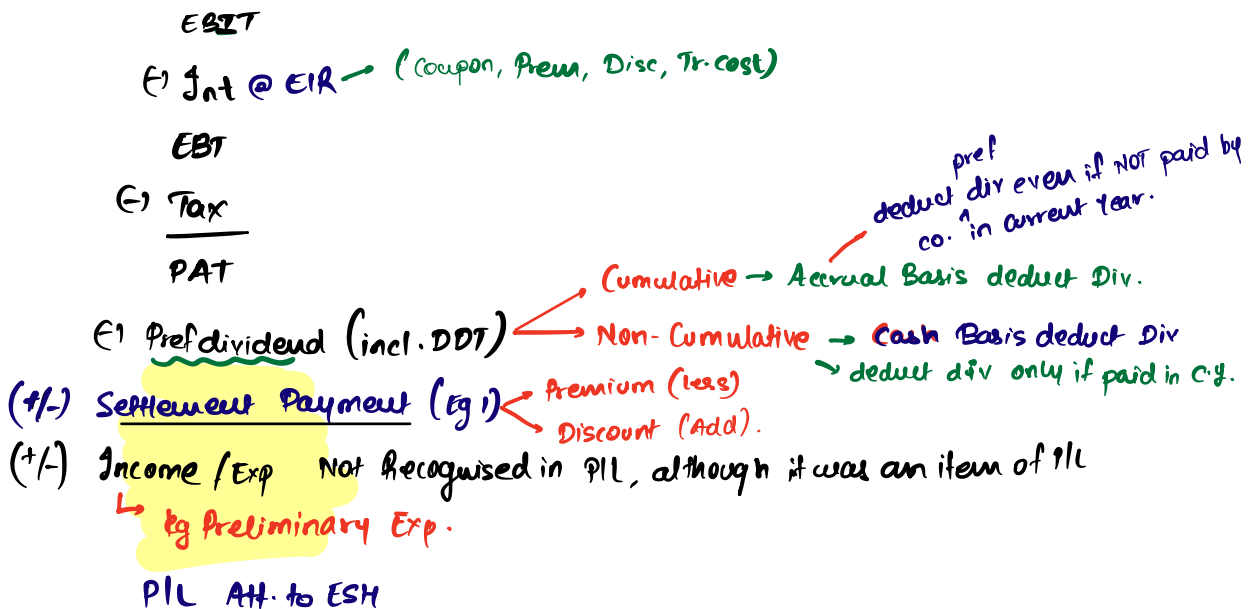


* Basic EPS = $\frac{\text{Profit/Loss Attributable to Eq Share Holders (Earnings Available for Eq. holders)}}{\text{Weighted Avg No. of eq shares}}$

Numerator (PL Attrib to Eq SH) → EAFESH



Eg 1 10% Pref Shares issued at par, redeemable after 5yrs @ par. Coupon = EIR = 10%.

After 5yrs Co. decided to settle pref shares @ ₹2 premium on each pref. share

Easy redemption

was it considered in EIR? → NO

Pata he nahi tha

Settlement payment → Deduct while computing EAFESH.

Premium (Settlement Payment) less

Discount ()

Add → why? Co. redeeming @ discount means Co. saved money.

Real Life → (N/A)

* Denominator → WANES

Eg FY X1-X2

- 01/04/x1 → Opn → No. of eq shares = 10L shares
- 01/07/x1 → New Issue = 5L shares
- 01/01/x2 → Buy Back = 1L shares

Cum



Compute WANES as on 31/3/x2

WANES = $10L \times \frac{12}{12} (+) 5L \times \frac{9}{12} (-) 1L \times \frac{3}{12} = 13.5L \text{ shares.}$



OR

Alternatively

$10L \times \frac{3}{12} (+) 15L \times \frac{6}{12} (+) 14L \times \frac{3}{12} = 13.5L \text{ shares.}$

↓
Do not take (-) here.

Illus 3

WANES	No. of shares	No. of days o/s	Integrated Avg
① 01.04.x1	100000	365	100000 $(\frac{10L \times 365}{365})$
② 15.06.x1 (^F July 16+31+31+30+31+30+31+31+28+31) OR	75000	290	59589 $(\frac{75K \times 290}{365})$
③ 8.11.x1 [_{N D} 23+31+31+28+31]	50000	144	19726 $(\frac{50000 \times 144}{365})$
④ 21.02.x2 (_{F M} 7+31)	(20000)	(38)	(2082) $(\frac{20000 \times 38}{365})$
			<u>177233</u>

Soln: $EPS (p.y.)_{X0-X1} (06) = \frac{SL}{SL \text{ shares}} = \1 per share

$$EPS (c.y.)_{X1-X2} = \frac{6L}{\frac{3.75SL \times 12}{12} + \frac{SL \times 12}{12} + \frac{2.5SL \times 9}{12} - \frac{2L \times 2}{12}}$$

Bonus Issue was ds from earliest Rep. period

QF4

Tab se woh share exist korta tha → uspe Bonus bhi uss din se tha.

QF4

Share existence date → will be earliest date for Bonus.

Basic EPS

= 600000

C.y. (X1-X2)

$$\frac{SL \times \frac{12}{12} + 2.5 \times \frac{12}{12} + 2.5SL \times \frac{9}{12} + 1.25 \times \frac{9}{12} - 2L \times \frac{2}{12}}{\text{opn} \quad \text{Bonus on Open?} \quad \text{New Issue} \quad \text{Bonus on New Issue} \quad \text{Buy Back happened after Bonus} \quad \therefore \text{No impact.}}$$

= 600000

997917

= 0.60

P.y. (X0-X1)

= 5,00,000

= $\frac{SL}{7.5L} = 0.67$

Restated

$$\frac{SL \times \frac{12}{12} + 2.5SL \times \frac{12}{12}}{\text{P.y. old shares} \quad \text{Bonus on P.y. shares}}$$

ICAI Method = Bonus factor = $1 + \text{Bonus Ratio}$
 ↓
Exams

= $1 + \frac{1}{2}$
 = $\frac{3}{2}$ ⇒ Bonus factor

Assume Bonus factor was
 o/s from earliest Reporting
 period.

P.y. (06) → Same as above

Basic EPS (C.y. X1 - X2) = $\frac{600000}{\text{Denominator}}$

$\frac{SL \times \frac{3}{2} \times \frac{12}{12} + 2.5L \times \frac{3}{2} \times \frac{9}{12} \left(\rightarrow 2L \times \frac{2}{12} \right)}{\text{op}^n \text{ shares} \quad \text{New Issue}}$

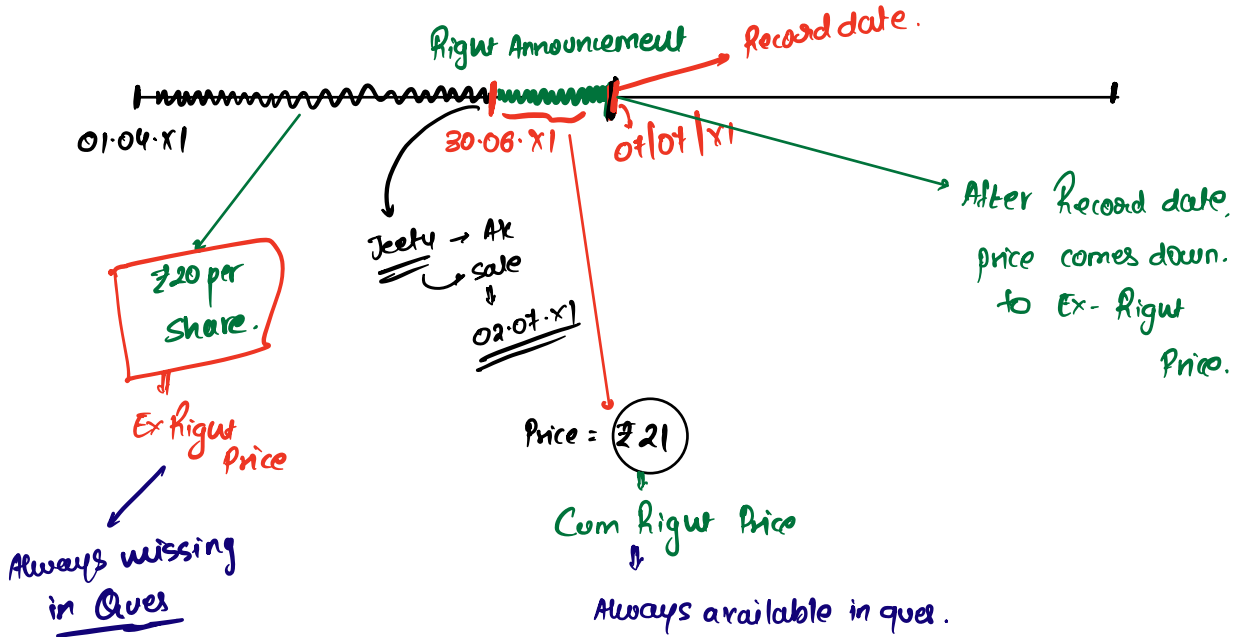
= $\boxed{0.60}$

P.y. (Revised) (X0 - X1) = $\frac{500000}{SL \times \frac{3}{2} \times \frac{12}{12}}$ = $\boxed{0.67}$

* Right Issue

↳ Existing SH issued @ lower price.

Eg: Co → Right Shares 1L @ ₹15 per share.



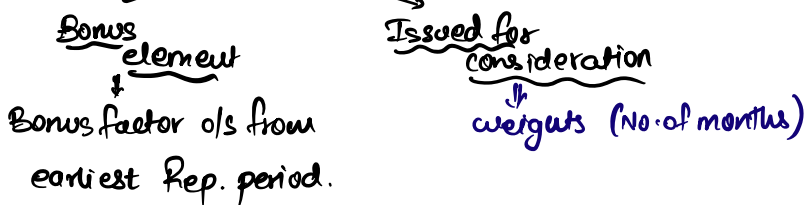
Right Shares → Ques

Steps to solve

Step ① Compute Ex-Right Price

Step ② Compute Bonus factor

Step ③ Split the Right shares



Illus 6 (Right shares)

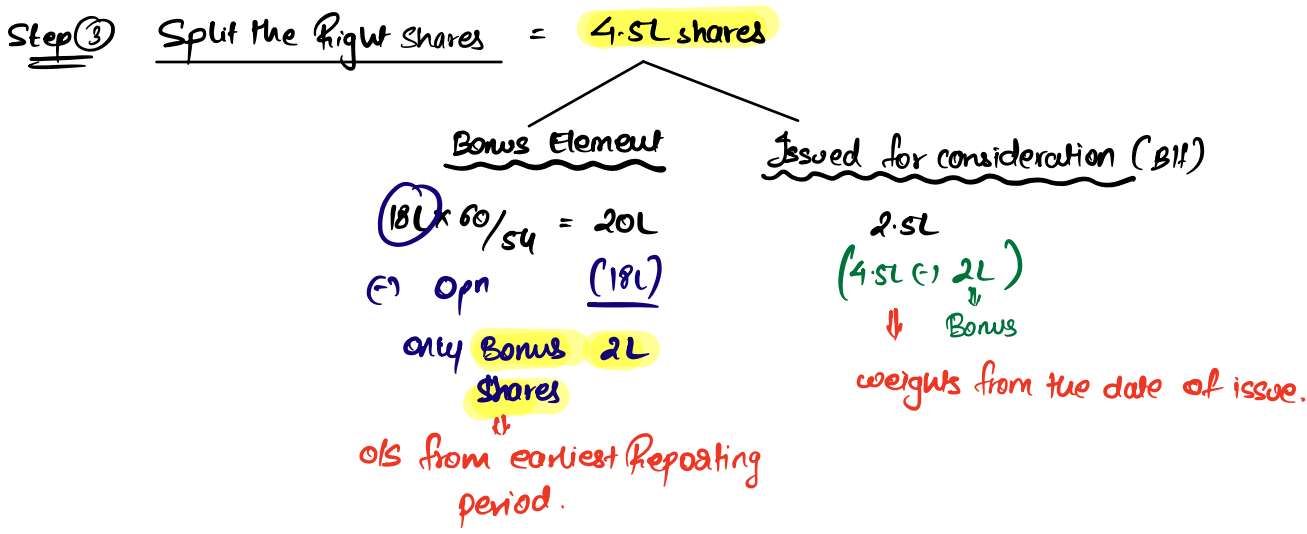
Step 1 Compute Ex Right Price =

$$\frac{\text{Share Before Right Issue (x) Cum Right Price (+) Right shares (x) Right price}}{\text{Total No. of shares (Shares Before Right Issue (+) Right shares)}}$$

$$= \frac{18L(x) 60 (+) 4.5L(x) 30}{18L + 4.5L}$$

Ex Right Price = ₹54

Step 2 Bonus factor = $\frac{\text{Cum Right Price}}{\text{Ex Right Price}} = \frac{60}{54}$



P.Y. 00 31/12/21 = Basic EPS = $\frac{630000}{18,00,000} = \boxed{0.35}$

C.Y. 00 31/12/22 = Basic EPS = $\frac{875000}{18L \times \frac{60}{54} \times \frac{12}{12} (+) 2.5L \times \frac{9}{12}}$
 Issued for consideration
 = $\boxed{0.40}$

P.Y. Restated 31/12/21 = Basic EPS = $\frac{630000}{18L \times 60/54 \times 12/12} = \boxed{0.315}$

Q4 → Right shares Issue → Funds Raised → 4.5L shares × ₹30

If I wanted to raise ₹135 L from MKT through normal issue. = ₹135 lakhs
 \div ₹54 per share.

→ 2.5L shares → Issue for cash, weights

extra 2L share issued in Right → Bonus
 No weights

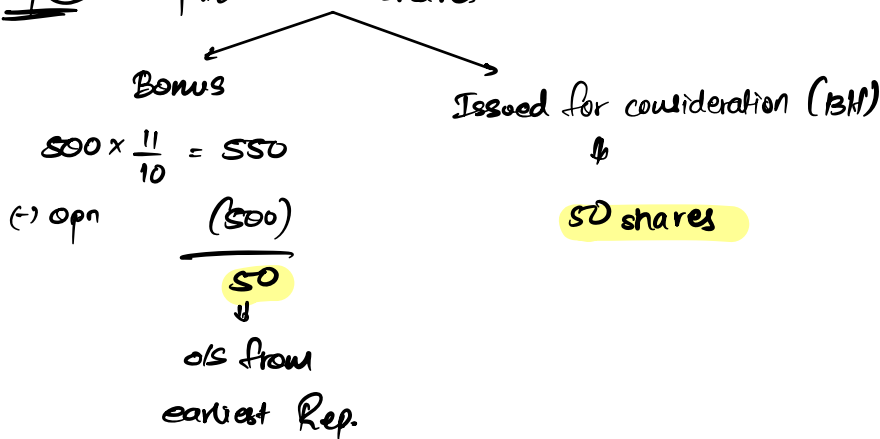
Illust 21 (LDR)

WNI

Step ① Compute Ex Right Price = $\frac{500 \times 11 (+) 100 \times 5}{600} = ₹10$

Step ② Bonus factor = $\frac{\text{Cum - R.P}}{\text{Ex R.P}} = \frac{11}{10}$

Step ③ Split → 100 shares



2010 (P.y) of Basic EPS = $\frac{1100}{500} = ₹2.2$

2010 (P.y) Restated = $\frac{1100}{500 \times \frac{11}{10} \times \frac{12}{12}} = ₹2$

2011 (C.y) of Basic EPS = $\frac{1500}{500 \times \frac{11}{10} \times \frac{12}{12} (+) 50 \times \frac{10}{12}}$

₹2.54

issued for consideration.

2012 (O.G) = Basic EPS = $\frac{1800}{500 \times \frac{11}{10} \times \frac{12}{12} (+) 50 \times \frac{12}{12}} = ₹3$

↓

full 12m

* Diluted EPS

i] Potential Eq. Share [eg: Conv Deb, Conv Bonds, Conv Pref shares, SBP (ESOPs), Share warrants]

$$\text{Formula for Diluted EPS} = \frac{\text{EAFESH} \pm \text{Effect of Potential Eq. Share}}{\text{WANES} \mp \text{Effect of Potential Eq. Share}}$$

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

8% Conv Deb of ₹100 each [8000 Deb], obs for whole year.

Convertible into 10 equity shares for each Deb. Tax Rate = 30%.

Compute Diluted EPS.

$$\text{Diluted EPS} = \frac{10L + 28000}{1L + 80000}$$

↓
Potential Eq. Shares.

(5000 Deb x ₹100) x 8% = 40k x 70% = 28000 → savings in Int (net of tax)

Net of tax

→ savings in Int (net of tax)

conservatism

= 6.85

Basic se kam → Diluted - Repeat.

more than Basic EPS → Anti Dilutive → Not to be Reported.

Eg 2 C.J XI-X2 01.04.X1 Opn Eq. Shares → 10L. EAFESH = 10L.

01.07.X1 Issued 10% Conv Deb of ₹7L → convertible into 10000 eq shares after 5 yrs.

Tax Rate = 30%

Compute Basic & Diluted EPS.

Solⁿ: Basic EPS = $\frac{10L}{10L} = 1$

Savings in Int $\rightarrow [7L \times 10\% \times 9/12] \times 70\%$ \rightarrow Net of tax

Diluted EPS = $\frac{10L + 36750}{10L + 7500}$

$(10000 \times 9/12) \rightarrow$ Int

= 1.03

\downarrow
more than Basic
EPS

(Anti Dilutive)

\downarrow
Not to be Reported.

\rightarrow why 9m? \rightarrow If this was equity share in C.Y.,

It would have been only for 9m.

^{Jump} Eg. AK Ltd, has following info for the year XI-X2

PAT = ₹10L. Tax Rate = 30%. D.D.T on Pref div @ 10%.

01/04/X1 → Eq shares → 50,000 shares

01/07/X1 → New Issue → 30,000 shares

- AK Ltd has issued 40000 share warrants, which will be allotted shares in 20X3 [Mkt price = ₹20. Exercise price of warrants = ₹15]
- It also had 9% Conv Pref shares of ₹5L to be converted into 10000 eq. shares
- AK had also issued 12% Conv Deb of ₹6L, which will be converted into 1000 eq. shares.

Calculate Basic & Diluted EPS.

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

$$= \frac{10,00,000 \text{ (-) } 45000 \text{ (-) } 4500}{50000 \times \frac{12}{12} \text{ (+) } 30000 \times \frac{9}{12}}$$

\swarrow Pref div \nearrow 45K x 10%

$$= \frac{950500}{72500}$$

$$= \boxed{13.11}$$

$\text{Diluted EPS} = \frac{1050400 \text{ (WN1)}}{93500 \text{ (WN2)}} = \boxed{11.23} \rightarrow \text{Dilutive (as it is less than Basic EPS)}$	
<u>WN ① Numerator</u>	<u>WN ② Denominator</u>
i] EAFESH = 950500	Basic = 72500
(+) Impact of warrant = -	(+) Impact of warrants = 10000 shares. <i>Free component only.</i> $[40000 \times 5/20]$
(+) Impact of Conv Pref Shares = 49500 $(45000 + 4500)$	(+) Impact of Conv Pref = 10000 shares.
(+) Impact of Conv Deb = 50400 $(61 \times 12\% \times 70\%)$	(+) Impact on Conv Deb = 1000 shares
<u>1050400</u>	<u>93500</u>

Why Kattappa? Because there are more than 1 class of Pot. Eq. Share. So we have to evaluate each class separately

Step ① Incremental EPS = Incremental Effect on Numerator
 for each Potential Eq. Share . Incremental Effect on Denominator.

			Step ② Ranking (Most Dilutive to least Dilutive).
i) warrants	$= \frac{0}{10000} = \boxed{0}$		→ I
ii) Conv Pref	$= \frac{49500}{10000} = \boxed{4.95}$		→ II
iii) Conv Deb	$= \frac{50400}{1000} = \boxed{50.4}$		→ III

Step ③ Conclusion (Dil / Anti Dilutive)

Particulars	Num	Denom.	EPS	Conclusion.
① Basic EPS	950500	72500	13.11	-
② warrants	0	10000		
	950500	82500	11.52	Dilutive.
③ Pref shares	49500	10000		
	10,00,000	92500	10.81	Dilutive.
④ Com. Deb	50400	1000		
	1050400	93500	11.23	Anti-Dilutive

Not to be considered in calculation of Diluted EPS.

Jaise he anti aajaye stop.

Diluted EPS (consider only Dilutive PES i.e. warrants & Pref)

$$= \frac{950500 + 0 + 49500}{72500 + 10000 + 10000}$$

$$= 10.81$$

Hint for Dil & Anti Dilutive (will work in most cases)

If incremental EPS of PES (step 1):

- less than Basic EPS → Dilutive
- more than Basic EPS → Anti Dilutive

Ques 3 (10R) (In exam Plz write formula first)

$$\begin{aligned} \text{I. Basic EPS} &= \frac{90000}{16000} \\ &= ₹ 5.625 \end{aligned}$$

II Diluted EPS

Step 1 Incremental EPS

$$\begin{aligned} \text{① warrants} &= \frac{0}{150} = 0 \\ &\quad (900 \times 15 / 90) \end{aligned}$$

$$\begin{aligned} \text{② Pref shares} &= \frac{72900}{15000} = 4.86 \\ &\quad \left[\begin{array}{l} \nearrow [(7500 \times 9) + 8\%] \\ \searrow [7500 \times 2] \end{array} \right] \end{aligned}$$

$$\begin{aligned} \text{③ Deb} &= \frac{75000}{40000} = 1.875 \\ &\quad \left[\begin{array}{l} \nearrow [10L \times 10\% \times 75\%] \\ \searrow \left(\frac{710L}{2100} = 10K \text{ Deb} \times 4 \text{ Eq. share} \right) \end{array} \right] \end{aligned}$$

Step 2
Ranking

①

④

③

Step 3 Conclusion (Dilutive / Anti-Dil)

Particulars	Num	Den	EPS	Conclusion
① Basic EPS	90000	16000	5.625	
② warrants	0	150		
	<u>90000</u>	<u>16150</u>	5.57	Dilutive
③ Conv Deb	75000	40000		
	<u>165000</u>	<u>56150</u>	2.939	Dilutive.
④ Pref Shares	72900	15000		
	<u>237900</u>	<u>71150</u>	3.343	Anti Dilutive.

Diluted EPS = $\frac{90000 + 0 + 75000}{16000 + 150 + 40000} = 2.939$
 (consider only Dil. Potential Eq. Share).

OFU → of our eg:
 Hint did NOT work here

Ques 4

$$\text{Basic EPS} = \frac{46L}{30L \text{ shares}} = 1.533$$

$$\text{Diluted EPS} = \frac{46L + 1080}{30L + 22}$$

(1 Pot Eq. class)
Conv Bonds

(1800 × 60%)
→ [20L Bonds × 1/10]

$$= 1.438 \rightarrow \text{Dilutive.}$$

Detailed Presentation Refer Q. B.

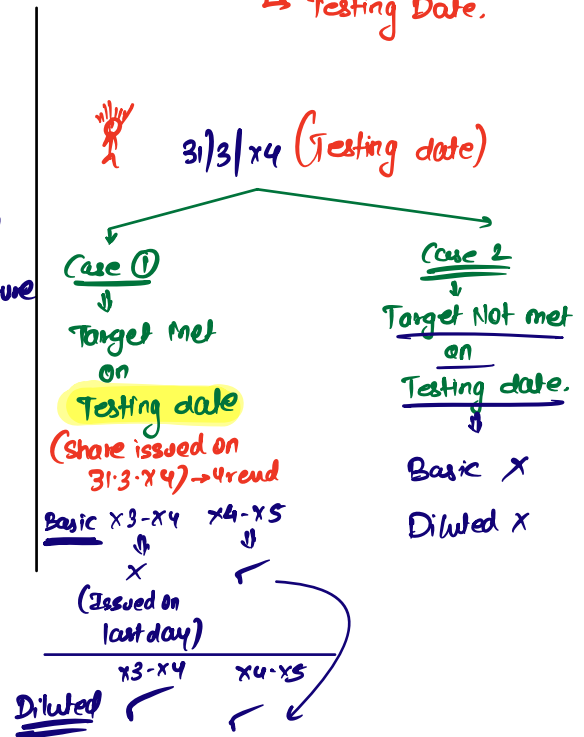
* Contingently Issuable Shares

Eg: On 01.04.21, Ak Ltd promised Dha-nish Ltd to issue 30L eq. shares if profit of that compy exceeds ₹ 5 crores in 3yrs (ie. 31/03/24)

↳ Testing Date.

↳ This is Not testing date
 31.3.22
 ↳ [Profit is ₹ 2cr].
 Testing date is in future
 ↳ Target Not met
 Basic X
 Diluted X

31.3.22
 ↳ (Profit is ₹ 5.5cr)
 Testing date is in future
 But Target is met.
 Basic X
 Diluted ✓



Illus 12 (LDR)

	Jan - Mar Q1	1st May - 5000 shares Apr - June Q2	1st Sept 5000 shares July to Sept Q3	Oct to Dec Q4	1st May - 5000 1st Sept - 5000 Jan - Dec <u>Annually</u>
<u>Particulars</u>					
① <u>Basic EPS</u>					
Ⓐ Numerator	11L	12L	(4L)	10L	29L
Ⓑ <u>Denominator</u>					
Eq shares o/s	10L	10L	10L	10L	10L
<u>Contingent shares</u>					
• Retail stores	-	3333 $(5000 \times 2/3)$	6667 $(5000 \times 3/3) + (5000 \times 1/3)$	10,000 $(5000 \times 3/3) + (5000 \times 3/3)$	5000 $(5000 \times 8/12) + (5000 \times 4/12)$
<u>Earnings Contingency</u>	-	-	-	-	-
If met issued on 31/12/21 (i.e. last day) ∴ will not come in Basic					
Ⓑ	10L	10,03,333	10,06,667	10,10,000	10,05,000
Basic EPS (A ÷ B)	1.1	1.196	(0.397)	0.99	2.886
<u>Diluted EPS</u>					
Ⓐ Numerator Ⓐ	11L	12L	(4L)	10L	29L
Ⓑ <u>Denominator</u>					
* (Don't start with Basic ka WANES) ↓ Eq. shares o/s	10L	10L	10L	10L	10L

		5000	10,000	10,000	10,000
Contingent shares					
<u>Jump</u> Retail stores	-	$(5000 \times 2/3) \rightarrow B$ $(5000 \times 1/3) \rightarrow D$	$(5000 \times 3/3) \rightarrow B$ $(5000 \times 1/3) \rightarrow B$ $(5000 \times 2/3) \rightarrow D$	$(5000 \times 3/3) \rightarrow B$ $(5000 \times 3/3) \rightarrow B$	$(5000 \times 8/12) \rightarrow B$ $(5000 \times 4/12) \rightarrow D$ $(5000 \times 4/12) \rightarrow B$ $(5000 \times 8/12) \rightarrow D$ <i>1st May</i> <i>1st Sept</i>
Earnings Contingency	-	3,00,000 $(3L \times 3/3) \rightarrow D$ ↓ Excess Profit → shares [23L - 20L]	-	9,00,000 $(9L \times 3/3) \rightarrow D$	9,00,000 $(9L \times 12/12) \rightarrow D$
(B)	10,00,000	13,05,000	10,10,000	19,10,000	19,10,000
Diluted EPS (A ÷ B)	1.1	0.920	(0.396)	0.524	1.518

Illus 8

$$\text{Basic EPS} = \frac{5L}{10L} = 0.50 \text{ per share.}$$

$$\text{Earnings for Incremental EPS} = 1000 \text{ Bonds} \times \text{£}100 \times 10\% \times \overset{\text{net of tax}}{\downarrow} 79\% = 7900$$

Ex 190

$$\text{Incremental EPS} = \frac{7900}{20000} = 0.395$$

↳ (1000 Bonds x 20 eq-sh)

$$\text{Diluted EPS} = \frac{5L + 7900}{10L + 20k} = 0.498$$

Illus 9 (LOR)

I] Basic EPS

I] Numerator (EAFESH)

Profit Bel. Jut, Tax & FV movements

(-) Jut $x1-x2$ [$1250000 \times 8\% \times 9/12$]
 $x2-x3$ [$1250000 \times 8\% \times 12/12$]

(- Tax @ 33%)

(-) FV loss

(A)

II] DENOMINATOR (Denominator)

(B)

Basic EPS (A ÷ B)

4r ended

30 th June x2	30 th June x3
825000	895000
(75000)	(100000)
750000	795000
(247500)	(262350)
502500	532650
(2500)	(2650)
5,00,000	530000
15L	15L
0.33	0.35

B] Diluted EPS

I] Numerator [EAFESH + Effect of Potential Eq. Share]

EAFESH

(+) Savings in Jut \rightarrow net of tax

$x1-x2$ [$75000 \times 67\%$]

$x2-x3$ [$100000 \times 67\%$]

(+) FV loss Savings ~~(net of tax)~~

(A)

20x2	20x3
500000	530000
50250	67000
2500	2650
552750	599650

II] Denominator [WANES + Effect of Pot. Eq. Share]

WANES
 (+) Pot. Eq. share
 $X1 - X2 \left[\frac{1250000}{100} \times 135 \times \frac{9}{12} \right]$
 $X2 - X3 \left[\frac{1250000}{100} \times 135 \times \frac{12}{12} \right]$

(B)

Diluted EPS (A ÷ B)

15,00,000	15,00,000
1265625	
	1687500
2765625	3187500
0.20 approx	0.19 approx

OFU: Note why we took conversion ratio of 135 shares. (Because it is the most dilutive i.e. more no. of shares will be issued ∴ more dilutive)

Illus 10 (LOR)

i) Basic EPS

	20x7	20x8
EAFESH	500000	600000
÷ WANES	40L	40L
Basic EPS	0.13	0.15

ii) Diluted EPS

	20x7	20x8
EAFESH	500000	600000
(+) Effect of Pot. Eq. Share (converts)	-	-
WANES	500000	600000
	40L	40L
+ Effect of Pot. Eq. Share (20x7 - $630000 \times \frac{50}{120}$)	262500	
		354375
(20x8 - $630000 \times \frac{90}{160}$)		
	4262500	4354375
Diluted EPS (A ÷ B)	0.12 approx	0.14 approx

Free Comp
120-70

Jump

Step ② FV of FL (PV of FCF @ EIR) \rightarrow CFI, Pre-Exist, Level 1 input \rightarrow FV \neq T.P
 FV = PV of FCF @ EIR.

$$= 1.2L \times AF \text{ of } 3 \text{ yrs @ } 9\%$$

$$+ 20L \times D.F \text{ of } 3^{\text{rd}} \text{ yr @ } 9\%$$

$$= 1848122$$

Step ③ Eq. Comp (Diff Btw FV & TP)

$$20,00,000 (-) 1848122$$

$$= 151878$$

Step ④ EIR.

Step ⑤ CAT

yr	Opn	Int @ 9% (EIR)	Rep	cls
1	1848122	166331		

why only yr 1 int calculated
 \downarrow
 since it was issued in C.Y. on Day ①.

Summary (Format) for EPS Ques (AK Exclusive).

① Right Shares - 3 Steps

② Diluted EPS → 3 Steps.
(Multiple Potential Eq Shares)

③ Basic EPS (Multiple yrs/Single yrs)

i) Numerator (EAFESH)

(A)

Yr 2017

Yr 2018

ii) Denominator (WANES)

(B)

Basic EPS ($A \div B$)

④ Diluted EPS (Single Potential Eq. Share)
↳ (Multiple/Single yr)

i) Numerator

EAFESH

Yr 2017

Yr 2018

(+) Effect of Pot. Eq. Share (on Numerator)

(A)

XX

XX

ii) Denominator

WANES

(+) Effect of Pot. Eq. Share (on Denominator)

(B)

XX	XX
XX	XX

XX	XX

Diluted EPS ($A \div B$)

Illus 23 (LOR)

I] BASIC EPS

① Numerator

PAT (Parent's Profit)	3,90,00,000
(-) Pref div (8cr x 0.05)	(40,00,000)
EAFESH (A)	3,50,00,000

(Ignore OE & NCI)

② Denominator

WANES	(B) 23,75,00,000
$(20,00,00,000 \times 12\% + 5,00,00,000 \times 9\%)$	

Basic EPS
(A ÷ B)

0.147

③ Diluted EPS

Numerator

EAFESH	3,50,00,000
(+ Effect of Pot. Eq. Share)	
(Savings in Int) → WNI (Net of tax) ↓ (1,37,33,107 x 75%) ↓ EIR	1,02,99,830
(A)	4,52,99,830

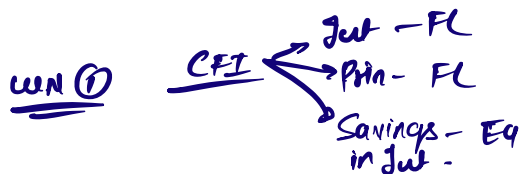
Denominator

WANES	23,75,00,000
(+ Effect of Pot. Eq. Share)	
(B)	33,75,00,000

Diluted EPS (A ÷ B) 0.134

(Ans in ₹)

<p>① Finance Cost = 1,37,33,107 (12 × 3)</p>	<p>(Ls Bal of FL - 17,45,96,947 (31.03 × 3)</p>
<p>② Basic EPS 0.147</p>	<p>Diluted EPS = 0.134.</p>



Step ① CF

yr	CF
0	18,00,00,000 → inflow
1-4	(1,08,00,000 p.a) → outflow coupon
4th	(18,00,00,000) → outflow Pmtc

Step ② FV of F.L

$$= 1.08cr \times AF \text{ of } 4 \text{ yrs @ } 8\%$$

$$+ 18cr \times DF \text{ of } 4 \text{th yr @ } 8\%$$

$$= 16,89,48,000 \rightarrow \text{using Ques DF \& AF}$$

Step ③ Eq = 1,10,52,000

Step ④ EIR = 8%

Step ⑤ LAT

cr	Opn	Int @ 8%	Repay	Cl
31/3/2	16,89,48,000	13515840	(1,08,00,000)	17,16,63,840
31/3/3	17,16,63,840	13733107	(1,08,00,000)	17,45,96,947

Illus 22 (LDR)

<u>OF4</u>		<u>Subsidiary (B/S)</u>		<u>Parent B/S</u>	
		<u>Eq & Liab</u>			<u>Assets</u>
Shares of/s	1000			Shares of/s	10000
warrants	150			<u>Invest in Subs</u>	
(Ex. Price 10 Mkt Price 20)				↓	
Conv. Pref shares	400			Invest in Eq of Subs	800 shares ^{80% stake}
				Invest in warrants of Sub	30
				Invest in Pref of Sub	300

I] Subsidiary

Basic EPS

① Numerator

PAT	5400
(-) Pref div (400 x ₹1)	<u>(400)</u>
EAT/ESH	① 5000

② Denominator

WANES	② 1000
-------	--------

Basic EPS (A ÷ B) = ₹ 5 per share

Subsidiary (Diluted EPS) → Multiple Pot. Eq. Shares (∴ follow steps) → Int'lus gives IFRS did directly

Step ① Incremental EPS

① warrants = $\frac{0}{75} \leftarrow (150 \times 10 / 20) = 0$ ①

② Conv Pref Shares = $\frac{400}{400} \rightarrow [400 \text{ Pref Share} \times 1 \text{ Eq. Share}] = 1$ ②

Step ② Ranking

Step ③ Conclusion

	Num	Den	EPS	Conclusion
① Basic EPS	5000	1000	5	
(+) warrants	<u>0</u>	<u>75</u>		
	5000	1075	4.65	Dilutive
(+) Conv Pref	<u>400</u>	<u>400</u>		
	5400	1475	3.66	Dilutive

Diluted EPS = 3.66
(Subsidiary)

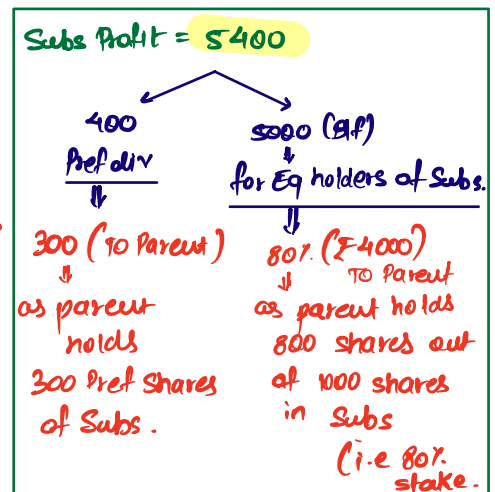
I] Group (Parent)

Basic EPS

EA + ESH 12000

~~12000~~ (+) Parent's share in Subs profit 4300

[300 + 4000] 16300 ①



Denominator

WANES

(B) 10000

↳ only parent's shares will come as even in CFS only shares of parent are shown.

Basic EPS
(A ÷ B)

£ 1.63

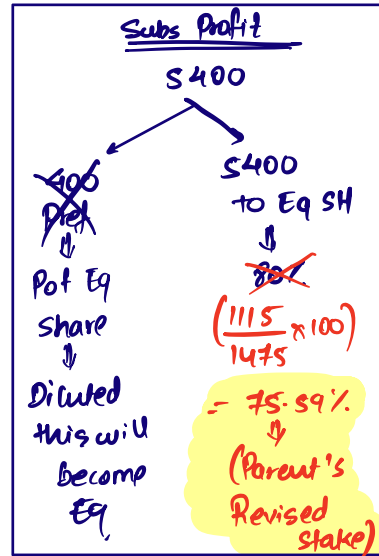
v. jump

Group

Diluted EPS

EAFESH	12000
(+ Parent Share of Profit in Subs $(5400 \times 75.59\%)$)	4081.86
	16081.86
Denominator (A)	10000
	1.608

(parent has No Pot. Eq. Sh)



OFU

Subs (B/S) after potential Eq share are converted into equity

<u>Eq</u>
Eq shares 1475 $(1000 + 75 + 400)$ ↓ Eq Shares } (Pref warrants (free comp))

Parent B/S after Pot. Eq. share are converted into Equity

Eq shares = 10,000 Parent has Not issued Pot. Eq. Shares.	<u>Inst in Subs</u> Inst in Eq Shares 1115 $(800 + 15 + 300)$ ↓ ↓ ↓ Eq Shares warrants Pref Shares $30 \times 10/20$ ↓ only free comp.
--	--

Revised Stake = $\frac{1115}{1475} \times 100 = 75.59\%$

Ques 5

<u>Co. S</u>	
Eq Shares	10000
options o/s (warrants) (Ex Price 40 Mkt Price 50)	1000

<u>Co. P</u>	
Eq shares 5000	<u>Invest in S</u>
	Invest in Eq of S 9000
	Invest in Options 500 at 5 Hd.

Co. S
Profit 30000

Co. S (Subsidiary)

Basic EPS

Numerator (A)	30000
Denominator (B)	10000
EPS	<u>3</u>

Co. S (Diluted)

1) Numerator

EAFESH 30000

(+) Effect of Pot Eq Share
on Num -

(A) 30000

Denominator

WAMES	10000
(+) Effect of Pot. Eq. Share (1000 x 10/50)	200
	<hr/>
(B)	10200

Diluted EPS (A ÷ B) 2.94

Extra

Co. P (Basic)

Numerator

EAFESH	7000
(+) Parent's share in Subs Profit (30000 x 90%)	27000
	<hr/>
(A)	34000

Denominator (B) 5000

Basic (A ÷ B) 6.8

Co. P (Diluted)

Numerator

EAFESH	7000
(+) Parent's share (30000 x 89.22%)	26766
	<hr/>
(A)	33766

Denominator (B) 5000

Diluted EPS (A÷B) 6.75

<u>OFU</u>			<u>Parent</u>	
Subs (After Pot Eq Shared converted into Eq.)				
Eq Shares	10200		Eq Shares	500
(10000 + 200)			Instn in Eq	9100
↓			of S	
warrants			(9000 + 100)	
(Free comp)			(500 × 10/50)	

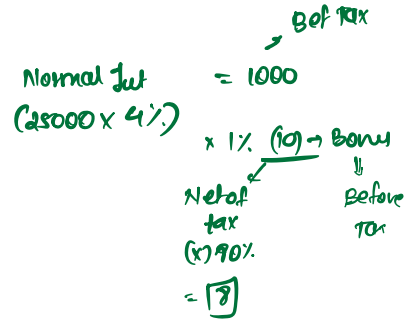
$$\begin{aligned} \text{Revised stake} &= \frac{9100}{10200} \times 100 \\ &= 89.215\% \end{aligned}$$

Illus 7

Numerator for Diluted EPS

EAFFESH	64000	
(+) Savings in Int (Net of tax)	800	(Income)
$(25000 \times 4\%) \times 80\%$		
(-) Bonus Exp (800 x 1%) x 90%	(8)	
(Net of tax) $\xrightarrow{\text{this is already net of tax}}$		
Earnings for Diluted EPS		<u>64792</u>

(IF income increases, Mngt will ask for Bonus on extra Income)



* Entity with Dis continued Operations.

	Basic	Diluted
Co → Report - EPS → Continuing Op. (Separately)	xx	xx
Disc op (Separately)	xx	xx
Combined (Cont + Disc)	xx	xx

Eq 1

	Basic EPS	Diluted EPS	
Continuing op	5	4 → Report	} If continuing Op EPS is dilutive, then Report Disc & Combined EPS even if it is Anti dilutive
Disc op	5	6.5 → Anti	

Eq 2

	Basic EPS	Diluted EPS	
Cont Op	5	6 → Anti → Do Not Report	} as continuing Diluted EPS is not reported
Disc Op	5	4 → Report! → Not to be Reported	

Eq 3 (Dilutive in case of -ve EPS)

	Basic	After Pot Eq Share (Diluted EPS)	
EPS	10	7	→ Dilutive
EPS	(10)	(7)	→ Anti
EPS	(10)	(12)	→ Dilutive

Note: IF Cont EPS - Diluted EPS - Reported → Report all 3 Diluted EPS

IF Cont EPS - Anti Dilutive → Not Report → Do Not report any " " .

Illust 13 (LDR)

IF

(A) Continuing Op

$$\text{Basic EPS} = \frac{30,00,000}{10,00,000 \text{ shares}}$$
$$= ₹ 3 \text{ per share}$$

$$\text{Diluted EPS} = \frac{30,00,000}{10,00,000 + 2,00,000}$$
$$= ₹ 2.5 \text{ per share (Dilutive)}$$

↓
Report

(B) Disc Op

$$\text{Basic EPS} = \frac{(36,00,000)}{10,00,000}$$
$$= (₹ 3.6) \text{ per share}$$

$$\text{Diluted EPS} = \frac{(36,00,000)}{10,00,000 + 2,00,000}$$
$$= (₹ 3) \text{ per share}$$

↳ -ve (Anti Dilutive)
(Still Report as continuing
Diluted is Reported)

(C) Combined (Cont + Disc)

$$\text{Basic EPS} = \frac{(6,00,000)}{10,00,000}$$
$$= (₹ 0.6) \text{ per share}$$

$$\text{Diluted EPS} = \frac{(6,00,000)}{10,00,000 + 2,00,000}$$
$$= (₹ 0.5 \text{ per share})$$

↳ (Anti Dilutive → Still Report)

IF loss from Cont Op = (10L), Profit from Disc = 36L Net = 26L (Profit).
(Combined)

1] Continuing Op

$$\text{Basic} = \frac{(10,00,000)}{10,00,000}$$

$$= (\text{₹}1) \text{ per share}$$

$$\text{Diluted} = \frac{(10,00,000)}{10,00,000 + 2,00,000}$$

$$= \text{₹}(0.93) \text{ per share}$$

↳ (Anti) → Do NOT Repeat.

2] Disc Op.

$$\text{Basic} = \frac{36,00,000}{10,00,000}$$

$$= \text{₹}3.6 \text{ per share.}$$

Anti as loss reduces, In case of -ve EPS, reduction in EPS is Anti.

Dilutive - Do NOT repeat as Cont EPS is (Anti Dilutive)

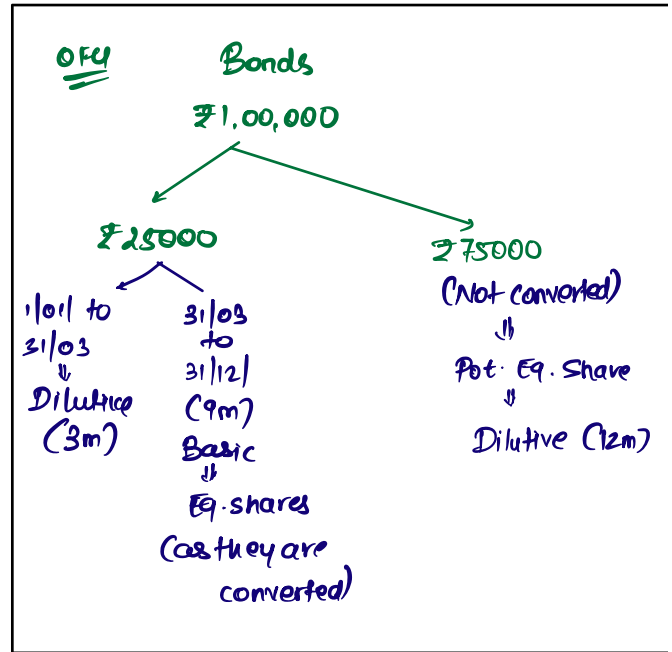
3] Combined Op

$$\text{Basic EPS} = \frac{26,00,000}{10,00,000}$$

$$= \text{₹}2.6 \text{ per share.}$$

Illus 19 (COR)

$$\begin{aligned} \text{Basic EPS} &= \frac{2,00,000}{10,00,000 + 25000 \times \frac{120}{100} \times \frac{9}{12}} \\ &= \frac{2,00,000}{10,22,500} \\ &= \boxed{0.196} \end{aligned}$$



↓
CON ① Savings in Int (Net of tax)

$$\begin{aligned} 25000 \times 5\% \times \frac{3}{12} \times 70\% &= 219 \\ 75000 \times 5\% \times \frac{12}{12} \times 70\% &= 2625 \end{aligned}$$

Diluted EPS

① Numerator

EAFESH 2,00,000

Imp

(+) Effect of Pot. Eq Share

Savings in Int (CON 1) 2844

Ⓐ 2,02,844

② Denominator

WANES 10,22,500

(+) Effect of Pot. Eq Shares

$$\left[25000 \times \frac{120}{100} \times \frac{3}{12} (+) \right] 97500$$

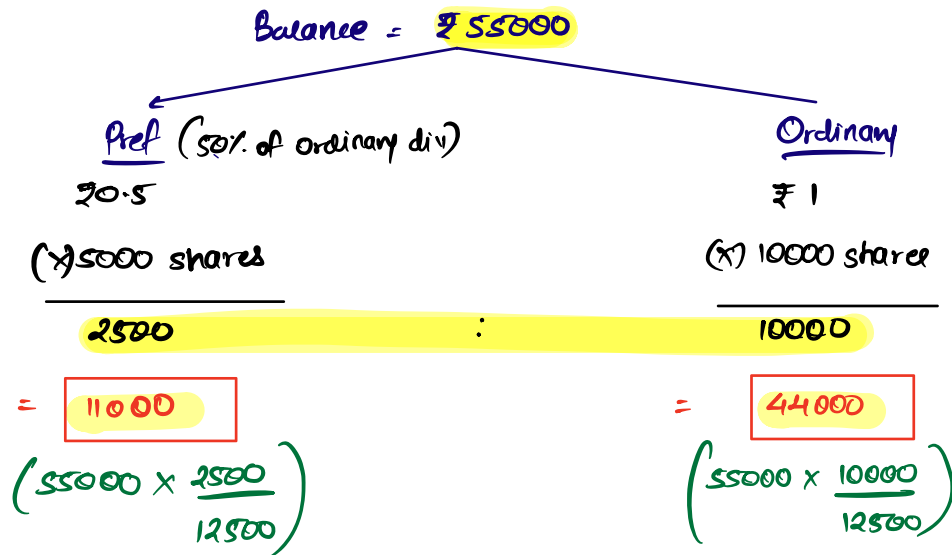
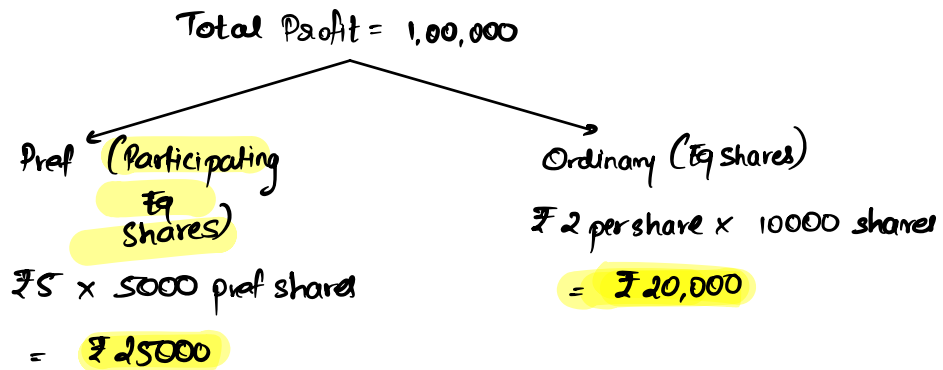
$$\left[75000 \times \frac{120}{100} \times \frac{12}{12} \right] \underline{\hspace{2cm}}$$

Ⓑ 11,20,000

Diluted EPS (A ÷ B)

0.18

Illus 15 (LDR)



EPS for Both class of shares

$$\text{Participating Eq (Pref)} = \frac{25000 + 11000}{5000} = \boxed{₹7.2}$$

$$\text{Ordinary Shares (Eq)} = \frac{20000 + 44000}{10000} = \boxed{₹6.4}$$