

TOPIC – 19

ACCOUNTING STANDARD - 20

EARNINGS PER SHARE

Total No. of Question 15

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SERIES 100 - CONCEPTUAL QUESTIONS ON EPS

Q.AS20.RMP.101: (RTP May 2021)

In the following list of shares issued, for the purpose of calculation of weighted average number of shares, from which date, weight is to be considered:

- (i) Equity Shares issued in exchange of cash,
- (ii) Equity Shares issued as a result of conversion of a debt instrument,
- (iii) Equity Shares issued in exchange for the settlement of a liability of the enterprise,
- (iv) Equity Shares issued for rendering of services to the enterprise,
- (v) Equity Shares issued in lieu of interest and/or principal of another financial instrument,
- (vi) Equity Shares issued as consideration for the acquisition of an asset other than in cash.



Q.AS20.SM.102:

Date	Particulars	Purchased	Sold	Balance
1 st Jan	Balance at Beginning	1800 no.	-	1800
31 st May	Issue of Shares for Cash	600 no.	-	2400
1 st Nov.	Buy Back of shares	-	300 no.	2100

Calculate Weighted Number of Shares.

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Q.AS20.SM.103:

Date	Particulars	No. of Shares	Face Value	Paid up Value
1 st Jan	Balance at Beginning	1800	10/-	10/-
31 st Oct	Issue of Shares	600	10/-	5/-

Calculate Weighted Number of Shares.

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SOLUTIONS OF ABOVE QUESTIONS OF SERIES 100

ANSWER: Q101

The following dates should be considered for consideration of weights for the purpose of calculation of weighted average number of shares in the given situations:

- (i) Date of Cash receivable
- (ii) Date of conversion
- (iii) Date on which settlement becomes effective
- (iv) When the services are rendered
- (v) Date when interest ceases to accrue.
- (vi) Date when Asset is Recorded.

SOLUTION: Q102

Computation of Weighted Average:

$$(1,800 \times 5/12) + (2,400 \times 5/12) + (2,100 \times 2/12) = 2,100 \text{ shares.}$$

The weighted average number of shares can alternatively be computed as follows:

$$(1,800 \times 12/12) + (600 \times 7/12) - (300 \times 2/12) = 2,100 \text{ shares}$$

SOLUTION: Q103

Assuming that partly paid shares are entitled to participate in the dividend to the extent of amount paid, number of partly paid equity shares would be taken as 300 for the purpose of calculation of earnings per share.

Computation of weighted average would be as follows:

$$(1,800 \times 12/12) + (300 \times 2/12) = 1,850 \text{ shares.}$$

Note: Where an enterprise has equity shares of **different nominal values** but with the same dividend rights, the number of equity shares is calculated by converting all such equity shares into equivalent number of shares of the same nominal value or by converting all the equity shares into Weighted Avg. Paid Up Equity Capital to calculated Earnings Per Rupee (EPR)

SERIES 200 - QUESTIONS ON BEPS

Q.AS20.SM.201:

Net profit for the year ended 31st March 20X1 - 18,00,000/-

Net profit for the year ended 31st March 20X2 - 60,00,000/-

No. of equity shares outstanding until 30th September 20X1 - 20,00,000

Bonus issue 1st October 20X1 was 2 equity shares for each equity share outstanding at 30th September, 20X1

Calculate Basic Earnings Per Share.

Q.AS20.SM.202: (MTP – Oct 20, Nov 21, May 22, May23, Exam May 18)

On 1st April, 20X1 a company had 6,00,000 equity shares of Rs. 10 each (Rs. 5 paid up by all shareholders). On 1st September, 20X1 the remaining Rs. 5 was called up and paid by all shareholders except one shareholder having 60,000 equity shares. The net profit for the year ended 31st March, 20X2 was Rs. 21,96,000 after considering dividend on preference shares of Rs. 3,40,000. You are required to compute Basic EPS for the year ended 31st March, 20X2 as per Accounting Standard 20 "Earnings Per Share".



Q.AS20.SM.203: (Also in RTP May 22)

NAT, a listed entity, as on 1st April, 2021 had the following capital structure:

	Rs.
10,00,000 Equity Shares having face value of Rs. 1 each	10,00,000
10,00,000 8% Preference Shares having face value of Rs. 10 each	1,00,00,000

During the year 2021-2022, the company had profit after tax of Rs. 90,00,000

On 1st January, 2022, NAT made a bonus issue of one equity share for every 2 equity shares outstanding as at 31st December, 2021.

On 1st January, 2022, NAT issued 2,00,000 equity shares of Rs. 1 each at their full market price of Rs. 7.60 per share.



NAT's shares were trading at Rs. 8.05 per share on 31st March, 2022.

Further it has been provided that the basic earnings per share for the year ended 31st March, 2021 was previously reported at Rs. 62.30.

You are required to:

- (i) Calculate the basic earnings per share to be reported in the financial statements of NAT for the year ended 31st March, 2022 including the comparative figure, in accordance with AS-20 Earnings Per Share.
- (ii) Explain why the bonus issue of shares and the shares issue at full market price are treated differently in the calculation of the basic earnings per share?

SOLUTIONS OF ABOVE QUESTIONS OF SERIES 200

SOLUTION: Q201

No. of Bonus Issue $20,00,000 \times 2 = 40,00,000$ shares

Earnings per share for the year 2017 =

$$\frac{\text{Rs. } 60,00,000}{(20,00,000 + 40,00,000)} = \text{Rs. } 1.00$$

Adjusted earnings per share for the year 2016 =

$$\frac{\text{Rs. } 18,00,000}{(20,00,000 + 40,00,000)} = \text{Rs. } 0.30$$

Since the bonus issue is an issue without consideration, the issue is treated as if it had occurred prior to the beginning of the year 20X2, the earliest period reported.

SOLUTION: Q202

Basic earnings per share (EPS) =

$$\frac{\text{net profit attributable to equity shareholders}}{\text{weighted average number of equity shares outstanding during the year}}$$

$$= \frac{21,96,000}{4,57,500 \text{ shares}} = \text{Rs. } 4.80 \text{ per share}$$

Working note:

Calculation of weighted average number of equity shares

As per AS 20 'Earnings Per Share', partly paid equity shares are treated as a fraction of equity share to the extent that they were entitled to participate in dividend relative to a fully paid equity share during the reporting period. Assuming that the partly paid shares are entitled to participate in the dividend to the extent of amount paid, weighted average number of shares will be calculated as follows:

Date	No. of equity	Amount paid	Weighted average no. of equity
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	shares	per share	shares
	Rs.	Rs.	Rs.
1.4.20X1	6,00,000	5	$6,00,000 \times 5/10 \times 5/12 = 1,25,000$
1.9.20X1	5,40,000	10	$5,40,000 \times 7/12 = 3,15,000$
1.9.20X1	60,000	5	$60,000 \times 5/10 \times 7/12 = 17,500$
Total weighted average equity shares			4,57,500

SOLUTION Q203

(i) Calculation of Basic Earnings per share for the year ended 31st March, 2022 including the comparative figure:

(a) Earnings for the year ended 31st March, 2021 = EPS x Number of shares outstanding during 2020-2021

$$= \text{Rs. } 62.30 \times 10,00,000 \text{ equity shares}$$

$$= \text{Rs. } 6,23,00,000$$

(b) Adjusted Earnings per share after taking into consideration bonus issue

$$\text{Adjusted Basic EPS} = \text{Earnings for the year 2020-2021} / \text{Total outstanding shares} + \text{Bonus issue}$$

$$= \text{Rs. } 6,23,00,000 / (10,00,000 + 5,00,000)$$

$$= \text{Rs. } 6,23,00,000 / 15,00,000$$

$$= \text{Rs. } 41.53 \text{ per share}$$

(c) Basic EPS for the year 2021-2022

$$\text{Basic EPS} = \text{Total Earnings} - \text{Preference Shares Dividend} / (\text{Total shares outstanding at the beginning} + \text{Bonus issue} + \text{weighted average of the shares issued in January, 2022})$$

$$= (\text{Rs. } 90,00,000 - \text{Rs. } (1,00,00,000 \times 8\%)) / (10,00,000 + 5,00,000 + (2,00,000 \times 3/12))$$

$$= \text{Rs. } 82,00,000 / 15,50,000 \text{ shares}$$

$$= \text{Rs. } 5.29 \text{ per share}$$

(ii) In case of a bonus issue, equity shares are issued to existing shareholders for no additional consideration. Therefore, the number of equity shares outstanding is increased without an increase in resources. Since the bonus issue is an issue without consideration, the issue is treated as if it had occurred prior to the beginning of the year 2021, the earliest period reported.

However, the share issued at full market price does not carry any bonus element and usually results in a proportionate change in the resources available to the enterprise. Therefore, it is taken into consideration from the time it has been issued i.e., the time-weighting factor is considered based on the specific shares outstanding as a proportion of the total number of days in the period

SERIES 300 - QUESTIONS ON RIGHT ISSUE**Q.AS20.SM.301:**

X Ltd. supplied the following information. You are required to compute the basic earnings per share:

(Accounting year 1.1.20X1 – 31.12.20X1)	
Net Profit	: Year 20X1: Rs. 20,00,000 : Year 20X2: Rs. 30,00,000
No. of shares outstanding prior to right issue	: 10,00,000 shares

Right issue: one new share for every four outstanding i.e., 2,50,000 shares

Right issue price – Rs. 20

Last date of exercise rights – 31.3.20X2

Fair rate of one Equity share immediately Prior to exercise of rights on 31.3.20X2: Rs. 25

Q.AS20.SM.302: (Also in RTP N23, MTP Mar 19 & Similar in Nov. 19 Exams)

From the following information, you are required to compute the basic and adjusted Earnings per share:



Net profit for 2015-16	11 lakh
Net profit for 2016-17	15 lakh
No. of shares issued before rights issue	5 lakhs
Right issue	One for every 5 held
Right issue price	15 per share
Last date of exercising right option	1-06-2016
Fair value of shares before right issue	21 per share

SOLUTIONS OF ABOVE QUESTIONS OF SERIES 300

SOLUTION: Q301

Computation of Basic Earnings Per Share
(as per paragraphs 10 and 26 of AS 20 on Earnings Per Share)

	Year 20X1 Rs.	Year 20X2 Rs.
EPS for the year 20X1 as originally reported		
Net profit of the year attributable to equity shareholders	2.00	
Weighted average number of equity shares out standing during the year = (Rs. 20,00,000 / 10,00,000 shares)		
EPS for the year 20X1 restated for rights issue = [Rs. 20,00,000 / (10,00,000 shares × 1.04)]	1.92 (approx.)	
EPS for the year 20X2 including effects of rights issue Rs. 30,00,000 (10,00,000 shares × 1.04 × 3/12) + (12,50,000 shares × 9/12) Rs. 30,00,000 11,97,500 shares		2.51 (approx.)

Working note:

1. Computation of theoretical ex-rights fair value per share

$$\frac{\text{Fair value of all outstanding shares immediately prior to exercise of rights} + \text{Total amount received from exercise}}{\text{Number of shares outstanding prior to exercise} + \text{Number of shares issued in the exercise}}$$

$$\frac{(\text{Rs.}25 \times 10,00,000 \text{ shares}) + (\text{Rs.}20 \times 2,50,000 \text{ share})}{10,00,000 \text{ shares} + 2,50,000 \text{ shares}} = \frac{\text{Rs.}3,00,00,000}{12,50,000 \text{ shares}} = \text{Rs.} 24$$

2. Computation of adjustment factor

$$= \frac{\text{fair value per share prior to exercise of rights}}{\text{theoretical ex-rights value per share}} = \text{Rs.} 25/\text{RS.} 24 = \text{Rs.} 1.04 \text{ (approx.)}$$

ANSWER: Q302

Computation of theoretical ex-rights fair value per share

$$\frac{\text{Fair value of all outstanding shares immediately prior to exercise of rights} + \text{Total amount received from exercise of rights}}{\text{Number of shares outstanding prior to exercise} + \text{number of shares issued in the exercise}}$$

$$\frac{(\text{Rs.} 21.00 \times 5,00,000 \text{ shares}) + (\text{Rs.}15.00 \times 1,00,000 \text{ shares})}{5,00,000 \text{ shares} + 1,00,000 \text{ shares}}$$

Theoretical ex-rights fair value per share = Rs. 20.00

(a) Computation of adjustment factor

$$(b) \frac{\text{Fair value per share prior to exercise of rights}}{\text{Theoretical ex-right value per share}} = \frac{\text{Rs.}(21.00)}{\text{Rs.}(20.00)} = 1.05$$

Computation of earnings per share

	Year 2015-16	Year 2016-17
EPS for the year 2015-16 as originally reported: (Rs. 11,00,000/5,00,000 shares)	Rs. 2.20	
EPS for the year 2015-16 restated for rights issue: [Rs. 11,00,000/ (5,00,000 shares x 1.05)]	Rs. 2.10	
EPS for the year 2016-17 including effects of rights issue Rs. 15,00,000 $\frac{(5,00,000 \times \frac{1.05}{12}) + (6,00,000 \times \frac{10}{12})}{12}$		Rs. 2.55

SERIES 400 - QUESTIONS ON DEPS

Q.AS20.SM.401: (RTP May'25)

Net profit for the current year	Rs. 1,00,00,000
No. of Equity shares outstanding	50,00,000 No.
No. of 12% convertible debentures of Rs. 100 each (Each debenture is convertible into 10 equity shares)	1,00,000 No.
Interest on debenture for the current year	Rs. 12,00,000
Tax Saving relating to interest expense (30%)	Rs. 3,60,000

Compute Diluted Earnings Per Share

Q.AS20.SM.402:

Net Profit for the year 2020	Rs. 12,00,000
Weighted Avg. number of equity shares outstanding during the year 2020	5,00,000 shares
Avg. Fair Value of one equity share during the year 2020	Rs. 20.00
Weighted Avg. number of equity shares under option during the year 2020	1,00,000 shares
Exercise price for shares under option during the year 2020	Rs. 15

Compute Basic and Diluted Earnings Per Share.

Q.AS20.SM.403:

No. of equity shares outstanding = 30,00,000 Basic earnings per share ₹ 5.00

No. of 12% convertible debentures of ₹ 100 each; 50,000 Each debenture is convertible into 10 equity shares

Tax Rate 30%

Compute Diluted Earnings per Share.

Working notes should form part of the answer.

Q.AS20.RMP.404: (Exam May'24 - 4 Marks)

ON 1st April 2023, ABC Limited has given the following information:



	Rs.
50,000 equity shares of Rs. 100 each (Rs. 80 paid up by all shareholders)	40,00,000
2,00,000 8% Preference shares of Rs. 10 each	20,00,000
10,000 12% Debentures of Rs. 100 each	10,00,000
(Each debenture is convertible into 3 equity shares of Rs. 100 each)	

On 1st July, 2023 the remaining Rs. 20 was called up and paid by all the shareholders except one shareholder holding 10,000 equity shares. During the year 2023-24 the company had a profit after tax of Rs. 3,44,000.

Tax rate is 30%.

You are required to compute Basis and Diluted EPS.

Q.AS20.SM.405: (Jan'25 Exam)

XYZ Limited has provided you the following information as on 31st March, 2024:

Particular	₹
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 no. 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 (Each debenture is convertible into 4 equity shares)	₹ 30,00,000
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. 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)

SOLUTIONS OF ABOVE QUESTIONS OF SERIES 400

SOLUTION: Q401

Adjusted net profit for the current year $(1,00,00,000 + 12,00,000 - 3,60,000) = \text{Rs. } 1,08,40,000$

No. of equity shares resulting from conversion of debentures: 10,00,000 Shares

No. of equity shares used to compute diluted EPS: $(50,00,000 + 10,00,000) = 60,00,000$ Shares

Diluted earnings per share: $(1,08,40,000/60,00,000) = \text{Rs. } 1.81$

SOLUTION Q402

Particulars	Earnings	Shares	EPS
Net Profit for the Year 2020	12,00,000	-	
Weighted avg. no. of shares 2020	-	5,00,000	
Basic EPS			2.40/-
No. of Shares under options	-	1,00,000	

Number of Shares that would have been issued at Fair Value (100000 x 15) / 20	-	(75,000)	
Diluted EPS	12,00,000	5,25,000	2.29/-

Note: The earnings have not been increased as the total number of shares has been increased only by the number of shares (25,000) deemed for the purpose of the computation to have been issued for no consideration.

SOLUTION Q403

Earnings for the year:

$$= \text{No. of Shares} \times \text{Basic EPS}$$

$$= 30,00,000 \text{ shares} \times ₹ 5 \text{ per share} = ₹ 1,50,00,000$$

Computation of Adjusted Net Profit:

$$= \text{Earnings for the year} + \text{Interest on debentures net of tax}$$

$$= 1,50,00,000 + (6,00,000 - 1,80,000) = ₹ 1,54,20,000$$

Computation of Adjusted Denominator:

$$\text{No. of equity shares resulting from conversion of debentures:}$$

$$= 50,000 \times 10 \text{ shares} = 5,00,000 \text{ shares}$$

$$\text{No. of equity shares for diluted EPS} = 30,00,000 + 5,00,000$$

$$= 35,00,000 \text{ shares}$$

Computation of Diluted EPS:

$$= ₹ 1,54,20,000 / 35,00,000 \text{ shares} = ₹ 4.4 \text{ per share.}$$

SOLUTION Q404

Basic Earnings per share (EPS) =

$$\frac{\text{Net profit attributable to equity shareholders}}{\text{Weighted average number of equity shares outstanding during the year}}$$

$$= \frac{1,84,000}{46,000 \text{ Shares (as per working note)}} = ₹ 4 \text{ per share}$$

Diluted earnings per share

Net profit for the current year	₹ 3,44,000
No. of equity shares outstanding	50,000
Basic earnings per share	₹ 4
No. of 12% convertible debentures of ₹ 100 each Each debenture is convertible into 3 equity shares	10,000
Interest expense for the current year	₹ 1,20,000
Tax relating to interest expense (30%)	₹ 36,000
Adjusted net profit for the current year	₹ (1,84,000 + 1,20,000 - 36,000) = ₹ 2,68,000
No. of equity shares resulting from conversion of debentures	30,000

No. of equity shares used to compute diluted earnings per share	$46,000 + 30,000 = 76,000$
Diluted earnings per share	$2,68,000 / 76,000 = ₹3.53$

Working Note:

- Net profit attributable to equity share holders = Net profit less preference dividends**
 Total earnings – preference shares dividend
 $₹ 3,44,000 - ₹ (8\% \times 20,00,000)$
 $₹ 3,44,000 - ₹ 1,60,000$
 $= ₹ 1,84,000$

- Calculation of weighted average number of equity shares**

As per AS 20 'Earnings Per Share', partly paid equity shares are treated as a fraction of equity share to the extent that they were entitled to participate in dividend relative to a fully paid equity share during the reporting period. Assuming that the partly paid shares are entitled to participate in the dividend to the extent of amount paid, weighted average number of shares will be calculated as follows:

Date	No. of equity shares	Amount paid per share	Weighted average no. of equity shares
	₹	₹	₹
01.04.2023	50,000	80	$50,000 \times 80/100 \times 3/12$ $= 10,000$
01.07.2023	40,000	100	$40,000 \times 9/12$ $= 30,000$
01.07.2023	10,000	80	$10,000 \times 80/100 \times 9/12$ $= 6,000$
Total weighted average equity shares			<u>46,000</u>

SOLUTION Q405**Computation of Basic Earnings per Share**

	Earnings ₹	No. of Shares	EPS ₹
Earnings per share for the year 2023- 2024	31,20,000	6,50,000 (W.N 2)	4.80

Computation of Dilutive Earnings per Share			
	Earnings ₹	Shares	EPS ₹
Net profit for the year	31,20,000		
Weighted average number of shares (W.N. 2) outstanding during year on 31.3.2024 (i)		6,50,000	

Number of shares under option		80,000	
Number of shares that would have been issued at fair value: $(80,000 \times 20.00)/25.00$		(64,000)	
No. of incremental shares issued for no consideration (ii)		16,000	
Diluted earnings per share after options	31,20,000	6,66,000 (i + ii)	4.68
12% Convertible Debentures (W.N. 3)	2,52,000	1,20,000	-
Diluted earnings	<u>33,72,000</u>	<u>7,86,000</u>	4.29

Working notes:**1. Computation of shares issued on bonus**

No. of shares outstanding as on 31 st March 2024	8,00,000
Less: Shares issued on 1 st Jan 2024	(2,00,000)
Outstanding shares as on 31 st December 2023	<u>6,00,000</u>
Bonus shares $(6,00,000 \times 1/(1+5))$	1,00,000
Outstanding shares before bonus issue as on 1 st April 2023 $(6,00,000 \times 5/6)$	5,00,000

2. Weighted Average number of Equity shares

	Shares	Months	Weighted average
Opening balance as on 1.4.2023	5,00,000 (W.N.1)	12/12	5,00,000
Bonus	1,00,000	12/12	1,00,000
Further issue of shares on 1.1.2024	2,00,000	3/12	<u>50,000</u>
			<u>6,50,000</u>

3. 12% Convertible Debentures

Increase in net profit	$\{₹ 30,00,000 \times 0.12 \times (1 - 0.30)\}$	₹ 2,52,000
No. of incremental shares	$\{30,000 \times 4\}$	1,20,000

SERIES 500- MISC. CATEGORY QUESTIONS**Q.AS20.SM.501: (MTP May 22)**

- (a) Stock options have been granted by AB Limited to its employees and they vest equally over 5 years, i.e., 20 per cent at the end of each year from the date of grant. The options will vest only if the employee is still employed with the company at the end of the year. If the employee leaves the company during the vesting period, the options that have vested can be exercised, while the others would lapse. Currently, AB Limited includes only the vested options for calculating Diluted EPS. Should only completely vested options be included for computation of Diluted EPS? Is this in accordance with the provisions of AS 20? Explain.
- (b) X Limited, as at March 31, 2021, has income from continuing ordinary operations of Rs. 2,40,000, a loss from discontinuing operations of Rs. 3,60,000 and accordingly a net loss of Rs. 1,20,000. The Company has 1,000 equity shares and 200 potential equity shares outstanding as at March 31, 2021. You are required to compute Basic and Diluted EPS?

SOLUTION:

- (a) The current method of calculating Diluted EPS adopted by AB limited is not in accordance with AS 20. The calculation of Diluted EPS should include all potential equity shares, i.e., all the stock options granted at the balance sheet date, which are dilutive in nature, irrespective of the vesting pattern. The options that have lapsed during the year should be included for the portion of the period the same were outstanding, pursuant to the requirement of the standard.
- AS 20 states that "A potential equity share is a financial instrument or other contract that entitles, or may entitle, its holder to equity shares". Options including employee stock option plans under which employees of an enterprise are entitled to receive equity shares as part of their remuneration and other similar plans are examples of potential equity shares. Further, for the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period should be adjusted for the effects of all dilutive potential equity shares.
- (b) As per AS 20 "Potential equity shares should be treated as dilutive when, and only when, their conversion to equity shares would decrease net profit per share from continuing ordinary operations". As income from continuing ordinary operations, Rs. 2,40,000 would be considered and not Rs. (1,20,000), for ascertaining whether 200 potential equity shares are dilutive or antidilutive. Accordingly, 200 potential equity shares would be dilutive potential equity shares since their inclusion would decrease the net profit per share from continuing ordinary operations from Rs. 240 to Rs. 200. Thus the basic E.P.S would be Rs. (120) and diluted E.P.S. would be Rs. (100).

Q.AS20.SM.502: (RTP Jan'25)

XYZ Limited has a wholly owned subsidiary BC Limited. The Group prepares consolidated Financial Statements for the year ended 31st March, 2024. XYZ Limited (in its separate financial statements) has incurred a loss of ₹ 2 crore during the year, while the consolidated profit for the group during the year is ₹ 40 lakh.

XYZ Limited has 5,00,000 shares outstanding as at 31st March, 2024. Further, it has granted options to issue equity shares as at that date. In respect of such options, 1,00,000 shares are considered to be the shares issued for no consideration. There are no changes in income or expenses that are expected from the issue of equity shares on exercise of these options.

Calculate Basic and Diluted EPS for XYZ Limited for separate financial statements and for the Group.

SOLUTION:

SOLUTION

Computation of earnings per share

Particulars	Consolidated financial statements	Standalone financial statements of XYZ Limited
Basic earnings/(loss) per share	₹ 8 [40,00,000/5,00,000]	(₹ 40) [2,00,00,000/5,00,000]
Diluted earnings/ (loss) per share	₹ 6.66	[40,00,000/ 6,00,000]

As per paragraph 39 of AS 20 "Potential equity shares should be treated as dilutive when, and only when, their conversion to equity shares would decrease net profit per share from continuing ordinary operations.

In the above case, if the exercise of options was considered for separate financial statements of XYZ Limited, the diluted loss per share would have reduced to ₹ 33.33 [2,00,00,000/6,00,000]. As this is antidilutive, the options would not be treated as potentially dilutive equity shares. Accordingly, in the separate financial statements of XYZ Limited, the Diluted EPS would be same as Basic EPS.