AS 20 - Earnings per Share (EPS)

1) EPS is Calculated For Equity Shareholders

2) As per Schedule III of CA 2013, Every Company shall disclose EPS on the face of P&L.

How to Calculate EPS → AS 20 will guide.

3) Types of EPS :-

a) Basic EPS

b) Diluted EPS

4) Basic EPS :-

$$\frac{\text{Earnings attributable to ESH (EAESH)}}{\text{Weighted Avg. O/S No. of Eq. shares.}}$$

5) How to Calculate EAESH :-

Numerator for EPS – Profit/loss attributable to Equity Shareholders

Particulars	Amount	Remarks
Earnings Before Interest and Tax (EBIT)	XXX	
(-) Interest on Borrowings	(XX)	Actual Interest Rate given in Question
Earnings Before Tax (EBT)	XXX	
(-) Tax Expense	(XX)	CT +/- DT
Earnings After Tax (EAT/PAT)	XXX	
(-) Preference Dividend	(XX)	Assume Cumulative Preference Shares if nothing is Specified
Profit/Loss attributable to Ordinary ESH	XXX → EAESH	

Note:- Dividend to Preference Shareholders

Cumulative PSC	Non Cumulative PSC
↓	↓
always Deduct the Dividend	if Declared ⇒ Deduct if not declared ⇒ ignore

if nothing is Specified about Declaration, we shall always assume that Dividend on Pref. is Declared.

6) Weighted Avg. O/s No. of Equity Shares :-

Date	Particulars	Weight
1/4	Opening Shares	12/12
1/6	Public issue	10/12
1/8	Bonus issue	
	→ on Openg.	12/12
	→ On public issue	10/12
1/9	Buy Back	(-) 7/12
1/11	Conversion OF Debn/Pref. Share into equity	5/12
		W. Avg. No.

(assuming 31st march is year ending)

7) If Shares are partly Paid

Not eligible For Dividend Untill they become Fully Paid

↓

Do not Consider these Shares in BEps working till they become Fully Paid

Eligible For Dividend

↓

Include them in Basic Eps working

↓

How to Calculate Weighted Avg in Such Case?

↓

Calculate Weighted Avg. Equity Share Capital & EPR as Under :—

1/4 Opng. no. × Paid up Value × $\frac{12}{12}$

1/6 Public issue no. × Paid up value × $\frac{10}{12}$

1/10 Call money Per share × No. of Shares on which Call money received × 6/12

W. Avg. ESC

$$EPR = \frac{EAESH}{W.Avg.\ ESC}$$

$$Eps = EPR \times \text{Paidup Value (or) Face Value}$$

8) Basic Eps in Case of Right issue :-

Step 1:- Calculate Ex. Right price

$$\frac{\left(\text{No. of Shares before Right issue} \times \text{Cum Right Price}\right) + \left(\text{Right issue no.} \times \text{Right issue price}\right)}{\text{Total Shares after Right issue}}$$

Step 2:- Calculate Right factor (adjustment factor) → RF

$$\frac{\text{Cum Right Price}}{\text{Ex. Right price}}$$

* Cum Right price = MP of Share immediately before Right Issue.

* Ex. Right price = MP immediately after R.I.

Step 3:- Weighted Avg. O/s Shares (in CY)

1/4 Opening share × 3/12 × RF

3m

1/7 public issue no. × 4/12 × RF

4m.

1/11 Right issue no. × 5/12

31/3 (5m)

Note:- RF shall be multiplied only to those shares which were O/s immediately before R.I.

Step 4:- CY EPS Calculation

$$\frac{\text{EAESH}}{\text{Step 3}}$$

Step 5:- Previous year Restated EPS:-

$$\frac{\text{EAESH (PY)}}{\text{Shares O/s in PY} \times \text{RF}}$$

9) Diluted EPS :-

a) If there are potential Equity shares outstanding in the Company then DEPS shall be Calculated.

b) <u>Potential Eq. Shares</u> (PES)

- Convertable Deb^n (or) Pref. shares.
- Share warrants
- ESOPs

these are those securities which may get Converted into Ordinary Equity Shares in the future without raising any funds.

(Aisi Securities Jo Future me Equity share ban sakti Hai without Cash inflow ke)

c) <u>Formulae of DEPS</u> :-

$$\frac{\text{EAESH } (+) \text{ Saving due to PES}^{*}}{\text{Weight Avg. Ordinary equity } (+) \text{ weighted Avg. Potential Equity}}$$

* <u>Saving due to PES</u> :-

In Case of Convert. Deb^n ⇒ Interest net of Tax

In Case of Convert. Pref. shares ⇒ Pref. Divd. Paid.

In Case of Share Warrant & ESOPS ⇒ Nothing

d) Weighted Avg. Potential Equity :-

Start Date ⟷ End date

Start Date ↓ Opng. Date (Or) Issued Date } Whichever is Later

End date ↓ Whichever is earlier { Conversion into ordinary (Or) Closing Date

eg:- 1/4/25 O/s Convert. Debn 10,00,000/- (FV 100/-)
Conversion ratio 3:1
actually Converted on 31/Jan/26
↓
$30{,}000 \times \frac{10}{12}$

Start Date 1/4
End Date 31/Jan

eg:- On 1/7/25 Convert. Pref. Shares issued
Conversion Ratio 2:1
Pref. Shares are 25,000 issued
Will be Converted after 2 years.
↓
$50{,}000 \times 9/12$

Start Date 1/7
End Date 31/Mar.

e) How to Calculate No. of potential Equity Shares in Case of ESOPs?

$$\text{Total ESOPs} - \frac{\text{Total ESOPs} \times \text{Exer. price}}{\text{MP}}$$

eg:- Total ESOPs announced = 15,000 no.
Exercise price = 30/-
MP per share = 50/-

Funds raised in ESOPs ⇒ 450000 (15000 x 30)

If same funds could have been raised from General public @ 50/- then, these shares can be issued

$$\frac{450000}{50} = 9000 \text{ no.}$$

Hence, out of 15,000 shares, 6,000 are potential

F) If Diluted EPS is more than Basic EPS it is called Anti Diluted EPS & No need to disclose this.
In such case, DEPS = BEPS

Other Important points

a) Eps Can be Negative also due to Losses.

b) Restated Eps of PY is Required in Following Cases :-

1) Bonus issue
2) Share Split
3) Share Consolidation
4) Right Issue

c) Whenever Net profit is given in Question But it is before Tax or after Tax → not Known → always assume it is NPAT

d) Extra-ordinary Incomes/Expenses & Prior Period items :-

→ These Shall be Considered in Basic Eps only.

→ While Calculating DEPS, effect of Extra ord. items & Prior period items Should be Elimated.

e) Esops → When to treat them potential?

Esops are treated as potential equity from the date of $\underbrace{\text{Grant of ESOP}}_{\text{ESOP Offered Date}}$

If Question says that Company Considers ESOP only after its actual $\underbrace{\text{Vesting}}_{\text{actual Eligible Date}}$ Date

↓

then this treatment is wrong.

(Refer Q501(a))