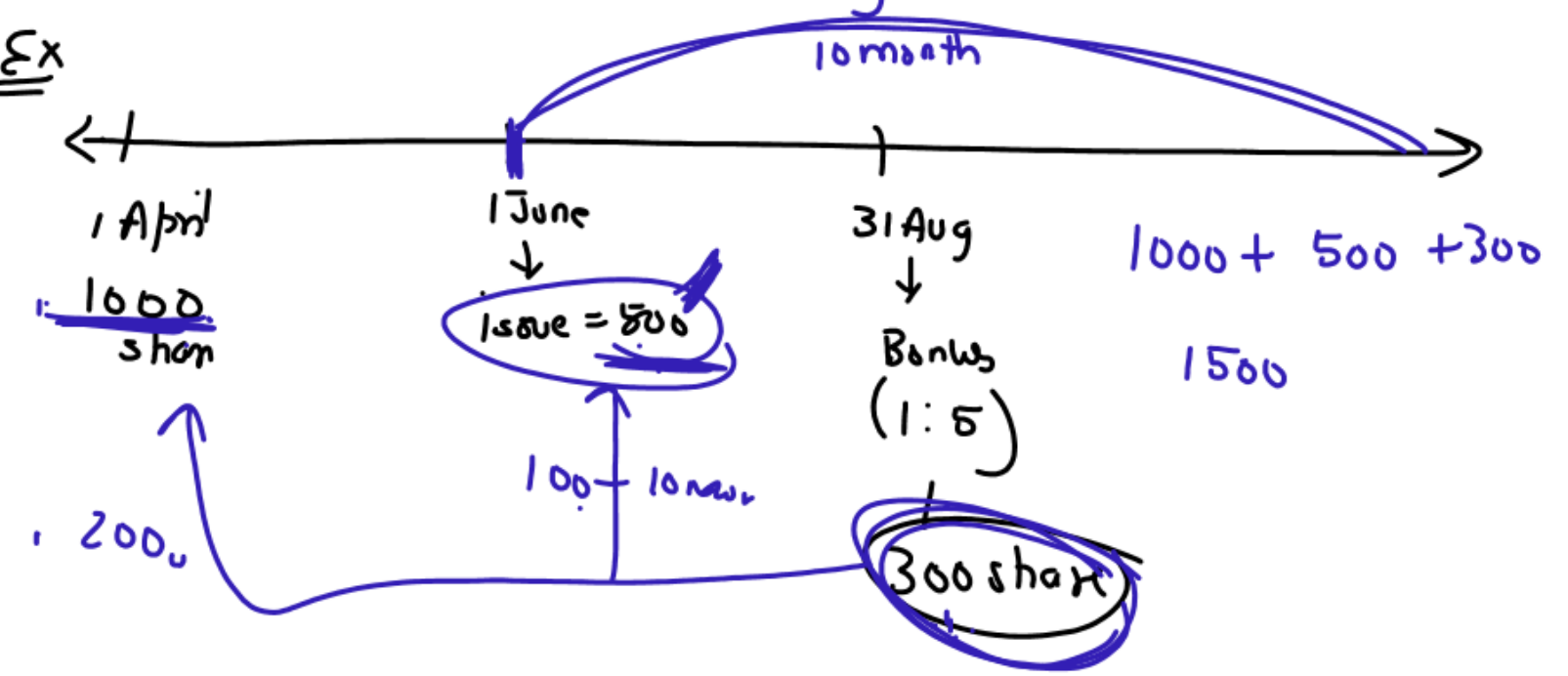
↓  
Bonus Adjustment Factor

$$\begin{aligned} \text{BAF} &= 1 + \text{B. Ratio} \\ &= \frac{1}{1} + \frac{1}{5} \\ &= \frac{5+1}{5} \\ &= \boxed{\frac{6}{5}} \end{aligned}$$

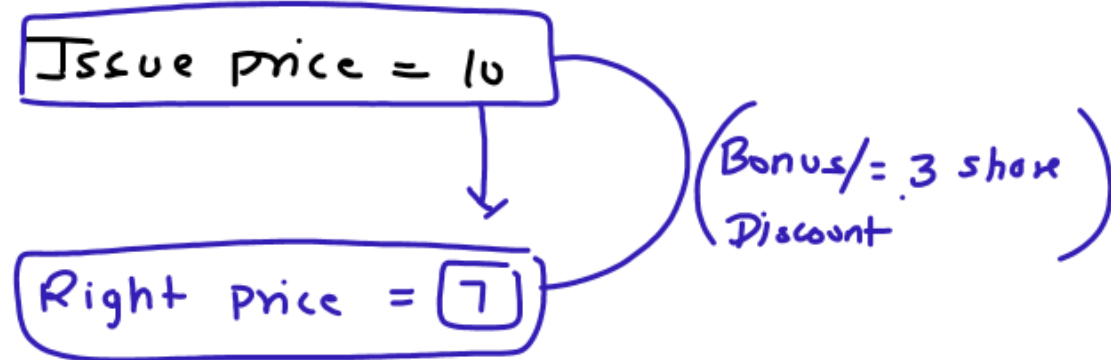
No. of Eq. share o/s in Beg

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

Ex



### ③ Right Issue



B/S			
Share Capital (1000 x 10)	10,000	Cash (1000 x 7)	7000
Reserve	2000 <del>5000</del>	Bonus	5000
	<u>12000</u>		<u>12000</u>

### Right Adjustment Factor (RAF)

Step 1 :- Calculate Theoretical Ex-right value / share

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

Step 2 :-  $RAF = \frac{MPS}{\text{Theoretical Ex-Right Value / share}}$

Step 3 :- No of Eq. sh o/s in Beg  $\left[ \frac{\text{No. of share o/e} \times RAF \times \frac{12}{12}}{\frac{12}{12}} \right] = xxx$

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

$$\text{No. of Existing share} = 1000 - \text{1 April}$$

$$\text{Right share} = 200 [1:5] \rightarrow \text{15 July}$$

$$\text{Issue/Right price} = 7$$

$$\text{Mkt price/share} = 10$$

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

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

$$= 9.5$$

$$\text{RAF} = \frac{10}{9.5} = 1.05263$$

## 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 preference 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 preference share / Bonds / debenture]

Shareholder (Existing) = 10,000

Convertible Eq. share = 5000

15000

Existing Profit = 20L

Earning due to PES = 5L

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

= 200 / share

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



Potential Equity share

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

= 167 / share

Reduction in Basic EPS [Diluted EPS]

Diluted EPS

If it is less than  
Basic EPS

It is dilutive & Hence  
Reported as Diluted  
EPS

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. Convertible preference share

Ex

$$\begin{array}{l} \text{Profit Attributable to ESH} = 20 \text{ lakh} \\ \text{Weighted No. of ES} = 10,000 \end{array} \left. \vphantom{\begin{array}{l} \text{Profit Attributable to ESH} \\ \text{Weighted No. of ES} \end{array}} \right\} \text{EPS} = 200$$

[Equity share = 100 each]  
FV

$$10\% \text{ Convertible Preference share} = 5 \text{ lakh (100 each) - P.S.}$$

$$\text{before Conversion} \rightarrow \left( \begin{array}{l} \text{Dividend paid} \\ \text{to PSH} \end{array} \right) = 5 \text{L} \times 10\% \Rightarrow \boxed{50,000}$$

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

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

Case 1



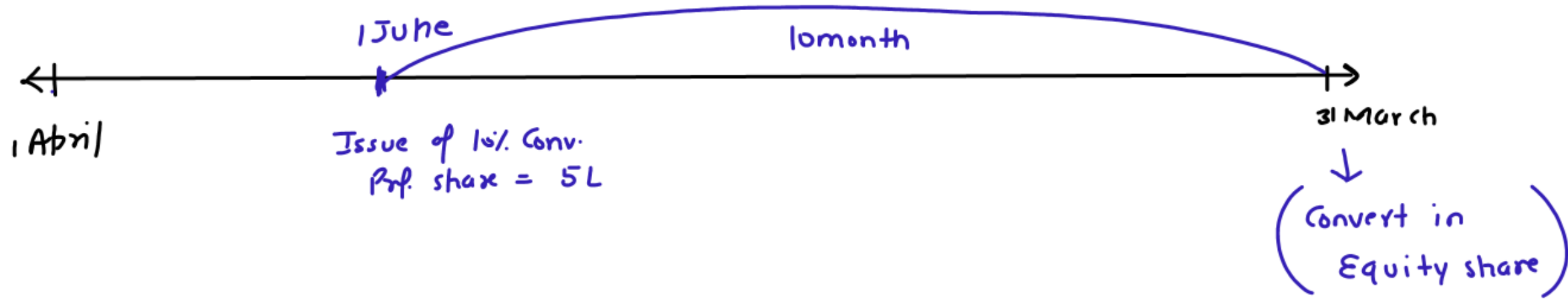
## Time factor Adjustment

$$\text{WN-1} \quad \text{Earning} = 50,000 \times \frac{12}{12} = \boxed{50,000}$$

$$\text{WN-2} \quad \text{No. of share} = 5000 \times \frac{12}{12} = \boxed{5000}$$

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

Case 2



## Time factor Adjustment

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

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

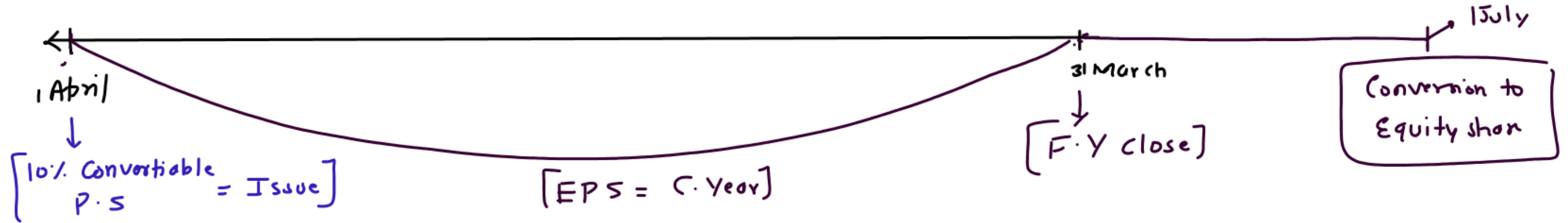
$$\text{Diluted EPS} = \frac{20,167 + 41,667}{10,000 + 4167}$$

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

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

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

Case 3



## Time factor Adjustment

$$\text{WN-1} \quad \text{Earning} = 50,000 \times \frac{12}{12} = \boxed{50,000}$$

$$\text{WN-2} \quad \text{No. of share} = 5000 \times \frac{12}{12} = \boxed{5000}$$

$$\begin{aligned} \text{Diluted EPS} &= \frac{20L + 50k}{10k + 5k} \\ &= \boxed{137} \end{aligned}$$

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

Case 4



## Time factor Adjustment

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

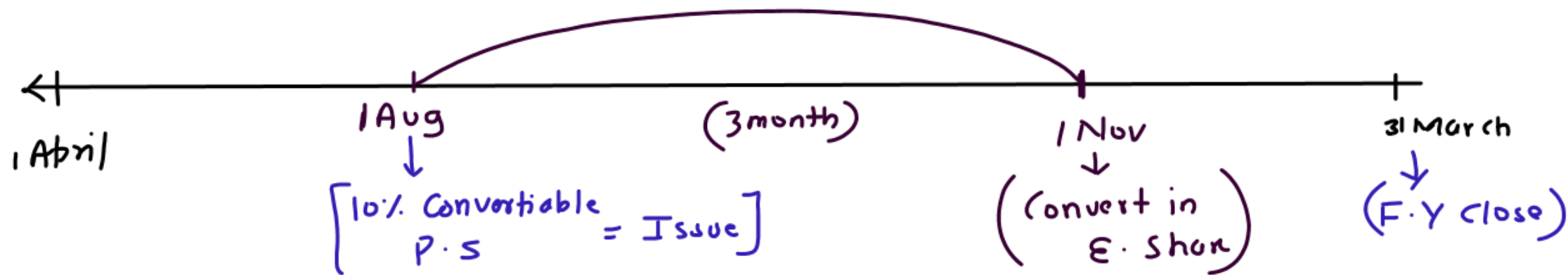
$$\text{WN-2} \quad \text{No. of share} = 5000 \times \frac{8}{12} = \boxed{3333}$$

$$\text{Diluted EPS} = \frac{201 + 33,333}{101 + 3333}$$

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

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

Case



## Time factor Adjustment

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

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

Diluted EPS =  $\frac{206 + 12500}{106 + 1250}$

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

## 2. Convertible Debenture / Bond

Ex

$$\left. \begin{array}{l} \text{Profit Attributable to ESH} = 20L \\ \text{Weighted No of ES} = 20,000 \end{array} \right\} \boxed{\text{EPS} = 100} \quad [\text{FV of Eq. share} = 100]$$

10% Debenture / Bond = 10 lakh

(Convertible)

$$\text{Interest paid to Deb} = 10L \times 10\% = \boxed{100,000}$$

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

Put the Amount after  
Consider time factor  
which were discuss in  
Preference share concept

$$\begin{aligned} \text{Diluted EPS} &= \frac{20L + \text{Interest} (1 - \text{tax Rate})}{20,000 + 10,000} = \frac{20L + 70K}{30,000} \\ &= \boxed{69 / \text{share}} \end{aligned}$$

logic

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

30K

EBIT	=	10L
(-) Int Paid	=	(Nil)
<hr/>		
EBT		10L
(-) Tax 30%		(3L)
<hr/>		
EAT		7,00,000

Profit ↑ = 70,000

Interest (1 - tax rate) = 100,000 (1 - 30%)  
= 100,000 × 70%  
= 70,000

Q4

$$\text{Basic EPS} = \frac{\text{Profit attributable to ES}}{\text{Weighted No. of ES}}$$

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

$$\begin{aligned} 12\% \text{ Convertible debenture} &= 20,000 \times 100 \\ &= \boxed{20,00,000} \end{aligned}$$

$$\begin{aligned} \text{Interest} &= 20L \times 12\% \\ &= (240,000) \end{aligned}$$

$$\begin{aligned} \text{Interest (1 - tax)} &= 240,000 (1 - 30\%) \\ &= \boxed{168,000} \end{aligned}$$

$$\begin{aligned} \text{No. of Equity Share converted} &= 20,000 \text{ deb} \times 10 \text{ share} \\ &= \boxed{200,000 \text{ share}} \end{aligned}$$

$$\begin{aligned} \text{Diluted EPS} &= \frac{20L + 1,68,000}{10L + 200,000} \\ &= \frac{21,68,000}{1200,000} \\ &= \boxed{1.81/\text{share}} \end{aligned}$$

Q5

Profit = 86,50,000

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

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

Converted Equity share =  $[100,000 \times 10] \times \frac{6}{12}$   
=  $10,00,000 \times \frac{6}{12} = \boxed{500,000}$

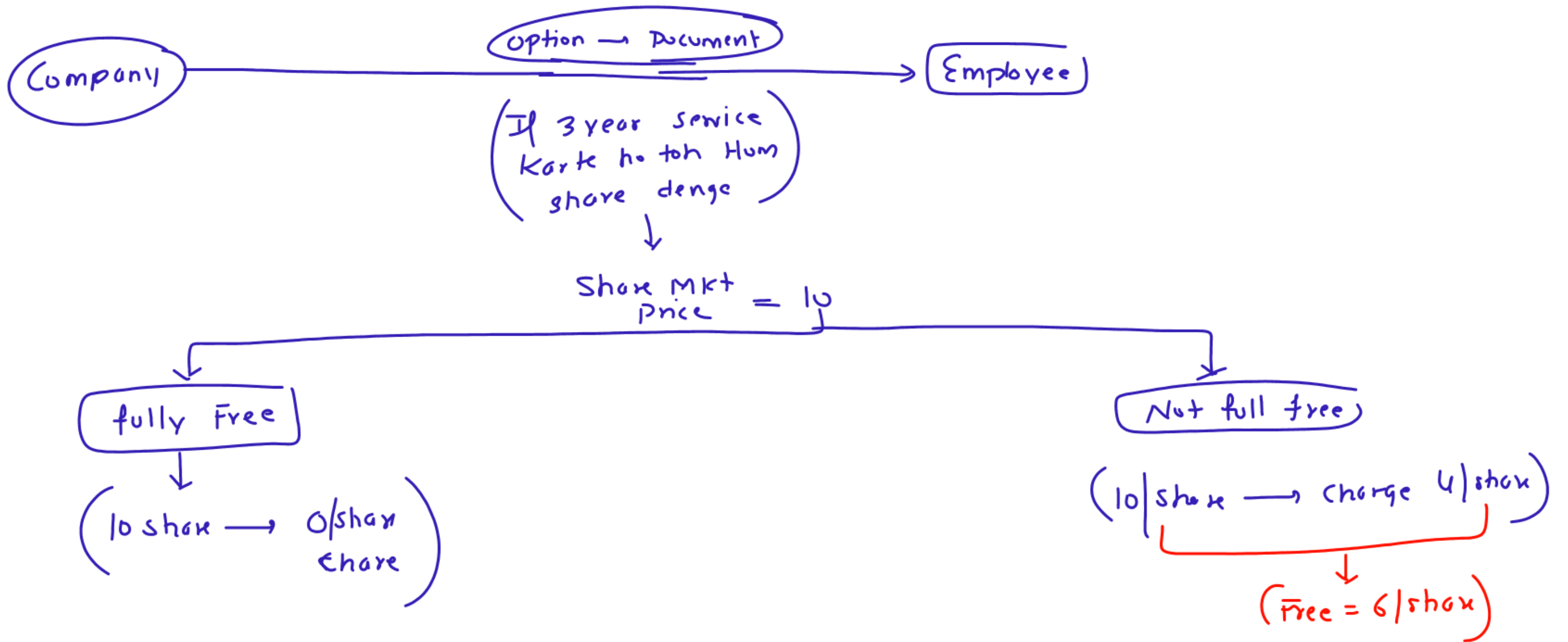
Interest = 1 Cr x 10%  
= 10,00,000 /

Int (1 - tax) = 10L (1 - 30%)  
= (7,00,000) x  $\frac{6}{12}$   
=  $\boxed{3,50,000}$

Diluted EPS =  $\frac{86,50,000 + 3,50,000}{25L + 5L}$

=  $\frac{90\text{ lakh}}{30\text{ lakh}}$   
=  $\boxed{3/share}$

# # Options / Warrants



Earning due to PES = Nil

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

(Mkt price) (Exercise price)

$$\text{Diluted EPS} = \frac{\text{Profit} + \text{Earning due to PES}}{\text{No of share} + \text{Share due to PES}} \rightarrow \text{(Nil)}$$

$$= \text{No. of share under option} \times \left( \frac{\text{MP} - \text{EP}}{\text{MP}} \right)$$

(Free element)

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

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

$$= \text{6000}$$

Q6

$$\text{Basic EPS} = \frac{24,00,000}{10,00,000} = \boxed{2.4 \text{ | share}}$$

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

$$= \frac{24,00,000}{10,00,000 + \left( 2L \times \frac{5}{20} \right)}$$

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

$$= \boxed{2.2857 \text{ | share}}$$

(57)      2.29

Q7

$$\text{Share} \times \text{EP/share} = \text{Amount}$$

$$320 \times 10/\text{share} = 3200$$

$$400 \times 8/\text{share} = 3200$$

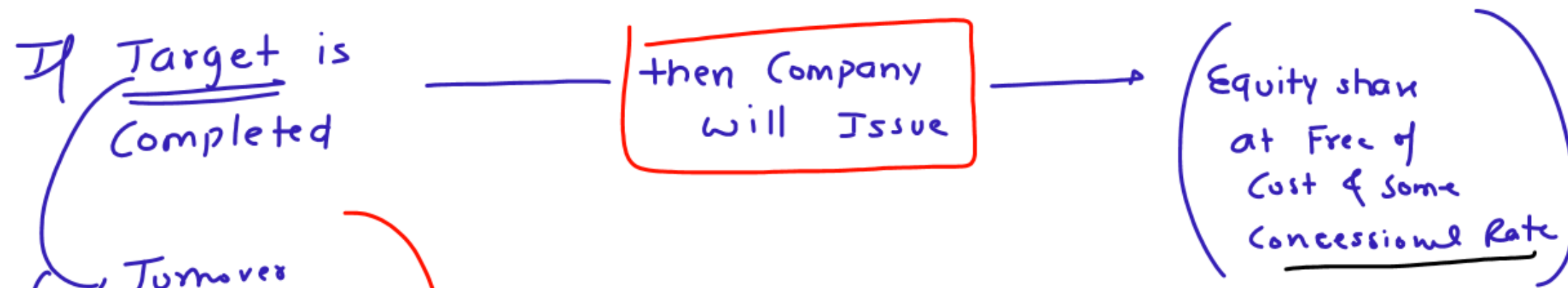
$$\frac{80 \text{ share}}{\quad} \qquad \frac{\text{Nil}}{\quad}$$

↓  
No. of share increase  
due to PES

↓  
No earning due  
to PES

$$\begin{aligned} \text{Diluted EPS} &= \frac{\text{Profit used in EPS} + \text{earning due to PES}}{\text{Share used in EPS} + \text{Share increase due to PES}} \\ &= \frac{\text{Profit used in EPS} + \text{Nil}}{\text{Share used in EPS} + 80 \text{ share}} \end{aligned}$$

# # Contingent Issue of share



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

Jab yhe target complete ho tabh Company ke share issue krne ki liability aayeg that is called contingent (liab)

Note:- SAME TREATMENT AS PES OPTION/WARRANT