

every Co. must show EPS (Basic & Diluted) on face of P&L

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

An enterprise should present basic & diluted
EPS on the face of P & L A/c, even if it is
negative.

$$\begin{array}{r}
 11 \\
 \hline
 BT = 72000 \\
 \times \quad 25200 \\
 \hline
 AT = 46800 \\
 P. \quad 12000 \\
 \hline
 = E \quad 34800. \\
 \hline
 \end{array}$$

$$\begin{aligned}
 \text{Basic EPS} &= \frac{\text{EAT} - Pp}{\text{wgt avg no. of Sh}} \\
 &= \frac{34800}{\left(3000 \times \frac{5}{12}\right) + \left(4200 \times \frac{5}{12}\right) + (340)} \\
 &= 9.76
 \end{aligned}$$

$$\text{EPS (2000)} = \frac{180000}{200000} = 0.9$$

$$\text{EPS (2001)} = \frac{60000}{(200000 + 400000)} = 1$$

$$\text{EPS (2000 restated)} = \frac{180000}{600000} = 0.33$$

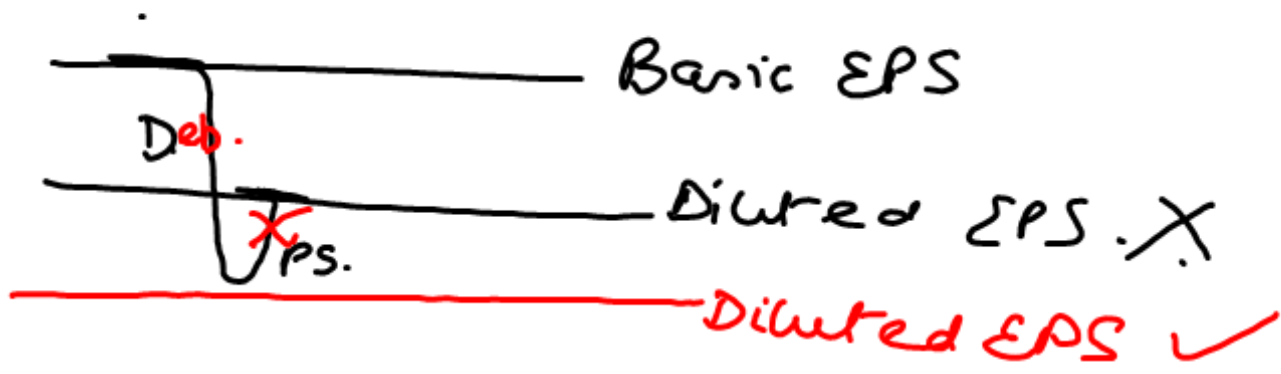
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$$\text{Theoretical Ex Right Price} = \frac{\left(\text{old no. of shares} \times \text{fair value} \right) + \left(\text{new no. of share} \times \right)}{\text{Total no. of sh.}}$$

$$\text{Right factor} = \frac{\text{Fair Value}}{\text{Theoretical Ex right price}}$$

$$\text{Basic EPS} = \frac{\text{EAT} - \text{DP}}{\left(\text{old no. of sh} \times \text{Right factor} \times \text{Time factor} \right) + \left(\text{Total Shares} \right)}$$

$$\text{Diluted EPS} = \frac{\text{EAT} - D_p + I(1-t) + D_p(1+t)}{\text{no. of Sh} + \text{Conv deb}^n + \text{Reg SL Conv}}$$



<u>Potential share</u>	<u>no. of share</u>	<u>Increase in</u>
Convertible deb ⁿ	no. of deb ⁿ x Shares offered	$I(1+t)$
Convertible Pref Sh	no. of Pref Sh x Shares offered	$D_p(1+c)$
ESOP	$\left(\frac{\text{Fair Value} - \text{Exercise price}}{\text{Fair Value}} \right) \text{Sh. offered}$	0

$$\text{Basic EPS} = \frac{1000000}{500000} = 2$$

$$\text{Diluted EPS} = \frac{1000000 + 1200000(1-0.30)}{500000 + 100000 \times 10}$$

$$= \frac{1084000}{600000} = 1.81$$

Ques on Antidilution Test (where there are more than one potential

	Incremental Profit	Incremental No. of Shares	Incremental EPS
Option	0	$\left(\frac{75-60}{75}\right) 100000$ = 20000	0
3% conv pref Shares	$800000 \times 100 \times 8\%$ $\times (1+10\%)$ = 7040000	800000×2 = 1600000	4.4
conv Deb ⁿ .	$10000000 \times 12\%$ $\times (1-0.3) = 8400000$	1000000×4 = 4000000	2.1

	Total Profit	Total no. of shares	EPS.
ic.	10000000	2000000	5
c + item	10000000	2000000 + 2000 = 2020000	4.95
c + on + venture	10000000 + 0 + 8400000 = 18400000	2000000 + 2000 + 400000 = 6020000	3.05 ✓
ic + on + venture + shares	18400000 + 7040000 <hr/> 25440000	6020000 + 160000 <hr/> 7620000	3.84 antidul

$$\text{Basic EPS} = 5$$

$$\text{Diluted EPS} = 3.06$$

13. Basic EPS(200) = $\frac{110000}{50000} = 2.20.$

Weighted Avg Price after split issue) = $\frac{(50000 \times 21) + (10000 \times 15)}{60000} = 20.$

$R_f = \frac{21}{20} = 1.05$


EPS = $\frac{150000}{\left(50000 \times 1.05 \times \frac{2}{12}\right) + \left(60000 \times \frac{10}{12}\right)} = 6.7$

Shares issued which needs adjustments

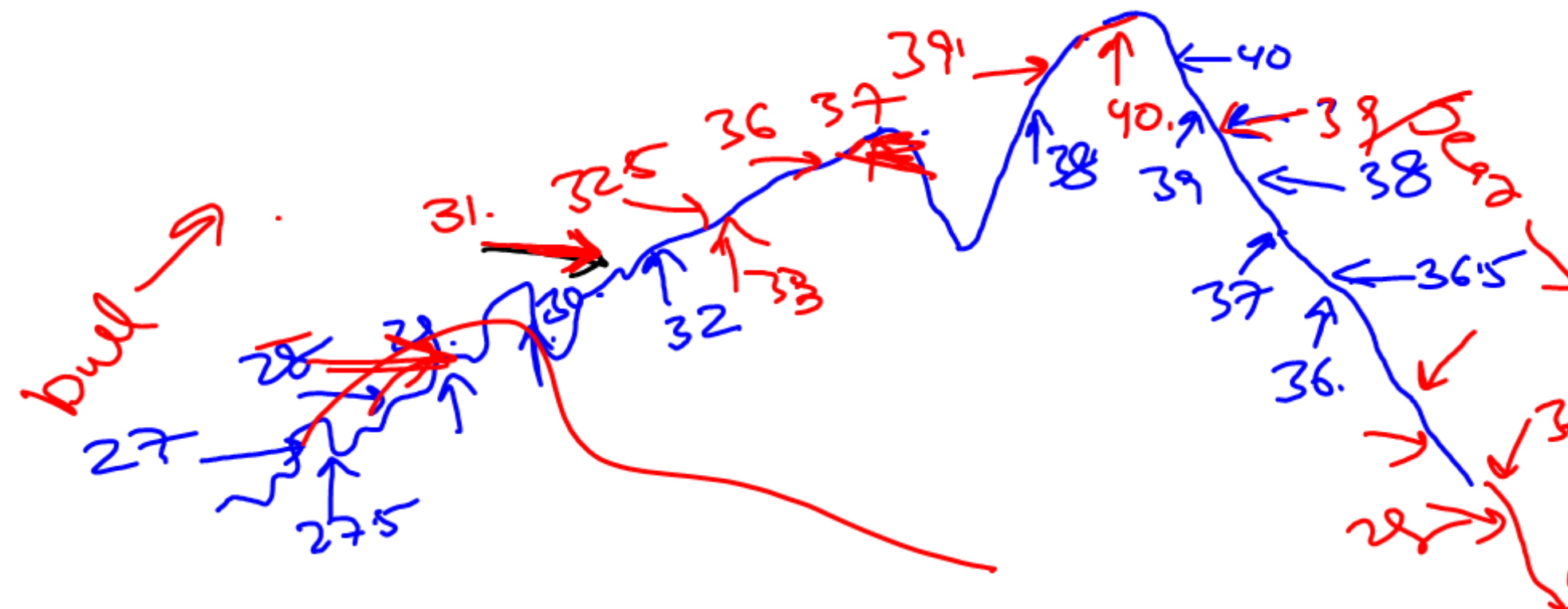
- ❖ Equity shares issued for cash
- ❖ Equity shares against conversion of debts.
 - ❖ Equity shares against interest Or principal of financial instruments.
 - ❖ Equity shares in exchange of some liability .
- ❖ Equity shares for acquisition of assets.
- ❖ Party paid shares.

Weight is from

- ❖ 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.


 10000 of Rs 10 6 paidup 6000 sh. of Rs 10.

$$\underline{PE} \uparrow = \frac{\text{MKT price}}{\text{EPS.}} \uparrow$$



ESOP

Black Sholes Formula

No. of Shares = Fair Value

