

# EARNINGS PER SHARE

AS  
20

1. AB Company Ltd. had 1,00,000 shares of common stock outstanding on January 1. 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.
  
6. Which of the following statements is correct?
  - (1) Options are generally dilutive in nature.
  - (2) Options are generally more dilutive as compared to other potential equity shares.
  - a) Both (1) and (2) are correct.
  - b) Both (1) and (2) are incorrect.
  - c) Only (1) is correct.
  - d) Only (2) is correct.

7. Which of the following is not a Potential Equity Share?
- Employee stock option
  - Share warrants
  - Cumulative Preference Shares
  - Shares issuable under a loan contract upon default of payment of principal or Interest
8. Number of shares outstanding as on 01-01-2023 are 2000. Fresh issue of 600 shares for cash on 31-05-2023. Buy back of 300 shares on 01-11-2023. Calculate weighted average outstanding number of shares.
- 2300 shares
  - 2500 shares
  - 2000 shares
  - 2800 shares
9. Opening balance of shares as on 01-01-2023 is 2000 shares. On 31-10-2023, issue of 600 shares of ₹ 10 each, ₹ 5 paid up. Calculate weighted average outstanding number of shares.
- 2100 shares
  - 2050 shares
  - 2000 shares
  - 1500 shares
10. XYZ Limited reported a net profit of ₹ 50,00,000 for the year ended 31st December 2022. The company had 20 Lakh ordinary shares outstanding throughout the year. On 1st July 2022, XYZ issued ₹ 30,00,000 of 5% convertible bonds of ₹100 each convertible into 10 shares. The bonds were outstanding for the entire year, and XYZ pays tax at a rate of 25%. Calculate the diluted earnings per share (EPS) for the year ended 31st December 2022.
- 1.80
  - 2.00
  - 2.50
  - 2.35
11. Earnings Per Share (EPS) is calculated for which class of securities?
- Equity shares
  - Preference shares
  - Debentures
  - Both a and b
12. When calculating Diluted Earnings Per Share (DEPS), what should be considered as potential equity shares?
- Convertible preference shares
  - Convertible debentures
  - Stock options
  - All of the above
13. If a company has a net profit of ₹ 800,000, dividends on preference shares of ₹ 50,000, and 150,000 equity shares outstanding, what is the Basic Earnings Per Share (BEPS)?

- a. 5.33
- b. 5.00
- c. 6.00
- d. 8.00

14. If converting a security to share will increase the DEPS then it is:

- a. Dilutive
- b. Anti-dilutive
- c. Accurate
- d. None of the above

15. While calculating DEPS, the net income is adjusted by the following amounts related to potential equity shares:-

- a. Interest savings
- b. Dividend savings
- c. any other expenses which will not incur after conversion in equity shares
- d. All of the above

### Answers:

- 1. (c)
- 2. (a)
- 3. (b)
- 4. (b)
- 5. (c)
- 6. (a)
- 7. (c)
- 8. (a)
- 9. (b)
- 10. (d)
- 11. (a)
- 12. (d)
- 13. (b)
- 14. (b)
- 15. (d)