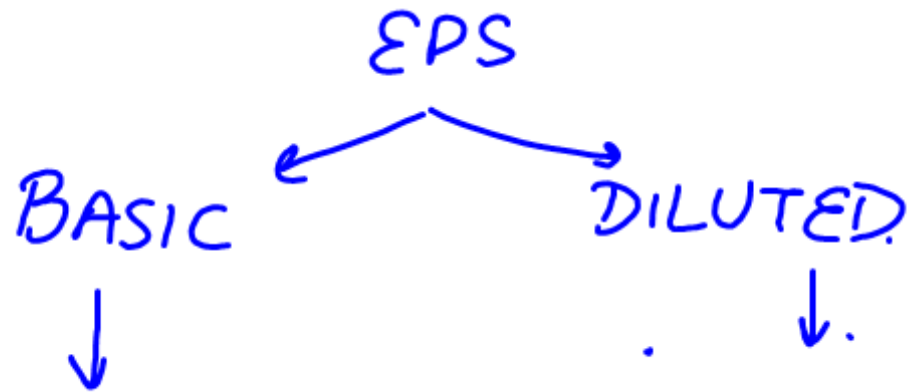


$$EPS = \frac{EAT - Dp \rightarrow \text{during the yr.}}{\text{no. of Eq Share}} \rightarrow \text{as on 31/3.}$$

$$PE = \frac{\text{Mkt price}}{EPS}$$



Basic EPS =

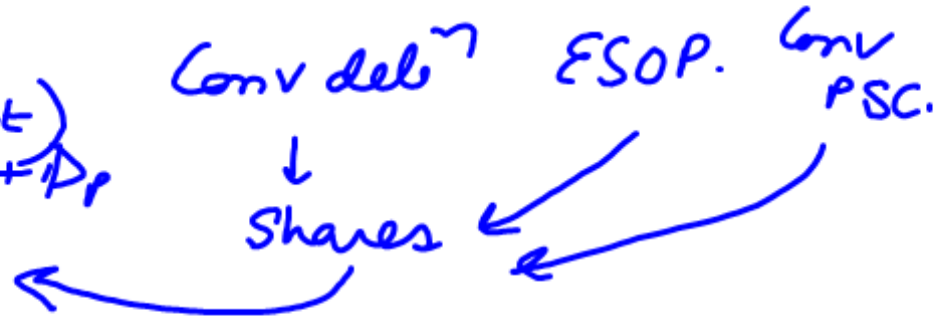
$$\frac{\text{EAT} - D_p + I(1-t)}{\text{wgt avg no. of } \epsilon_p \text{ Shares}}$$

Conv debⁿ

ESOP.

Conv
PSC.

Shares



Preference Dividend

- If **noncumulative** PSC ;
Recognised if the dividend is provided.
- If **cumulative** PSC , [^] whether provided or not. *Pref divd is recognised*

Shares issued which needs adjustments	Weight is from
<ul style="list-style-type: none"> ❖ Equity shares issued for cash ❖ Equity shares against conversion of debts. <ul style="list-style-type: none"> ❖ Equity shares against interest Or principal of financial instruments. ❖ Equity shares in exchange of some liability . ❖ Equity shares for acquisition of assets. ❖ Party paid shares. <p style="margin-left: 200px; color: blue;">100 Sh @ 60 Paid up</p>	<ul style="list-style-type: none"> ❖ Date of cash received. ❖ Date of conversion. ❖ Date when interest ceases to accrue. ❖ Date of settlement ❖ Date on which acquisition is recognised. ❖ Party paid shares are considered as fraction of fully paid equity shares. <p style="margin-left: 200px; color: blue;">60 Sh 60 Sh 60 paid up</p>

eg →

2000 of Rs 10 fully paid up

~~5000~~ of Rs 10 each 6 paid up. = 3000 of Rs 10 each.

Total no. of share = 2000 + 3000 = 5000 ✓

Q41.

$$\text{Basic EPS} = \frac{\text{EAT} - D_p}{\text{wgt avg no. of Shares}}$$

$$= \frac{46800 - 12000}{3000 \times \frac{5}{12} + 4200 \times \frac{5}{12} + 3400 \times \frac{2}{12}}$$

$$= 9.76$$

(J-May)
(Jun-Oct)
(Nov, Dec)

$$\text{EBT} = 72000$$

$$\text{Tax @ 35\%} = 25200$$

$$\text{EAT} = 46800$$

Q42.

$$\text{Basic EPS (2000)} = \frac{1800000}{2000000} = 0.9$$

$$\text{Basic EPS (2001)} = \frac{600000}{2000000 + 400000} = 1$$

P&L

		2001	2000
EPS	Basic	1	0.90
	Diluted		0.30

restated EPS = $\frac{1800000}{600000}$

Right Factor

$$\text{Theoretical Exright prices} = \frac{\text{Old no. of Shares} \times \text{Fair value} + \text{Right Share} \times \text{Exercise price}}{\text{old no. of Shares} + \text{Right Shares}}$$

$$\text{Right factor} = \frac{\text{Fair Value of Shares}}{\text{Theoretical Exright price}}$$

$$\text{Basic EPS} = \frac{\text{Profit}}{\left(\text{old no. of Sh} \times \text{Time} \times \text{Right factor} \right) + \left(\text{new no. of Shares} \times \text{Time Factor} \right)}$$

$$\text{Basic EPS (2000)} = \frac{1100000}{500000} = 2.2$$

$$\text{Basic EPS (2001)} = \frac{1500000}{500000 \times \frac{2}{12} \times 1.05 + 600000 \times \frac{10}{12}}$$

Theoretical
Ex right
price

$$= \frac{500000 \times 21 + 100000 \times 15}{600000} = 20.$$

Right factor = $\frac{21}{20} = 1.05$

DILUTED EPS : EPS is calculated adjusted with dilution effect .

NET PROFIT is :

- a) Increased by the dividends .
- b) Increased by amount of expense of interest, adjusted for any tax expense . $I(1-t)$
- c) Adjusted with after tax amount of any other expense . $Exp(1-t)$

WEIGHTED AVERAGE : No. of equity shares is increased by weighted average no. of shares assuming conversion of all dilutive potential shares.

DILUTED TEST :

- ✓ Each item of potential equity shares is considered separately.



If only one potential share is given

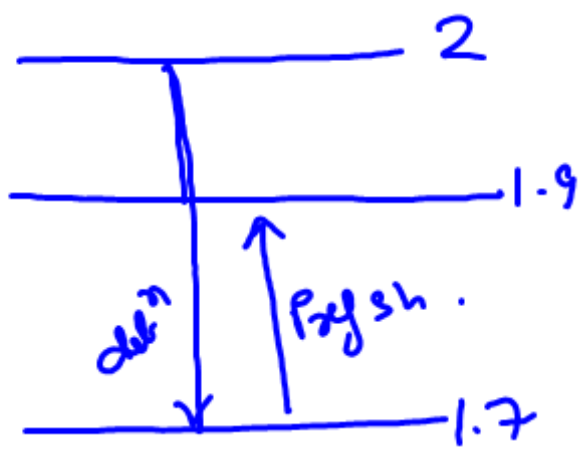
Q44

$$\text{Basic EPS} = \frac{10000000}{5000000} = 2.$$

$$I(1-t) = 100000 \times 100 \times 12\% (1 - 0.30) = 840000$$

$$\text{no. of new sh.} = 100000 \times 10 = 1000000 \text{ \– } \– \text{ shares}$$

$$\text{Diluted EPS} = \frac{10000000 + 840000}{5000000 + 1000000} = 1.81$$



Case : where there are many potential shares.

Potential Shares

↑SE in Share
(denominator)

↑SE in Profit
(Numerator)

Stock options

$$\text{Shares offered} \times \frac{(\text{Fair Value} - \text{Exercise Price})}{\text{Fair Value}} \quad 0$$

Conv debentures

Converted as
per prospectus

$$I(1-t)$$

Conv Pref Share

"

$$D_p(1+CDT)$$