AS 20 — Earnings per share (EPS)

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 Interrants / options
6 Negative EPS
7 Multiple PES

I] Basic EPS

1. Formula = $\frac{\text{Earnings available for Equity Share Holders}}{\text{Weighted Average No. of equity shares}}$ → Refer Note A / 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 (deduct whether it is declared or not)
Cumulative

Int paid on deb (Tax Benefit is available)
eg 101
Int (1c)
9L → Tax 91 pe lagega
Pref div
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)

eq 100 — Tax 10L pe lagega

Pref Div 1L

9L

Cumulative 10% Pref share

Yr 1	Yr 2
10% ×	10% + 10%

Non-Cumulative 10% Pref Sh

Yr 1	Yr 2
10%	10%
×	✓

Curr waala pay karne ka, there is no obligat'n.

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

Quest

Eg: Assume Dec Yr end

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

Calculate WANES.

Alternative1 :

1800 × 12/12 (+) 600 × 7m/12m (−) 300 × 2m/12m

= 2100 shares

OR

Alternative2 :

1800 × 5m/12m (+) 2400 × 5m/12m (+) 2100 × 2m/12m

= 2100 shares

2. Partly paid up shares

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

Eg: Dec 4 end

		Face value	Paid up value
1 share	→ 1800 shares	₹10	₹10
1 share	→ 1000 shares	₹10	₹5

(Partly paid up shares)

Calculate WANES

1800 × 12m/12m + 500 × 12m/12m

= 2300 shares

#

No. of shares × Paid up value / face value

1000 × ₹5/₹10 = 500 shares

Nathan.PE h f

Ques 2

WANES

1800 shares × 12m/12m + 600 shares × ₹5/₹10 × 2m/12m

= 1850 shares

3. Shares with different nominal values

→ When an enterprise has equity shares with different nominal values, the no of eg 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
01/07/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

Sol: Basic EPS = EAFESH / WANES

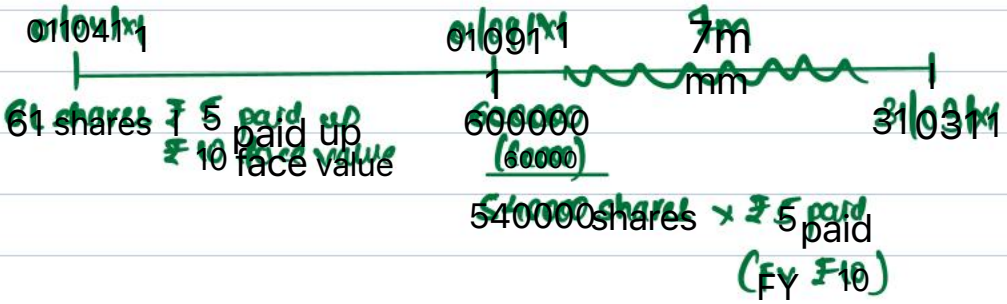
= 10,00,000 / (18000 × 12m/12m + 4000 × ₹5/₹10 × 12m/12m)

EPS = ₹50 (Face value ₹10)

EPS = ₹25 (Face value ₹5)

Q4 (June)

GHCHR



Basic EPS = EAFESH / WANES

= 2196000

600000 shares × ₹5/₹10 × 12m/12m + 540000 × ₹5/₹10 × 7m/12m

= ₹2196000 / 467500 shares

= ₹4.8 per share

4.8 per

10 share ₹10 — 10 share ECO — 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 PY (Restated) (including the effect of Bonus in PY) = EAFESH / WAMES (incl Bonus)

= 10L / 10L shares (5L shares PY + 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	

Q5 EPS for the year 20X2 (C.Y.) = EAFESH / WANES

= 60,00,000 / 20,00,000 shares + 81100,000 (Bonus 2:1) × 3/12 (No months ka weight in Bonus)

= ₹1 per share.

EPS for 20X1 (Original) = EAFESH / WANES

= 1800000 / 2000,000 shares

= ₹0.9 per share

EPS for 20X1 (Restated) = EAFESH / WANES (incl. Bonus)

= 1800,000 / 20L shares + 40L shares

= ₹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 (10% × 8%)	(8,00,000)
EAFESH	82,00,000

WN2 WANES

Op Bal	10,00,000	× 12/12	= 10,00,000
Bonus (+)	5,00,000	(10:1 × 1/2)	5,00,000
New Issue (+)	2,00,000	× 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) = $\frac{\text{EAFESH}}{\text{WANES incl. Bonus}}$

$$= \frac{6,23,00,000}{10,00,000 + 5,00,000}$$

shares shares

= ₹41.53 per share

ii) Refer Q. B.

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

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

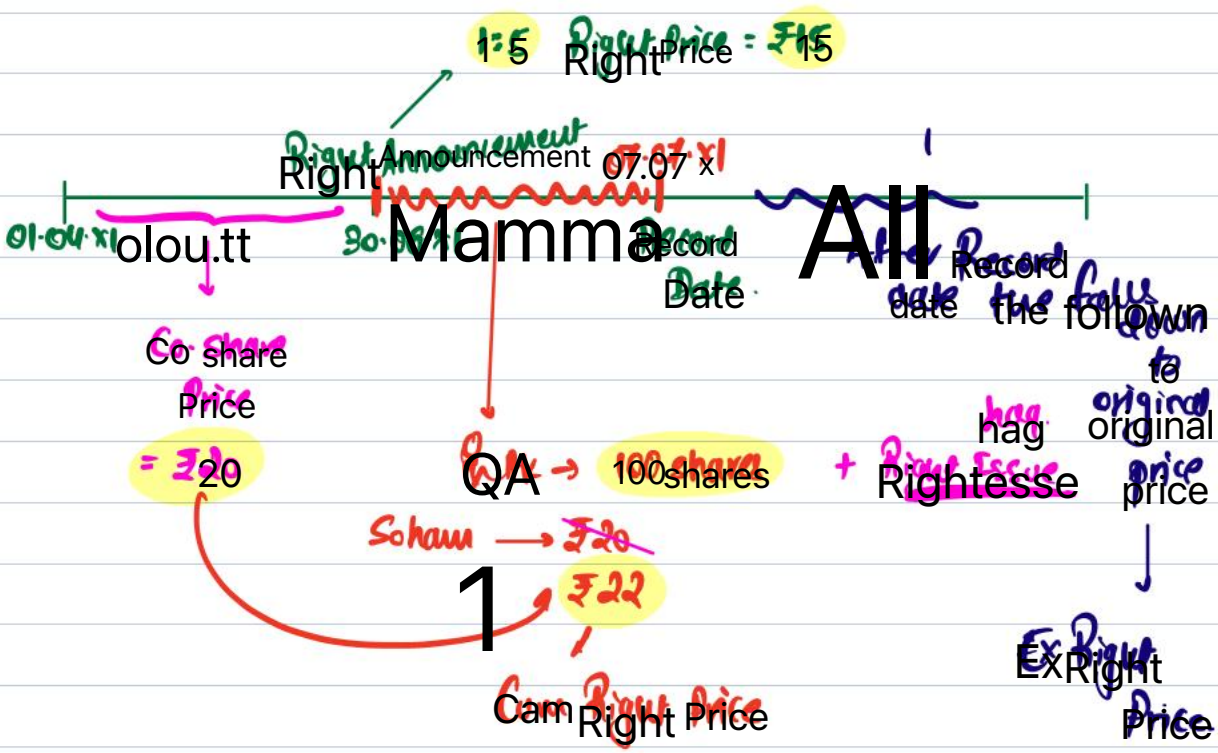
When shares are issued	When to include in denominator
1. Shares issued for cash	When cash is receivable
feg New shares issue announced → 01107 × Cash receivable on new issue → 01108 ✓	
2. Issued for conversion of debentures	Date of conversion
3. Shares given against interest or prince repayment of loan	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. Shares to be issued for services rendered.	Date when services are rendered.

Iwl

6. Right shares

↳ Existing SH are given shares @ lower price

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

= Fair value of shares of Before Right Issue (+) Amount Rec'd in Right shares

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 (CY → original; PY → original (+) Restated)

Ques 8

Right shares

Step ① Compute theoretical Ex-Right Price

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

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

= ₹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 ③ Right shares Bifurcation

ⓐ Bonus Shares: 25000 shares → No time weights
(11 - 75k shares)

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

Basic EPS (C.Y.) 20×2 : $\frac{\text{EAFESH}}{\text{WANES}}$

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

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

= ₹ 2.55 per share.

Basic EPS (P.Y) 20×1 (Original) : $\frac{\text{EAFESH}}{\text{WANES}}$

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

= ₹ 2.2 per share.

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

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

$= ₹2.09$ per share.

Q9 (CDR)

Right shares

Step ① Compute Theoritical Ex Right Price

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

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

$= ₹24$ (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 Right issue shares Bifurcation (250000)

ⓐ Issued for consideration 208333 shares → Time weight applies

ⓑ Bonus (Bif) = 41667 shares → no time weight

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

= 30,00,000 / (10,00,000 shares × 12/12 + 41667 × 12/12 + 208333 × 9/12)

= ₹ 2.50 per share

Basic EPS PY (Original) = EAFESH / WANES

= 20,00,000 / 10,00,000 shares

= ₹ 2 per share

Basic EPS PY (Restated) = EAFESH / WANES (incl Bonus)

= 20,00,000 / (10,00,000 + 41667 shares)

= ₹ 1.92 per share

Extra Part 09 Right shares calculation as per ICAI

Step ① Ex Right Price = ₹24

Step ② Adjustment factor = Cum Right Price / Ex Right Price = ₹25 / ₹24 = 1.04

Step ③ Calculate EPS

Basic EPs (c.y) = EAFESH / WANES

= 30,00,000 / (10,00,000 × 1.04 × 3/12 + 1250000 × 1/12)

10,00,000 shares × 1.04 (Adj Aug Bones) × 3/12 + 1250000 × 1/12

= 300000 / 1197500 = ₹2.50 per share

3m ummm 01011 2

9m imminent 31031 2

apn 101

Right Issue 2.52

12 52

Ques 10

step ① Calculation of Ex Right Price

$$= \frac{\text{Fair value of shares of Before Right Issue} + \text{Amount received in Right issue}}{\text{Total No of shares after Right Issue}}$$

$$= \frac{10,00,000 \times 32 + 200000 \times 25}{1200,000 \text{ shares}}$$

$$= ₹ 30.83 \text{ per share}$$

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

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

$= 162180$ shares

step ② Right shares Bifurcation (200000 shares)

ⓐ Issued for consideration 162180 shares → Time weighted applies

ⓑ Bonus (Bif) = 37820 shares → no time weight

Basic EPS as 20X3 - X4

$$= \frac{\text{EAFESH}}{\text{WANES}}$$

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

$= ₹ 2.62$ per share.

EPS (Original) 20X2-X3 $= \dfrac{2200000}{1000000}$ $=$ ₹ 2.2 per share	EPS (Restated) 20X2-X3 $= \dfrac{22,00,000}{10,00,000 \text{ shares} + 37820 \text{ Bonus}}$ $=$ ₹ 2.12 per share

II] Diluted EPS

1. Potential Eq Shares

→ Potential Eq share 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 = $\frac{\text{EAFESH} + \text{Effect of Potential Eq shares}}{\text{WANES} + \text{Effect of Potential Eq shares}}$

Eg ① Basic EPS

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

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% = 4L
× 70%
Jul HOT 28000

Sol: Diluted EPS = EAFESH (+) Effect of Pot Eg share → WN 1
WANES (+) Effect of Potential Eg share → WN 2

conservatism

= 10,28,000 / 150000 shares

= 6.85 per share

Basic se kum gaya i.e. it is Diluted EPS (Reported)

Basic se zyaddaaya then it is anti dilutive (not Reported)

WN (1)

EAFESH	1000,000
(+) Effect of Pot Eg share	28000
(Savings in Int net of tax)	10,28,000

(5000 Deb × 2100 × 8%) × 70%

= 40,000 28.000

WN 2

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

Q12

Basic EPS = ₹2 per share (Given)

* PES = Potential Eq. Share.

Diluted EPS = $\dfrac{\text{EAFESH + Effect of PES}}{\text{WANES + Effect of PES}}$

- EAFESH + Effect of PES → WN1
- WANES + Effect of PES → WN2

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

= ₹ 1.81 per share

WN1

EAFESH	1,00,00,000
(+) Savings in Int (1L Deb × ₹100 × 12%) × 70%	8,40,000
	1,08,40,000

(OR)

12L (-) 3.6L
↓ Int Exp ↓ Tax on Int

WN2

WANES	= 50,00,000
(+) Effect of PES	= 10,00,000
	60,00,000

Q11 (USR)

i) Basic EPS = $\frac{\text{EAFESH}}{\text{NAMES}}$

$= \frac{75{,}00{,}000}{10{,}00{,}000 \text{ shares}}$

$= ₹7.5 \text{ per share}$

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

$= \frac{80{,}60{,}000}{11{,}10{,}000 \text{ shares}} = ₹7.26 \text{ per share}$ (Dilutive since it is less than Basic EPS)

Working ①

EAFESH 75,00,000

(+) Savings in Int 5,60,000

(1175100 × 8%) × 70%

80,60,000

WN ①

NAMES 10,00,000

(+) Effect of PES 1,10,000

11,10,000

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

Basic EPS = EAFESH / WANES = ₹10,00,000 / 10,00,000 shares = ₹1 per share.

On 01-07-x1 (C.Y.) 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 = (EAFESH (+) Effect of PES → WN1) / (WANES (+) Effect of PES → WN2)

= 10,36,750 / 10,07,500 = 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%	36,750
	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 = 1,0000,000
WANES = 50,00000shares

} Basic EPS = ₹2

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

Interest Exp for current year = ₹900,000

Tax Rate = 30%

Compute Basic & Diluted EPS

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501 Hidden Adj

Deb sut for 12 Mouths = 12,00,000 → 12m
Int Exp in dues = 900,000 → ? 9m

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

Diluted EPs = EAFESH + Effect of PES / WANES + Effect of PES = 1,06,30,000 / 57,50,000 = ₹1.85 per share

It is less than Basic EPS reported

CUN ①

EAFESH 1,0000,000
(+) Effect of PES
Effect of PES (Savings in Int)
900000 (9m) x 70% 630000

1,06,30,000

was ② WANES = 50,00,000shard
CH Effect of PES
100000 Deb x 10 share x 9/12 = 750000 shares

57,50,000 shares

* Convertible Pref Share

Eg: Basic EPS = 10L / 1L 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 8%

Compute Diluted EPS

BMed

Irrelevant for Pref shares as Pref div has no tax impact

Diluted EPS = EAFESH + Effect of PES → WN1 / WANES + Effect of PES → WN 2

= ₹ 10,40,000 / 1,50,000 shares

= ₹ 6.93 per share

WN1

EAFESH 10,00,000

(+) Saving in Div (Net of tax) 40,000

(5000 Pref shares × ₹ 100 × 8%)

₹ 10,40,000

WN2

WANES 1,00,000

(+) Effect of PES 50,000 shares

(5000 Pref share × 10 eq shares)

1,50,000 shares

* Share Warrants / ESOPs

Eg: EAFESH = ₹ 20,00,000
HANES = 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.

$21 \times \frac{10}{40} = 50K$

Calculate Basic & Diluted EPS

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

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

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

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

WN1 EAF ESH → 20,00,000

* (-) Effect of PES due to warrants → NIL

WIL WANES 5,00,000

Effect of PES 200000 shares

200000 shares × ₹10 / ₹40 → Free camp

mkt price

= 50000 shares

5,50,000 shares

50,000 shares

Logic

200000 share

Free camp 50000 shares

Impact on numerator ∴ NIL

Impact considered on Denominator

Consideration (CW) Bif 150000 shares

Impact on numerator

Cannot be measured

Paisa aaya But usse Kitna Earnings Kamaya cant measure

∴ Ignore from both numerator & denominator

Ignore 4

Please Note Warrants is neither right shares not Bonus

Q15

i) Basic EPS = EAFESH / WANES

= 12,00,000 / 5,00,000 shares

= ₹2.4 per share.

= 2.4 per share

ii) Diluted EPS = EAFESH + Effect of PES → CUN1 / WANES + Effect of PES → WN 2

= 12100,000 / 525000 shares

= ₹2.29 per share.

= 2.29 per share

CUN1

EAFESH = 1200000

(+) Effect of PES: NIL

12,00,000

CAN2 WANES 5100,000

(+) Effect of PES 25000 shares

(100000 × 5 → Free / 20 → Mkt price)

525000 shares

Q16 (CDR)

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

(PAT) (-) Pref div

01/04/23 —— 01/07/23 —— 9m

50000 paid up 80

50000
(10000)
40000 → 20 paid up.

$$= \frac{344000 (-) 160000}{50000 \times \frac{80}{100} \times \frac{12}{12} + 40000 \times \frac{20}{100} \times \frac{9}{12}}$$

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

= ₹4 per share.

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

$= \frac{268000}{76000 \text{ shares}}$ = ₹3.53 per share. (It is less than Basic ∴ it is diluted)

CUN ①

EAFESH	184000
(+) Savings in Int (net of tax) $(10L \times 12\%) \times 70\%$	84000
	268000

CAN 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 Eg 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 Eg shares (warrants) only free component given = 2000 shares

Check whether PES are dilective or not

Soln: Basic EPS = EAFESH (only cont op) / WANES

= 100000 / 10000 shares = ₹10 per share

Diluted EPS (only consider conv op) = $\dfrac{100000 + \text{NIL}}{10000 \text{ shares} + 2000 \text{ shares}}$

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

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

Q17 (CDR)

	Separate FS of ×42	Consolidated FS of ×42
Basic EPS = $\dfrac{\text{EAFESH}}{\text{WANES}}$	$\dfrac{(2cr)}{500000 \text{ shares}}$ = (₹40) per share	$\dfrac{40L}{500000 \text{ shares}}$ = ₹8 per share
Diluted EPS = $\dfrac{\text{EAFESH} + \text{Effect of PES}}{\text{WANES} + \text{Effect of PES}}$	$= \dfrac{(2cr) + \text{NIL}}{500000 \text{ shares} + 100000 \text{ shares}}$ = (₹33.33) per sh. ✓ Antidilutive	$= \dfrac{40L}{500000 \text{ shares} + 100000 \text{ shares}}$ = ₹6.67 per share ↓ Dilutive.

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

Q18

i) Basic (Cont of Cont Op) = EAFESH / WANES = Effects

= 240000 / 1000 shares

= ₹240 per share

ii) Dilutive (Cont of only Cont) = EAFESH + Effect of PES / WANES ↑

= 240000 + NIL / 1000 shares + 200 shares

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

Extra Combine Profit ((Cont + Disc) = (120000)

2 the (361)

Basic EPs = (120000) / 1000 shares

= (₹120)

Diluted EPs = (120000) / 1200 shares

= (₹100)

e

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)

Multiple Potential Eq Shares

(LDP)

Calculation of Diluted EPS

Ex: Ak ltd has the following info 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 ₹6,00000 which will be converted into 1000 eq shares

iii) It has also issued 10% Conv Pref shares of 5500000 to be converted into 10000 eq shares

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

Sol: i) Basic EPS = EAFESH / WANES

= 950000 / (50000 + 30000 × 9/12)

= 950000 / 72500 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) = ₹ 50400
600000 × 12% × 70%

(+) Impact of Pref Sh (Savings in Div) = ₹ 50000
500000 × 10%

1050,400

WN ② Denominator

WANES = 72,500 shares

(+) Impact of warrants = 10000 shares
40000 × 7.5 / 7.5

(+) Impact of Conv Deb = 1000 shares

(+) Impact of Conv Pref Shares = 10000 shares

93500 shares

Why Kattappa?

i. 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.

$$= \frac{\text{Incremental Effect on Numerator}}{\text{Incremental Effect on Denominator}}$$

(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
i) 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 aajaye pls stop.

warrants Pref

Diluted EPS = $\frac{950000 + 8 + 50000}{72500 + 10000 + 10000}$

Diluted EPS

consider only PES which are dilective

(Consider only PES which are dilutive)

$= 10.81$

Reported

Reported

022 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)

Sn 022 (LDR)

No. of shares outstanding on 31/03/24 = 8,00,000 (It includes New Issue 4 Bonus Shares)

No of shares outstanding on 31/03/24 = 8,00,000 It includes New Issue 4 Bonus Shares)

Aug Sept Oct

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

Calculation of shares on Day 1, Bonus shares, New Issue

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

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

6/1 s

i) Basic EPS = 3120000

Basic EPS = 3120000

$\frac{5 \times 12}{12} + \frac{1 \times 12}{12} + \frac{2 \times 3}{12}$

d d

Opn shares apr

Bonus

new Issue

= 3120000 / 650000 shares = ₹ 4.8 per share

= 3120000 / 650000 shares = 4.8 per share

ii) Diluted EPS (Multiple PES)

step ① Incremental EPs = Impact on Num / Impact on Den

Step ② Ranking

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

ii) Conv Deb = 252000 / 120000 shares → 30% × 12% × 70% = 2.1 — II

30000 Deb × 4eq share / Eqshare

Step ③ Conclusion

Particulars	Numerator	Denominator	EPs	Conclusion
i) Basic EPS	3120000	650000	4.8	-
(+) Warrants	0	16000		
	3120000	666,000	4.68	Dilutive
(+) Conv Deb	252000	120000		
	3372000	786000	4.29	Dilutive

Diluted EPS = 4.29