19

ACCOUNTING STANDARD – 20
EARNINGS PER SHARE

"The beautiful thing about learning is
that no one can take it away from you."

1. MEASUREMENT OF BASIC EARNINGS PER SHARE

Earnings Per Share are of two types:

1) Basic EPS (BEPS)
2) Diluted EPS (DEPS)

Basic EPS is calculated as under:

$$\frac{\text{Profit/Loss attributed to Equity Shareholders}}{\text{Weighted Average Number of Equity Shares}}$$

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
Profit/Loss attributable to Ordinary ESH	**XXX**	

Important Points for Numerator:

Preference Dividend	• If Cumulative Preference Shares, then deduct the dividend always • If Non-cumulative Preference Shares, then deduct the dividend only when declared. • Always assume cumulative if not specified in questions

Denominator for EPS – Weighted Average Outstanding Ordinary Shares

Number of Ordinary Shares are considered for Basic EPS adjusted by Time Factor (i.e. No. of days/months for which shares were outstanding during the year as against total days/months during the year)

Calculation of Weighted Avg. Ordinary Shares:

Particulars	W.Avg. No.	Remarks
No. of shares in the beginning of year	XX	
(+) No. of shares issued during the year against cash consideration (Normal issue)	XX	No. of days/months from issued date to year end ÷ 365 days or 12 months
(-) No. of shares buyback during the year	XX	No. of days/months from BB date to year end ÷ 365 days or 12 months
(+) No. of Bonus shares issued during the year	XX	12/12 always

Deciding the date for issue of shares

Sr. No	Nature of transaction	Effective Date when
1	General Rule	From date of consideration receivable or date of issue
2	Exchange for cash	From date of consideration receivable or date of issue
4	Conversion of debt instrument	Date of Accrual of interest is stopped
5	In lieu of interest / principal	Date of Accrual of interest is stopped
6	Exchange of liability	Settlement Date
7	Consideration for acquisition of asset	Asset is recognised in books
8	Rendering of services	When Services are rendered
9	Amalgamation of Companies	Acquisition date (Date of Acquisition of control)
10	Bonus Issue	From Beginning of Previous Year

Special Cases for denominator (Weighted Average outstanding ordinary shares):

Bonus; Share Split; and Share Consolidation	• These shares are issued without any consideration to existing shareholders by capitalization of reserves. • Such reserves are already available since beginning of previous year hence time factor should always be considered from beginning of PY. • Hence, take time weight from the date of beginning of previous year. • PY EPS shall also be restated (calculated again) for CY disclosure purpose by including Bonus shares in PY denominator.
Partly Paid-up Shares	• First, check whether partly paid-up shares are entitled to dividend or not. • If partly paid-up shares are not entitled to a dividend unless they become fully paid up, then do not consider them in BEPS working. They are treated as potential equity shares for DEPS working. • If partly paid-up shares are entitled to a dividend, then calculate weighted average outstanding equity share capital (in ₹) instead of No. as under: No. of Fully Paid-up shares **X** Face Value **X** Time Factor

	No. of Partly Paid-up shares **X** Paid up Price **X** Time Factor **Total Weighted Avg. Equity Share Capital (in ₹)** **Calculate Earnings Per Rupee (EPR):** Profit/Loss attributable to ESH ÷ Total Weighted Avg. ESC **Calculate EPS as under:** EPR (in ₹) **X** Paid-up price or Face Value
Right Issue (RI)	Right issue of shares has bonus element hence follow the below steps: **Step 1:** Calculate Theoretical Ex right price per share if not available $Formula = \frac{[Fair\ Value\ (before\ right)\ x\ No.of\ share\ (pre-right)]\ +\ Right\ issue\ proceeds}{Total\ shares\ post\ right}$ **Step 2:** Calculate Right Factor (RF) = $\frac{Cum\ Right\ Price}{Ex\ Right\ Price}$ (Cum right price also know as Market price will be given in question) **Step 3:** Weighted Average O/s Ordinary shares of current year: - No. of shares o/s (pre-right) **x** RF **x** No. of Months till the date of RI ÷ 12 (+) No. of shares o/s (post-right) **x** No. of Months after RI till end of year ÷ 12 **Total weighted Avg. O/s ordinary shares** **Step 4:** Calculate BEPS of CY as usual **Step 5:** Calculate Restated BEPS of PY also by considering above RF in weighted avg. calculation of PY

2. DILUTED EARNINGS PER SHARE

1. Diluted EPS is calculated when there are outstanding potential equity shares.

2. Potential Equity Shares are those securities which can be converted into ordinary equity shares in future without raising additional funds.
   E.g. Convertible Preference Shares, Convertible Debentures, share warrants, ESOPs, Call Options, partly paid-up shares if not eligible for dividend unless they become fully paid-up, Contingently issuable shares

3. Diluted EPS means reduction of Basis EPS if same earnings will continue with additional no. of shares when potential equity shares will be converted into ordinary shares.

4. Conversion into Ordinary shares may increase the Numerator and Denominator as under:

Numerator	Denominator
Saving of Interest after Tax due to conversion of Debentures. Saving of Preference Dividend due to conversion of Debentures.	Increase in No. of Shares due to conversion of Preference shares, Debentures, Warrants, ESOPs and Call Options.

5. Above Change in Numerator and Denominator may increase or decrease the existing Basic EPS.
   If there is a Decrease in EPS = It is Diluted EPS
   If there is a Increase in EPS = It is Anti Diluted EPS

6. Anti diluted EPS is not required to be reported. In that case, DEPS = BEPS

7. DEPS formulae:

Numerator	Denominator
Profit/loss attributable to ESH (+) Savings due to Conversion of Potential Equity Shares (after Tax if required)	Weighted Avg. O/s Ordinary Shares (+) Weighted Avg. O/s Potential Eq. Shares

(Refer Examples 14 onwards)

Special Cases of DEPS:

ESOPs	Earnings (Numerator) = Zero i.e. no adjustment No. of Potential Eq. Shares (Denominator) = Total Options (-) $\frac{\text{Total options x Exercise Price}}{\text{Market Price}}$ Time weight shall be from date of option granted to date of exercise

Example: (ESOP)

If company grants 100 ESOPs to its employee to be exercised at Rs 45 each after 31st March 20X1. The market value of the shares on 15th April 20X1 is Rs 50 each. In Such case, company will get Rs. 4,500 funds from issue of ESOP to employee. But the same shares could have been issued to general public at Rs. 50 each i.e. 4500 ÷ 50 = 90 Shares could have been issued to raise same amount of Rs. 4500 from general public.

It means company will issue 10 shares at free of cost to employee under ESOP. These 10 Shares will be treated as Potential Equity Shares of Dilutive Nature.

3. PRESENTATION OF EPS

1) The Entity shall present BEPS and DEPS in the face of a Statement of Profit and Loss.
2) EPS in case of SFS and CFS:

Sr. No.	Type of Financial statements	Consolidated EPS	Separate EPS
1	Consolidated	Must disclose	Don't disclose
2	Separate	Don't disclose	Must disclose

3) **Net Loss in Continuing Operation:**
DEPS from continuing operation shall be calculated without considering Potential Equity Shares otherwise it gets anti-diluted.

4. PRACTICAL EXAMPLES

EXAMPLE 1:
EBIT = 49,80,000 (Current Year = 23-24)
Current Tax = 12,45,000
DTL = 2,15,000
85% Debenture issued on 1/7/23, ₹75 lacs
9% Non-Cumulative Preference Shares Capital are Outstanding ₹ 40 lacs From Beginning
10% Preference Shares Capital are issued on 1/3/24, ₹ 80 lacs
Preference Dividend not yet Declared
Calculate EAESH

SOLUTION:

Earnings Before Interest & Tax	49,80,000
(-) Interest	(4,78,125)
Earning Before Tax	45,01,875
(-) Tax Expenses	(14,60,000)
Earnings After Tax	30,41,875
(-) Preference Dividend on Cumulative Shares only (since dividend is not declared hence Dividend on Non-Cumulative Pref. Share is ignore)	(66,667)
Earnings Available for Equity Share Holder	**29,75,208**

EXAMPLES 2:
Current Year 23-24
1/4/23: - 10,00,000 Shares are Outstanding
1/7/23: - New issue 60,000 No.
Calculate Weighted Average.

SOLUTION

Alternative 1:

1/4/23	10,00,000 x 12/12	10,00,000
1/7/23	60,000 x 9/12	45,000
		10,45,000

Alternative 2:

1/4/23	Outstanding 10,00,000 x 3/12	2,50,000
1/7/23	Cumulative Outstanding 10,60,000 x 9/12	7,95,000)
		10,45,000

EXAMPLE 3:

Current Year 23-24

1/4/23	10,00,000 Shares are Outstanding
1/7/23	New issue 60,000 no.
1/11/23	Buy Back 25000 no.

SOLUTION

Alternative: 1

	1/4	10,00,000 x 12/12	10,00,000
New Issue	1/7	60,000 x 9/12	45,000
Buy Back	1/11	25,000 x 5/12	(10,417)
			10,34,583

Alternative: 2

10,00,000 x 3/12	2,50,000
+ 10,60,000 x 4/12	3,53,333
+ 10,35,000 x 5/12	4,31,250
	10,34,583

EXAMPLE 4:

EBIT = 32,50,000, Tax Rate = 30%

Current Year = 23-24

As on 1/4/23	Outstanding of Equity Shares = 10,00,000 no.
On 1/4/23	Outstanding 9% Convertible Debenture = ₹ 26,00,000, Face Value = 100/-
On 1/9/23	Convertible Debentures Converted into Equity Shares in the Ratio of 3:1

Calculate EPS

SOLUTION

Working Note 1:

Earnings Before Interest & Tax	32,50,000
(-) Interest (5 months)	(97,500)

Earning Before Tax	31,52,5000
(-) Tax Expenditure @30%	(9,45,750)
Earning After Tax	22,06,750
(-) Preference Dividend	0
Earnings Available for Equity Share Holders	**22,06,750**

Working Note 2:

1/4/23	Outstanding Equity	10,00,000 x 12/12	10,00,000
1/9/23	Conversion 26000x3	78,000 x 7/12	45,5000
			10,45,500

EPS = EAESH/ Weighted average Outstanding no. = 22,06,750/10,45,500 =2.11/-

EXAMPLE 5:

EBIT – 25,00,000, Tax Rate – 30%

As on 1/4	(a) Outstanding Equity = 90,000 No. (b) 9% Debentures of ₹ 60,00,000
On 1/7	Public Issue made of 30,000 No. of Equity Shares
On 1/10	Issued 11% Cumulative Preference Share Capital of ₹ 40,00,000 (Dividend not Declared)
On 1/12	Buyback of 20,000 Equity No.

Calculate BEPS.

Solution:

Working Note 1:

Earnings Before Interest & Tax	25,00,000
(-) Interest	(5,40,000)
Earning Before Tax	19,60,000
(-) Tax Expenditure	(5,88,000)
Earning After Tax	13,72,000
(-) Preference Dividend (6 Months)	(2,20,000)
Earnings Available for Equity Share Holders	**11,52,000**

Working Note 2:

Calculation of Weighted Average Outstanding Equity Share Capital (in ₹)

Date	Particulars	Working	Weighted Avg. Amount
1/4	Opening Balance	90,000 x 12/12	90,000
1/7	Public Issue	30,000 x 9/12	22,500
1/12	Buyback	(20,000 x 4/12)	(6,667)
Weighted Average Outstanding Share Capital			**1,05,833**

Basic EPS = 11,52,000/1,05,833 = 10.89/- per Share.

EXAMPLE 6: (Negetive EPS)

EBIT = 8,00,000

Tax Rate = 30%

1/4 = Outstanding 10% Debenture of ₹ 1 Crore

1/4 = Outstanding No. of Equity shares 1,00,000 no.

Calculate EPS

SOLUTION

EPS can be negative also if there is a Loss to the Company

Earnings Before Interest & Tax	8,00,000
(-) Interest	(10,00,000)
Earnings Before Tax	(2,00,000)
(-) Tax	0
Earnings After Tax / Earnings Available for Share Holders	(2,00,000)

EPS (Loss per Share) = (2,00,000)/1,00,000 = -2

EXAMPLE 7 (Bonus):

Previous Year EAESH = 12,00,000

Current Year EAESH = 15,00,000

Current Year Outstanding no. in Beginning = 2,00,000 no.

Current Year Bonus issue in 1/7 = 50,000 no.

Current Year Public Issue in 1/9 = 30,000 no.

Current Year Buy Back in 1/11 = 10,000 no.

Calculate EPS of Current Year & Restated Eps of Previous year.

SOLUTION

Working Note 1: Calculation of weighted Average Outstanding no.

1/4	2,00,000 x 12/12	2,00,000
+ 1/7 Bonus	50,000 x 12/12	50,000
+ 1/9 Public issue	30,000 x 7/12	17,500
- 1/11 Buy Back	(10,000 x 5/12)	(4,167)
		2,63,333

Current Year Eps = 15,00,000/2,63,333 = 5.696/-

Restated Eps of Previous Year = 12,00,000/2,00,000+50,000 = 4.8/-

Example 8 (Share Split):

EAESH PY = 10,00,000

EAESH CY = 15,00,000

Outstanding Equity Since Beginning = 1,00,000 No. of 100/- each

On 1st Nov of CY above 1,00,000 No. of 100/- each converted into 10/- each

Solution:

Once the shares are Split or Consolidated, the new numbers after Split or Consolidation shall be taken into Consideration while Calculating EPS

EPS (CY) = 15,00,000/1,00,0000x12/12 = 1.5/- per share

Profit & Loss A/c

	CY	PY
Net Profit	15,00,0000	10,00,000
	1.5/-	**10/-**

As we can see from above P&L, that CY EPS and PY EPS are not Comparable because of Share Split in CY.

Therefore, we should recalculate the PY EPS based on Share Split as under.

Restated EPS (PY) = 10,00,000/10,00,000 = 1/-

EXAMPLE 9 (Share Consolidation):

EAESH CY = 45,00,000

EAESH PY = 35,00,000

1,00,000 No. of Shares of 10/- each

During CY 10/- Shares Converted into 50/- Shares

Solution:

PY EPS (Actual) = 35,00,000/1,00,000 = 35/-

CY EPS (Actual) = 45,00,000/20,000 = 225/-

PY EPS (Restated) = 35,00,000/20,000 = 175/-

EXAMPLE 10: Partly Paid Shares

(Current Year 23-24)

EAESH = 15,00,000

1/4/23 = 50,000 no. Outstanding equity of ₹ 10 each

1/7/23 = 30,000 no. issued 10/- each, 5/- Paid Up

Calculate BEPS

SOLUTION

1/4	50,000 x 10	5,00,000x12/12	5,00,000
+ 1/7	30,000 x5	1,50,000x9/12	1,12,500
	Weighted Average amount of Share Capital.		**6,12,500**

Earning Per Rupee = 15,00,000/6,12,500 = 2.4489/- (or) 2.45/- per Rupee

Eps for 10/- Fully Paid = 2.4489 x 10/- = 24.489

Eps For 5/- Paid up = 2.4489 x 5/- = 12.2445.

EXAMPLE 11 - Partly Paid Shares:

As on 1/4/23	Opening Outstanding Equity Shares 50,000 of 10/- each, 6/- Paid-up.
On 1/9/23	Public Issue of 30,000 shares made at 10/- each, 7/- Paid up
On 1/10/23	Amount Called @4/- on Opening but Shareholders holding 48,000 Shares

	have paid.
On 1/12/23	Amount Called @3/- on public issue, all Share Holders have paid.

Note: Partly paid shares are also entitled for Dividend

Calculate Weighted Average Outstanding Equity Shares.

Solution:

Calculation of Weighted Average Outstanding Share Capital (in ₹)

Date	Particulars	Working	Weighted Avg. Amount
1/4/23	Opening Balance	50,000 x 6 x 12/12	3,00,000
1/9/23	Public issue	30,000 x 7 x 6/12	1,22,500
1/10/23	Called @4/-	4,80,000 x 4 x 6/12	96,000
1/12/23	Called @3/-	30,000 x 3 x 4/12	30,000
Weighted Average Outstanding Share Capital			5,48,500
Weighted Avg Outstanding No. of Shares (5,48,500/10)			**54,850 No.**

EXAMPLE 12:

EAESH = 18,00,000

As on 1/4/23	Opening Outstanding 1,00,000 no. of Equity Shares of 10/- each
On 1/7/23	Issued 80,000 No. at 15/- each
On 1/11/23	Issued 50,000 No. at 20/- each

Calculate Weighted Average No. of Equity Shares & BEPS

Solution:

Calculation of Weighted Average Outstanding Share Capital (in ₹)

Date	Particulars	Working	Weighted Avg. Amount
1/4/23	Opening Balance	1,00,000 x 10 x 12/12	10,00,000
1/7/23	Issue	80,000 x 15 x 9/12	9,00,000
1/11/23	Issue	50,000 x 20 x 5/12	4,16,667
Weighted Average Outstanding Equity Share Capital			₹ 23,16,667

Earning Per Rupee = 18,00,000/23,16,667 = 0.777 per Rupee

EPS @10/-	10 x 0.777	7.77/-
EPS @15/-	15 x 0.777	11.65/-
EPS @20/-	20 x 0.777	15.54/-

EXAMPLE 13 (Right Issue)

EAESH = 21,00,000

As on 1/4	Outstanding Shares are 1,50,000 No.
On 1/7	Public Issue of 30,000 No.
On 1/10	Right issue @90/- at ratio of 1:2
On 1/1	Public issue of 50,000 No.

Cum-Right Price = 100/-

Solution:

Step 1:

Ex-Right Price = (1,50,000+30,000) x 100 + (90,000 x 90) / 2,70,000 = 96.67/-

Step 2:

Right Factor = Cum-Right Price / Ex-Right Price = 100/96.67

Step 3:

Weighted Average: - Apply Right Factor only on No. of Shares Outstanding before Right Issue

Date	Working	Weighted Avg. Amount
1/4	1,50,000 x 3/12 x 100/96.67	38,792
1/7	1,80,000 x 3/12 x 100/96.67	46,550
1/10	2,70,000 x 3/12	67,500
1/1	3,20,000 x 3/12	80,000
		2,32,842

BEPS = 21,00,000/2,32,842 = 9.02/- per Share.

EXAMPLE 14:

EBIT = 9,00,000 (Current Year 23-24)

Tax Rate = 30%

1/4/23 = Outstanding 8% Convertible Debenture of ₹ 15,00,000, Face Value is ₹ 100

(Convertible in next year into 50,000 no of equity shares)

1/4/23 = Outstanding equity shares 1,00,000 no.

Calculate BEPS & DEPS

SOLUTION

EBIT	9,00,000
(-) Interest	1,20,000
EBT	7,80,000
(-) Tax 30%	2,34,000
EAESH	**5,46,000**

Basic EPS = 5,46,000/1,00,000

= 5.46/-

DEPS = EAESH + (Saving in Interest net of Tax) / Weighted Avg no. of Equity + Weighted Avg Potential No. of Equity

[5,46,000 + (1,20,000 – 30%)] / [(1,00,000 x 12/12) + (50,000 x 12/12)] = 4.20/-

EXAMPLE 15:

Same as Example 19 But instead of Debenture there are Convertible Preference Shares

SOLUTION

(1) BEPS

EBIT	9,00,000
(-) Interest	0
EBT	9,00,000
(-) Tax @ 30%	2,70,000
EAT	6,30,000
(-) Preference Dividend	(1,20,000)
EAESH	5,10,000

BEPS = 5,10,000/1,00,000 = 5.10/-

(2) DEPS =

5,10,000 + Savings in Dividend / Weighted Avg No. of Equity + Weighted Avg No. of Potential Equity

5,10,000 + 1,20,000/1,50,000 = 4.20/-

EXAMPLE 16:

Current Year 23-24

EBIT = 25,00,000

As on 1/4/23	Outstanding 10% Non-Convertible PSC of ₹20 lakhs (Dividend Declared)
On 1/4/23	Outstanding 1,50,000 no. of equity, Tax @30%
On 1/7/23	Issued 18,000 no. of 9% Debentures (face value 100/-) convertible after 3 years in the ratio of 3:1

SOLUTION

EBIT	25,00,000
Interest	1,21,500
EBT	23,78,500
Tax 30%	7,13,550
EAT	16,64,950
Preference Dividend	(2,00,000)
EAESH	14,64,950

BEPS = 14,64,950/1,50,000 = 9.77/-

Calculation of DEPS:

1. Identify potential equity shares outstanding in current year
   Convertible Debenture 9% WEF 1/7/23
   18,000 x 3 = 54,000
2. Weighted average equity Outstanding;
   54,000 x 9/12 = 40,500 no.
3. DEPS: EAESH + saving in Interest of Tax/ weighted Average equity + Weighted Avg. Potential equity

= 14,64,950 + (1,21,500 x 70%)/15,000+40,500
= 8.136/- Per share

EXAMPLE 17:

Same as Example 16, but Conversion Ratio is 1:5
Calculate DEPS

SOLUTION

Weighted Average = 18,000/5 x 1
= 3600
3600 x 9/12 = 2700
DEPS = 14,64,950 + 1,50,000 + 2700
= 10.15/- Anti Diluted

As per AS 20, Anti Diluted EPS need not be disclosed, In such case DEPS shall be disclosed at an amount equal to BEPS. Therefore, Disclosed DEPS = 9.77/-

EXAMPLE 18:

EAESH = 18,00,000
No. of Equity Shares = 1,00,000
During the year, 10,000 no. of Debenture @ 11% Interest issued at face value 100/-
Conversion into equity is 40,000 no. after 3 years
Interest paid on such Debenture = 27,500/-

SOLUTION

Debenture must have been issued on 1/Jan/24
Since Interest of 27,500 belongs to 3 months

Interest	Months
1,10,000	12
27,500	?

DEPS = 18,00,000 + (27,500 x 70%)/1,00,000 + (40,000 x 3/12)
= 16.53/-

EXAMPLE 19:

EAESH = 15,00,000
No. of Outstanding Equity = 1,00,000
BEPS = 15/-
There are 60,000 option (ESOPs) are Outstanding For Full year given to employees at exercise price of 50/- each MP Per shares is 100/- each
Calculate How many Option are dilutive Potential Shares & also Calculate DEPS

SOLUTION

Total ESOP = 60,000 no. Outstanding

1. Dilutive Potential
2. Non-Dilutive (B/F) 30,000

Total ESOP – fund raised/MP

60,000 – 30,00,000/100 = 30,000 (Dilutive potential equity)

DEPS = EAESH + Saving/ Weighted Average equity + Weighted Potential equity

= 15,00,000 + 0* / 1,00,000 + 30,000 x 12/12

= 11.538/-

(* why 0? In ESOP there is no Interest or Dividend Payable)

EXAMPLE 20:

EAESH = 15,00,000

Including extra ordinary Income of 1,50,000

Opening no. of Ordinary equity = 1,00,000

On 1/8 = 10,000 no of shares warrant issued & converted into shares on 1st Jan of Current year

Calculate BEPS & DEPS

SOLUTION

1 **Basic Earnings Per Share**

1/4	1/Jan	31/3
Opening Outstanding 1,00,000	Shares 10,000	

Weighted Average: -

1,00,000 x 12/12	1,00,000
+ 10,000 x 3/12	2,500
	1,02,500

BEPS = EAESH (Including Extra ordinary)/Weighted Average Outstanding equity

= 15,00,000/1,02,500

= 14.634/-

2 **Diluted Earnings Per Share**

1/4	1/8	1/Jan	31/3
Opening Outstanding 10,00,000	Share warrant 10,000	Share 10,000	

Weighted Average Potential Equity = 10,000 x 5/12 = 4167

DEPS = (15,00,000 – 1,50,000) + 0 / 1,02,500 + 4167

= 12.656/-

5. (MCQ's from ICAI Material)

1. AB Company Ltd. had 1,00,000 shares of common stock outstanding on January. Additional 50,000 shares were issued on July 1, and 25,000 shares were re- acquired on September 1. The weighted average number of shares outstanding during the year on Dec. 31 is
   - (a) 1,40,000 shares
   - (b) 1,25,000 shares
   - (c) 1,16,667 shares
   - (d) 1,20,000 shares

2. As per AS 20, potential equity shares should be treated as dilutive when, and only when, their conversion to equity shares would
   - (a) Decrease net profit per share from continuing ordinary operations.
   - (b) Increase net profit per share from continuing ordinary operations.
   - (c) Make no change in net profit per share from continuing ordinary operations.
   - (d) Decrease net loss per share from continuing ordinary operations.

3. As per AS 20, equity shares which are issuable upon the satisfaction of certain conditions resulting from contractual arrangements are
   - (a) Dilutive potential equity shares
   - (b) Contingently issuable shares
   - (c) Contractual issued shares
   - (d) Potential equity shares

4. In case potential equity shares have been cancelled during the year, they should be:
   - (a) Ignored for computation of Diluted EPS.
   - (b) Considered from the beginning of the year till the date they are cancelled.
   - (c) The company needs to make an accounting policy and can follow the treatment in (a) or (b) as it decides.
   - (d) Considered for computation of diluted EPS only if the impact of such potential equity shares would be material.

5. Partly paid up equity shares are:
   - (a) Always considered as a part of Basic EPS.
   - (b) Always considered as a part of Diluted EPS.
   - (c) Depending upon the entitlement of dividend to the shareholder, it will be considered as a part of Basic or Diluted EPS as the case may be.
   - (d) Considered as part of Basic/ Diluted EPS depending on the accounting policy of the company.

ANSWERS	1	2	3	4	5
	c	a	b	b	c