

Preface
 $\times \text{EPS} =$

$$\frac{\text{EAT} - \text{Dp}}{\text{no. of sh.}}$$

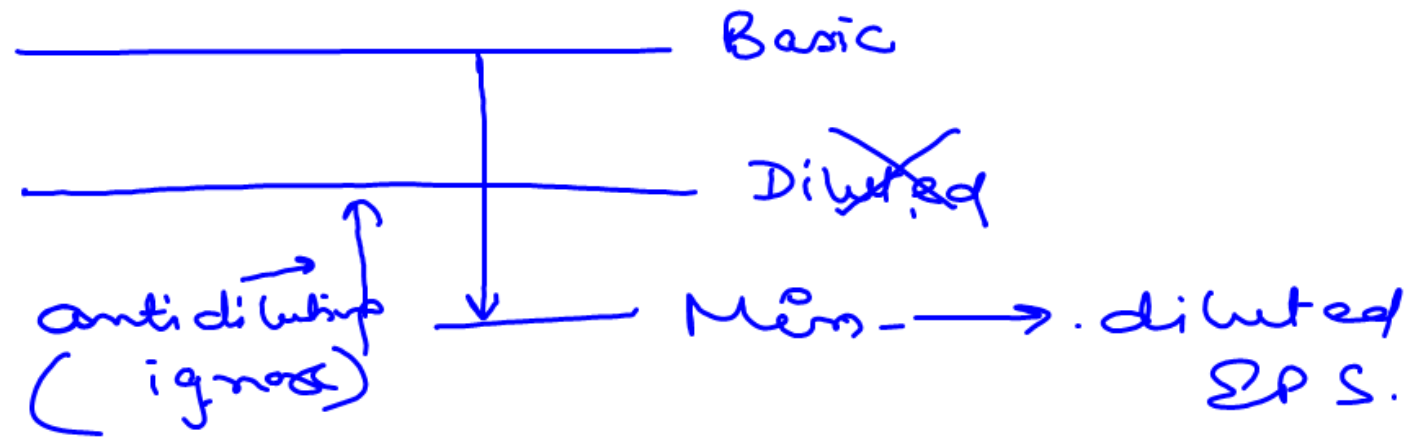
during
as on 31/3 during

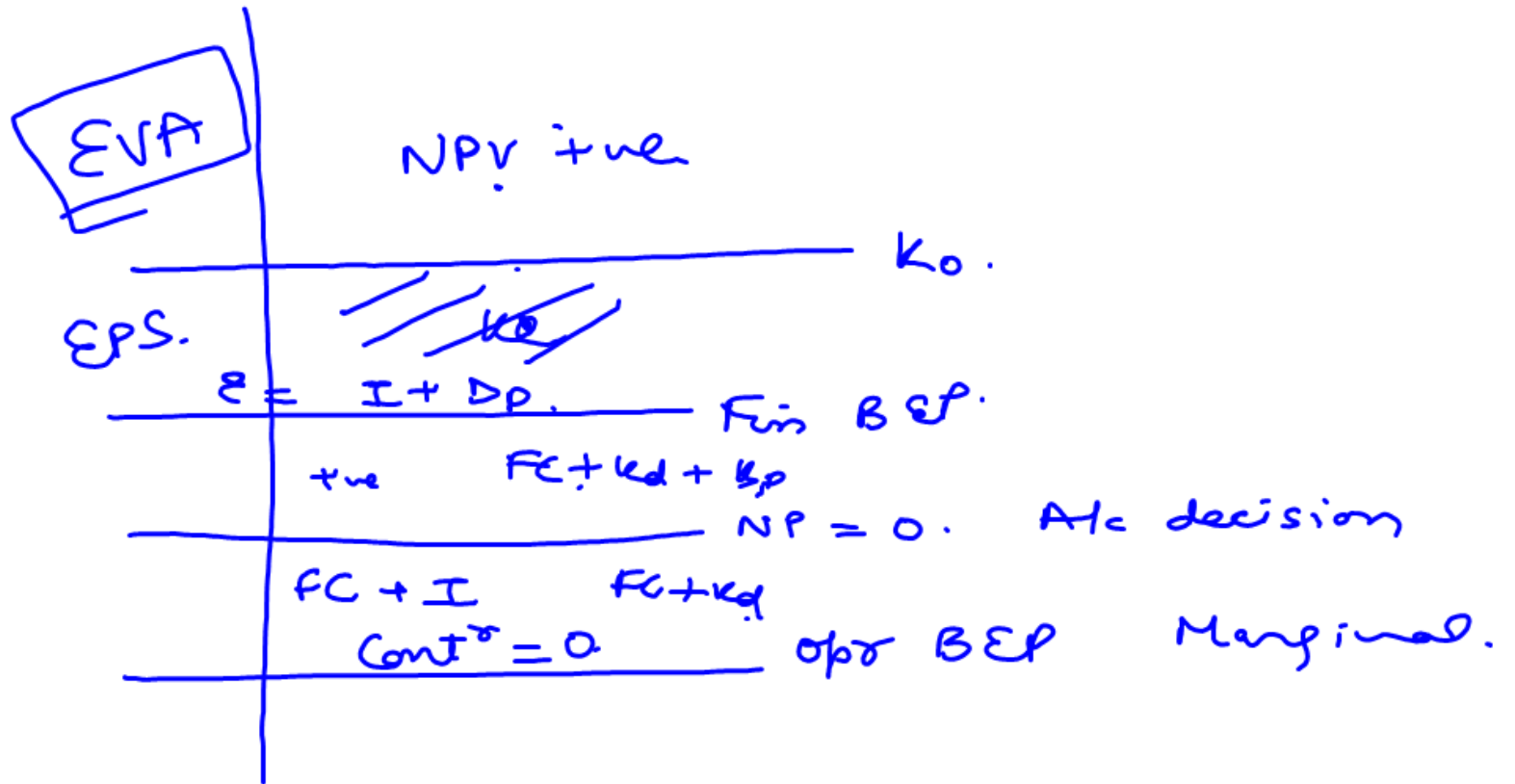
Basic EPS = $\frac{\text{EAT} - \text{Dp}}{\text{wgt avg no. of sh.}}$

Before

Diluted EPS \uparrow = $\frac{\uparrow (\text{EAT} - \text{Dp}) + I(1-t) + \text{Dp}(1+\text{Coll})}{\uparrow \text{wgt avg no. of sh.} + \text{new share}}$

After.





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 x 40 paid
of Rs 100
5000 of 100 paid



∴ 4000 x 100
5000 x 100
9000.

$$\begin{array}{r}
 \text{PBT} = 72000 \\
 - \text{Tax} \quad 25200 \\
 \hline
 \text{PAT} \quad 46800 \\
 - \text{Dp } 12\% / 10000 = 12000 \\
 \hline
 \text{PAT-Dp} \quad 34800
 \end{array}$$

$$\text{Basic EPS} = \frac{\text{EAT-Dp}}{\text{wtd no. of shares}}$$

$$= \frac{34800}{\left(3000 \times \frac{5}{12} + 4200 \times \frac{5}{12} + 3400 \times \frac{2}{12} \right)}$$

$$= 9.76$$

Q42.

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

$$\text{Basic EPS (2001)} = \frac{600000}{200000 + 400000} = 1$$

$$\text{Restated EPS} = \frac{180000}{600000} = 0.33$$

Q43. Basic EPS (2000) = $\frac{110000}{50000} = 2.20$

Basic EPS (2001).

$$\text{avg price} = \frac{50000 \times 21 + 10000 \times 15}{60000} = 20.$$

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

$$\text{Basic EPS} = \frac{150000}{\left(30000 \times \frac{2}{12} \times 1.05 + 60000 \times \frac{10}{12} \right)}$$



Potential shares

↑ se in Earning

↑ se in shares

Con^v debenture etc

$$I(1-t)$$

Con^v debⁿ x no. of
share
offered

Con^v pref share

$$D_p(1 + cdt)$$

Con^v PSC x no. of
Share

ESOP

0

$$\left(\frac{FV - \text{Offer price}}{FV} \right) \text{no. of Share offered.}$$

Shares against Contract

$$\text{Exp Saved}(1-t)$$

no. of sh offered

Q44.

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

Diluted EPS.

$$= \frac{1000000 + 120000(1-0.30)}{500000 + 100000 \times 10}$$

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

Q45.

option	<u>↑Se in Earning</u>	<u>↑Se in share</u>	<u>Incremental EPS</u>	Rank.
option	0	$1000000 \times \left(\frac{75-60}{75} \right)$ = 200000	$\frac{0}{200000}$ = 0	1
Convertible Pref share	800000×100 $\times 8\% \times (1+0.1)$ = 7040000	800000×2 = 1600000	$\frac{7040}{1600}$ = 4.4	3
Conv. debentures	$1000000 \times 120 \times 12\%$ $\times (1-0.3)$ = 8400000	1000000×4 = 4000000	$\frac{8400}{4000}$ = 2.10	2

Calculation of diluted EPS.

Pot. Shares	Total Earnings	Total no. of Shares	EPS	Dil / Anti dil
Basic EPS	10000000	20,000,000	5	
Basic + option	10000000 + 0 = 10000000	20000000 + 20000 = 20200000	4.95	Dil
Basic + option + Conv deb ⁿ	10000000 + <u>8400000</u> 18400000	20200000 + <u>4000000</u> 60200000	3.06 ✓	Dil
Basic + option + Conv deb ⁿ + Conv PSC	18400000 + <u>7040000</u> 25440000	60200000 + <u>16000000</u> 76200000	3.34	Anti dil