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 × 100 × 8% + 10% = 7040000	800000 × 2 = 1600000	$\frac{7040000}{1600000}$ = 4.40	3
iii) 12% Convertible debentures	10 crore × 12% × (1-0.3) = 8400000	$\frac{10000000}{100} \times 4$ = 4000000	$\frac{8400000}{4000000}$ = 2.10	2

Step 2: Calculation of Basic & Diluted EPS

Particular	PROFIT	NO. of SHARES	EPS
Basic EPS	10000000	2000000	5
Basic EPS + option	10000000 + 0	2000000 + 20000 = 2020000.	4.95
Basic EPS + option + Conv. debn	10000000 + 0 + 8400000 = 18400000	2020000 + 4000000 = 6020000	3.06 ✓
Basic EPS + option + Conv debn + Conv pref Sh.	18400000 + 7040000 = 25440000	6020000 + 1600000 = 7620000	~~3.34~~ antidilutive

Accounting Standard 12
Accounting of Govt Grant

Govt Grant : Assitance 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	When Refund is done
Case 1: When Grant is received against an abnormal event e.g: Earthquake, disasters, aircrash, terrorist attack	
Bank Dr to P&L → Income in P&L as extraordinary items (AS 5)	P&L Dr to Bank (Expense in P&L as extraordinary item)

When Grant is recognised	When Refund is done
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)	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
 to Bank 10
(Pur of asset)

+

Bank Dr 4
 to P&M 4
(grant received)

B/S

P&M 10
−4
6 → depr on 6 lakhs

If Grant is full amount then show at nominal value

P&M 10 L
−Grant 10 L
Rs 1

When Refund is done

After 2 years, grant of 3 lakh is refundable.

B/S

P&M 6
−depr 1.2x2
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 $\frac{6.60}{3} = 2.20$ p.a.

When Grant is recognised

AT No 2

Showing Grant as deferred revenue income

P&M Dr 10
to Bank 10
(purc of P&M)

+

Bank Dr 4
to deferred Rev 4
(Grant)

B/S

deferred grant	4	P&M	10

4/10 depr

life of asset is 5 years

P&L

depr on P&M	2	deferred grant	0.8

When Refund is done

After 2yrs, refund = 3L

B/S

deferred Rev.	4		P&M	10	
-0.8×2		2.4	depr	-2×2	6

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: pur of land	
AT No 1: Reduce Grant from the cost of land	
Land Dr 10 to Bank 10 + Bank Dr 4 to Land 4	Land Dr to Bank
B/S Land $\frac{10}{-4}$ 6	
If land is received against full grant then Show at Nominal Value	

When Grant is recognised	When Refund is done

AT No 2

Grant is shown as Capital Reserve

Land Dr 10
to Bank 10

Bank Dr 4
to Capital Reserve 4

B/S

CR 4	Land 10

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.