

Case: Where there are many potential shares

Step 1: Find out Incremental EPS for each potential shares
& Rank them.

	Inc in Profits	Inc in Shares	Inc EPS	Rank
i) option	0	$100000 \times \frac{(75-60)}{75}$ $= 20000$	$\frac{0}{20000}$ $= 0$	1
ii) 8% Conv Pref Shares	$800000 \times 100 \times 8\%$ $+ 10\%$ <hr/> 7040000	800000×2 $= 1600000$	$\frac{7040000}{1600000}$ $= 4.40$	3
iii) 12% Convertible debentures	$10 \text{ Crores} \times 12\% \times (1-0.3)$ $= 8400000$	$\frac{100000000 \times 4}{100}$ $= 4000000$	$\frac{8400000}{4000000}$ $= 2.10$	2

Step 2: Calculation of Basic & Diluted EPS

Particular	PROFIT	NO. of SHARES	EPS
Basic EPS	100000000	20000000	5
Basic EPS + option	100000000 + 0	20000000 + 20000 = 20200000	4.95
Basic EPS + option + Conv. deb ⁿ	100000000 + 0 + 84000000 = 184000000	20200000 + 40000000 = 60200000	3.06 ✓
Basic EPS + option + Conv deb ⁿ + Conv pref Sh.	184000000 + 7040000 <hr/> 25440000	60200000 + 16000000 <hr/> 76200000	3.84 antidilutive

Accounting Standard 12

Accounting of Govt Grant

Govt Grant : Assistance by govt in form of Cash or kind to an enterprise for past or future compliance of certain condition.

AS doesnot deal with

- 1) Govt assistance in form of tax holiday in backward area or tax exemption.
- 2) Govt participation in ownership.

Govt Grant is Recognised when

① If Grant is to be received rarely / first time
→ then Grant is recognised only if it is
VIRTUALLY CERTAIN.

② If Grant is available for recurring basis
→ then Grant is recognised only if it is
REASONABLY CERTAIN.

When Grant is recognised

Case 1: When Grant is received against an abnormal event
e.g: Earthquake, disasters, air crash, terrorist attack

Bank Dr
to P&L → Income in P&L as extraordinary items (AS5)

When Refund is done

P&L Cr
to Bank
(Expense in P&L as extraordinary item)

When Grant is recognised

Case 2: When grant is like
a promoter's contribution

eg → Jute Industry is promoted
to be estb in a particular
area, when govt offers grant

Bank Dr

to Capital Reserve / Capital
fund
(NPO)

When Refund is done

Capital Reserve Dr
to Bank

When Grant is recognised

Case 3: Where grant is against depreciable asset. eg → P&M

A/c No 1: Reducing that asset value

P&M Dr 10	+	Bank Dr 4
to Bank 10		to P&M 4
(Purchase of asset)		(grant received)

B/S	P&M	10	
		4	
		6	→ dep on 6 lakhs

If Grant is full amount then show at nominal value

P&M	10 L	
- Grant	10 L	Rs //

When Refund is done

After 2 years, grant of 3 lakh is refundable.

B/S	P&M	6
	- depr	1.2 x 2
		3.6

P&M Dr 3
to Bank 3

B/S shows P&M at 6.6

∴ depr now onwards is at 6.60.

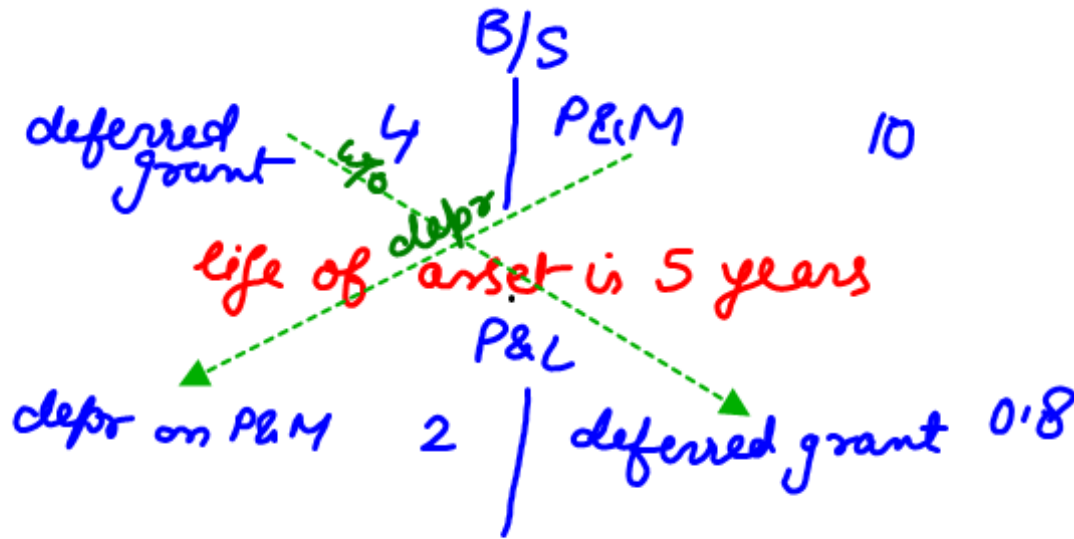
depr $\frac{6.60}{3} = 2.20 \text{ p.a.}$

When Grant is recognised

AT No 2

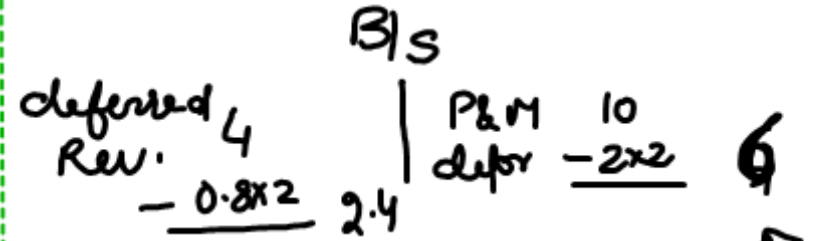
Showing Grant as deferred revenue income

P&M Dr 10 + Bank Dr 4
 to Bank 10 + to deferred Rev 4
 (pay of P&M) (Grant)



When Refund is done

After 2yrs, refund = 3L



deferred Rev Dr 2.4
 P&M Dr 0.6
 to Bank 3

∴ Again P&M = 6.6
 depr = 2.20

When Grant is recognised

When Refund is done

Case 4: When Grant is against
nondepr asset eg: purchase of land

AT No 1: Reduce Grant from the
cost of land

Land Dr 10 + Bank Dr 4
to Bank 10 to Land 4

B/S	
Land	10
	<u>-4</u>
	6

If land is received against full grant
then show at Nominal Value

Land Dr
to Bank

When Grant is recognised

When Refund is done

AT No 2

Grant is shown as Capital Reserve

Land Dr 10
to Bank 10

B/S	
CR 4	Land 10

Bank Dr 4
to Capital Reserve 4

CR Dr	4
TO Bank	4

Disclosure

- 1) The A/c policy adopted for govt grant
- 2) Nature & extent of grant recognised in financial statements including those which are free of cost.