STATUTORY BOARD FINANCIAL REPORTING STANDARD

SB-FRS 33

Earnings per Share

Illustrative Examples

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Illustrative examples

These examples accompany, but are not part of, SB-FRS 33.

Example 1 Increasing rate preference shares

Reference: SB-FRS 33, paragraphs 12 and 15

Entity D issued non-convertible, non-redeemable class A cumulative preference shares of CU100 par value on 1 January 20X1. The class A preference shares are entitled to a cumulative annual dividend of CU7 per share starting in 20X4.

At the time of issue, the market rate dividend yield on the class A preference shares was 7 per cent a year. Thus, Entity D could have expected to receive proceeds of approximately CU100 per class A preference share if the dividend rate of CU7 per share had been in effect at the date of issue.

In consideration of the dividend payment terms, however, the class A preference shares were issued at CU81.63 per share, ie at a discount of CU18.37 per share. The issue price can be calculated by taking the present value of CU100, discounted at 7 per cent over a three-year period.

Because the shares are classified as equity, the original issue discount is amortised to retained earnings using the effective interest method and treated as a preference dividend for earnings per share purposes. To calculate basic earnings per share, the following imputed dividend per class A preference share is deducted to determine the profit or loss attributable to ordinary equity holders of the parent entity:

Year	*Carrying amount of class A preference shares 1 January*	*Imputed dividend* [1]	*Carrying amount of class A preference shares 31 December* [2]	*Dividend paid*
	CU	CU	CU	CU
20X1	81.63	5.71	87.34	–
20X2	87.34	6.12	93.46	–
20X3	93.46	6.54	100.00	–
Thereafter:	100.00	7.00	107.00	(7.00)

[1] at 7%

[2] This is before dividend payment.

Example 2 Weighted average number of ordinary shares

Reference: SB-FRS 33, paragraphs 19–21

		Shares issued	*Treasury shares* [3]	*Shares outstanding*
1 January 20X1	Balance at beginning of year	2,000	300	1,700
31 May 20X1	Issue of new shares for cash	800	–	2,500
1 December 20X1	Purchase of treasury shares for cash	–	250	2,250
31 December 20X1	Balance at year-end	2,800	550	2,250

Calculation of weighted average:

$(1{,}700 \times {}^{5}/_{12}) + (2{,}500 \times {}^{6}/_{12}) + (2{,}250 \times {}^{1}/_{12}) = 2{,}146$ shares *or*

$(1{,}700 \times {}^{12}/_{12}) + (800 \times {}^{7}/_{12}) - (250 \times {}^{1}/_{12}) = 2{,}146$ shares

[3] Treasury shares are equity instruments reacquired and held by the issuing entity itself or by its subsidiaries.

Example 3 Bonus issue

Reference: SB-FRS 33, paragraphs 26, 27(a) and 28

Profit attributable to ordinary equity holders of the parent entity 20X0	CU180
Profit attributable to ordinary equity holders of the parent entity 20X1	CU600
Ordinary shares outstanding until 30 September 20X1	200
Bonus issue 1 October 20X1	2 ordinary shares for each ordinary share outstanding at 30 September 20X1
	200 × 2 = 400

Basic earnings per share 20X1 $$\frac{\text{CU600}}{(200 + 400)} = \text{CU1.00}$$

Basic earnings per share 20X0 $$\frac{\text{CU180}}{(200 + 400)} = \text{CU0.30}$$

Because the bonus issue was without consideration, it is treated as if it had occurred before the beginning of 20X0, the earliest period presented.

Example 4 Rights issue

Reference: SB-FRS 33, paragraphs 26, 27(b) and A2

	20X0	20X1	20X2
Profit attributable to ordinary equity holders of the parent entity	CU1,100	CU1,500	CU1,800

Shares outstanding before rights issue	500 shares
Rights issue	One new share for each five outstanding shares (100 new shares total) Exercise price: CU5.00 Date of rights issue: 1 January 20X1 Last date to exercise rights: 1 March 20X1
Market price of one ordinary share immediately before exercise on 1 March 20X1:	CU11.00
Reporting date	31 December

Calculation of theoretical ex-rights value per share

$$\frac{\text{Fair value of all outstanding shares before the exercise of rights + total amount received from exercise of rights}}{\text{Number of shares outstanding before exercise + number of shares issued in the exercise}}$$

$$\frac{(\text{CU}11.00 \times 500 \text{ shares}) + (\text{CU}5.00 \times 100 \text{ shares})}{500 \text{ shares} + 100 \text{ shares}}$$

Theoretical ex-rights value per share = CU10.00

Calculation of adjustment factor

$$\frac{\text{Fair value per share before exercise of rights}}{\text{Theoretical ex-rights value per share}} \qquad \frac{\text{CU}11.00}{\text{CU}10.00} = 1.10$$

continued...

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Calculation of basic earnings per share

		20X0	20X1	20X2
20X0 basic EPS as originally reported:	CU1,100 ÷ 500 shares	CU2.20		
20X0 basic EPS restated for rights issue:	$\frac{\text{CU1,100}}{(\text{500 shares} \times 1.1)}$	CU2.00		
20X1 basic EPS including effects of rights issue:	$\frac{\text{CU1,500}}{(500 \times 1.1 \times {}^{2}/_{12}) + (600 \times {}^{10}/_{12})}$		CU2.54	
20X2 basic EPS:	CU1,800 ÷ 600 shares			CU3.00

Example 5 Effects of share options on diluted earnings per share

Reference: SB-FRS 33, paragraphs 45–47

Profit attributable to ordinary equity holders of the parent entity for year 20X1	CU1,200,000
Weighted average number of ordinary shares outstanding during year 20X1	500,000 shares
Average market price of one ordinary share during year 20X1	CU20.00
Weighted average number of shares under option during year 20X1	100,000 shares
Exercise price for shares under option during year 20X1	CU15.00

Calculation of earnings per share

	Earnings	*Shares*	*Per share*
Profit attributable to ordinary equity holders of the parent entity for year 20X1	CU1,200,000		
Weighted average shares outstanding during year 20X1		500,000	
Basic earnings per share			CU2.40
Weighted average number of shares under option		100,000	
Weighted average number of shares that would have been issued at average market price: (100,000 × CU15.00) ÷ CU20.00		(75,000)	
Diluted earnings per share	CU1,200,000[4]	525,000	CU2.29

[4] Earnings have not increased because the total number of shares has increased only by the number of shares (25,000) deemed to have been issued for no consideration (see paragraph 46(b) of the Standard).

Example 5A Determining the exercise price of employee share options

Weighted average number of unvested share options per employee	1,000
Weighted average amount per employee to be recognised over the remainder of the vesting period for employee services to be rendered as consideration for the share options, determined in accordance with SB-FRS 102 *Share-based Payment*	CU1,200
Cash exercise price of unvested share options	CU15

Calculation of adjusted exercise price

Fair value of services yet to be rendered per employee:	CU1,200
Fair value of services yet to be rendered per option: (CU1,200 ÷ 1,000)	CU1.20
Total exercise price of share options: (CU15.00 + CU1.20)	CU16.20

Example 6 Convertible bonds[5]

Reference: SB-FRS 33, paragraphs 33, 34, 36 and 49

Profit attributable to ordinary equity holders of the parent entity	CU1,004
Ordinary shares outstanding	1,000
Basic earnings per share	CU1.00
Convertible bonds	100
Each block of 10 bonds is convertible into three ordinary shares	
Interest expense for the current year relating to the liability component of the convertible bonds	CU10
Current and deferred tax relating to that interest expense	CU4

Note: the interest expense includes amortisation of the discount arising on initial recognition of the liability component (see SB-FRS 32 Financial Instruments: Presentation*).*

Adjusted profit attributable to ordinary equity holders of the parent entity	CU1,004 + CU10 – CU4 =CU1,010
Number of ordinary shares resulting from conversion of bonds	30
Number of ordinary shares used to calculate diluted earnings per share	1,000 + 30 = 1,030
Diluted earnings per share	$\frac{\text{CU1,010}}{\text{1,030}}$ = CU0.98

5 This example does not illustrate the classification of the components of convertible financial instruments as liabilities and equity or the classification of related interest and dividends as expenses and equity as required by SB-FRS 32.

Example 7 Contingently issuable shares

Reference: SB-FRS 33, paragraphs 19, 24, 36, 37, 41–43 and 52

Ordinary shares outstanding during 20X1	1,000,000 (there were no options, warrants or convertible instruments outstanding during the period)

An agreement related to a recent business combination provides for the issue of additional ordinary shares based on the following conditions:

	5,000 additional ordinary shares for each new retail site opened during 20X1
	1,000 additional ordinary shares for each CU1,000 of consolidated profit in excess of CU2,000,000 for the year ended 31 December 20X1
Retail sites opened during the year:	one on 1 May 20X1
	one on 1 September 20X1
Consolidated year-to-date profit attributable to ordinary equity holders of the parent entity:	CU1,100,000 as of 31 March 20X1
	CU2,300,000 as of 30 June 20X1
	CU1,900,000 as of 30 September 20X1 (including a CU450,000 loss from a discontinued operation)
	CU2,900,000 as of 31 December 20X1

Basic earnings per share

	First quarter	*Second quarter*	*Third quarter*	*Fourth quarter*	*Full year*
Numerator (CU)	1,100,000	1,200,000	(400,000)	1,000,000	2,900,000
Denominator:					
Ordinary shares outstanding	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Retail site contingency	–	3,333[6]	6,667[7]	10,000	5,000[8]
Earnings contingency[9]	–	–	–	–	–
Total shares	1,000,000	1,003,333	1,006,667	1,010,000	1,005,000
Basic earnings per share (CU)	1.10	1.20	(0.40)	0.99	2.89

6 5,000 shares × $^{2}/_{3}$

7 5,000 shares + (5,000 shares × $^{1}/_{3}$)

8 (5,000 shares × $^{8}/_{12}$) + (5,000 shares × $^{4}/_{12}$)

9 The earnings contingency has no effect on basic earnings per share because it is not certain that the condition is satisfied until the end of the contingency period. The effect is negligible for the fourth-quarter and full-year calculations because it is not certain that the condition is met until the last day of the period.

Diluted earnings per share

	First quarter	*Second quarter*	*Third quarter*	*Fourth quarter*	*Full year*
Numerator (CU)	1,100,000	1,200,000	(400,000)	1,000,000	2,900,000
Denominator:					
Ordinary shares outstanding	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Retail site contingency	–	5,000	10,000	10,000	10,000
Earnings contingency	–[10]	300,000[11]	–[12]	900,000[13]	900,000[13]
Total shares	1,000,000	1,305,000	1,010,000	1,910,000	1,910,000
Diluted earnings per share (CU)	1.10	0.92	(0.40)[14]	0.52	1.52

10 Company A does not have year-to-date profit exceeding CU2,000,000 at 31 March 20X1. The Standard does not permit projecting future earnings levels and including the related contingent shares.

11 [(CU2,300,000 — CU2,000,000) ÷ 1,000] × 1,000 shares = 300,000 shares.

12 Year-to-date profit is less than CU2,000,000.

13 [(CU2,900,000 — CU2,000,000) ÷ 1,000] × 1,000 shares = 900,000 shares.

14 Because the loss during the third quarter is attributable to a loss from a discounted operation, the antidilution rules do not apply. The control number (ie profit or loss from continuing operations attributable to the equity holders of the parent entity) is positive. According, the effect of potential ordinary shares is included in the calculation of diluted earnings per share.

Example 8 Convertible bonds settled in shares or cash at the issuer's option

Reference: SB-FRS 33, paragraphs 31–33, 36, 58 and 59

An entity issues 2,000 convertible bonds at the beginning of Year 1. The bonds have a three-year term, and are issued at par with a face value of CU1,000 per bond, giving total proceeds of CU2,000,000. Interest is payable annually in arrears at a nominal annual interest rate of 6 per cent. Each bond is convertible at any time up to maturity into 250 ordinary shares. The entity has an option to settle the principal amount of the convertible bonds in ordinary shares or in cash.

When the bonds are issued, the prevailing market interest rate for similar debt without a conversion option is 9 per cent. At the issue date, the market price of one ordinary share is CU3. Income tax is ignored.

Profit attributable to ordinary equity holders of the parent entity Year 1	CU1,000,000
Ordinary shares outstanding	1,200,000
Convertible bonds outstanding	2,000
Allocation of proceeds of the bond issue:	
Liability component	CU1,848,122[15]
Equity component	CU151,878
	CU2,000,000

The liability and equity components would be determined in accordance with SB-FRS 32 *Financial Instruments: Presentation*. These amounts are recognised as the initial carrying amounts of the liability and equity components. The amount assigned to the issuer conversion option equity element is an addition to equity and is not adjusted.

Basic earnings per share Year 1:

$$\frac{\text{CU}1{,}000{,}000}{1{,}200{,}000} = \text{CU}0.83 \text{ per ordinary share}$$

Diluted earnings per share Year 1:

It is presumed that the issuer will settle the contract by the issue of ordinary shares. The dilutive effect is therefore calculated in accordance with paragraph 59 of the Standard.

$$\frac{\text{CU}1{,}000{,}000 + \text{CU}166{,}331^{16}}{1{,}200{,}000 + 500{,}000^{17}} = \text{CU}0.69 \text{ per ordinary share}$$

[15] This represents the present value of the principal and interest discounted at 9% – CU2,000,000 payable at the end of three years; CU120,000 payable annually in arrears for three years.

[16] Profit is adjusted for the accretion of CU166,331 (CU1,848,122 × 9%) of the liability because of the passage of time.

[17] 500,000 ordinary shares = 250 ordinary shares × 2,000 convertible bonds

Example 9 Calculation of weighted average number of shares: determining the order in which to include dilutive instruments[18]

Primary reference: SB-FRS 33, paragraph 44

Secondary reference: SB-FRS 33, paragraphs 10, 12, 19, 31–33, 36, 41–47, 49 and 50

Earnings

	CU
Profit from continuing operations attributable to the parent entity	16,400,000
Less dividends on preference shares	(6,400,000)
Profit from continuing operations attributable to ordinary equity holders of the parent entity	10,000,000
Loss from discontinued operations attributable to the parent entity	(4,000,000)
Profit attributable to ordinary equity holders of the parent entity	6,000,000
Ordinary shares outstanding	2,000,000
Average market price of one ordinary share during year	CU75.00

Potential ordinary shares

Options	100,000 with exercise price of CU60
Convertible preference shares	800,000 shares with a par value of CU100 entitled to a cumulative dividend of CU8 per share. Each preference share is convertible to two ordinary shares.
5% convertible bonds	Nominal amount CU100,000,000. Each CU1,000 bond is convertible to 20 ordinary shares. There is no amortisation of premium or discount affecting the determination of interest expense.
Tax rate	40%

[18] This example does not illustrate the classification of the components of convertible financial instruments as liabilities and equity or the classification of related interest and dividends as expenses and equity as required by SB-FRS 32.

Increase in earnings attributable to ordinary equity holders on conversion of potential ordinary shares

		Increase in earnings	*Increase in number of ordinary shares*	*Earnings per incremental share*
		CU		CU
Options				
Increase in earnings		Nil		
Incremental shares issued for no consideration	100,000 × (CU75 – CU60) ÷ CU75		20,000	Nil
Convertible preference shares				
Increase in profit	CU800,000 × 100 × 0.08	6,400,000		
Incremental shares	2 × 800,000		1,600,000	4.00
5% convertible bonds				
Increase in profit	CU100,000,000 × 0.05 × (1 – 0.40)	3,000,000		
Incremental shares	100,000 × 20		2,000,000	1.50

The order in which to include the dilutive instruments is therefore:

1 Options

2 5% convertible bonds

3 Convertible preference shares

Calculation of diluted earnings per share

	Profit from continuing operations attributable to ordinary equity holders of the parent entity (control number)	*Ordinary shares*	*Per share*	
	CU		CU	
As reported	10,000,000	2,000,000	5.00	
Options	–	20,000		
	10,000,000	2,020,000	4.95	Dilutive
5% convertible bonds	3,000,000	2,000,000		
	13,000,000	4,020,000	3.23	Dilutive
Convertible preference shares	6,400,000	1,600,000		
	19,400,000	5,620,000	3.45	Antidilutive

Because diluted earnings per share is increased when taking the convertible preference shares into account (from CU3.23 to CU3.45), the convertible preference shares are antidilutive and are ignored in the calculation of diluted earnings per share. Therefore, diluted earnings per share for profit from continuing operations is CU3.23:

	Basic EPS	*Diluted EPS*
	CU	CU
Profit from continuing operations attributable to ordinary equity holders of the parent entity	5.00	3.23
Loss from discontinued operations attributable to ordinary equity holders of the parent entity	(2.00)[19]	(0.99)[20]
Profit attributable to ordinary equity holders of the parent entity	3.00[21]	2.24[22]

[19] (CU4,000,000) ÷ 2,000,000 = (CU2.00)

[20] (CU4,000,000) ÷ 4,020,000 = (CU0.99)

[21] CU6,000,000 ÷ 2,000,000 = CU3.00

[22] (CU6,000,000 + CU3,000,000) ÷ 4,020,000 = CU2.24

Example 10 Instruments of a subsidiary: calculation of basic and diluted earnings per share[23]

Reference: SB-FRS 33, paragraphs 40, A11 and A12

Parent:

Profit attributable to ordinary equity holders of the parent entity	CU12,000 (excluding any earnings of, or dividends paid by, the subsidiary)
Ordinary shares outstanding	10,000
Instruments of subsidiary owned by the parent	800 ordinary shares
	30 warrants exercisable to purchase ordinary shares of subsidiary
	300 convertible preference shares

Subsidiary:

Profit	CU5,400
Ordinary shares outstanding	1,000
Warrants	150, exercisable to purchase ordinary shares of the subsidiary
Exercise price	CU10
Average market price of one ordinary share	CU20
Convertible preference shares	400, each convertible into one ordinary share
Dividends on preference shares	CU1 per share

No inter-company eliminations or adjustments were necessary except for dividends.

For the purposes of this illustration, income taxes have been ignored.

Subsidiary's earnings per share

Basic EPS	CU5.00 calculated:	$\dfrac{\text{CU5,400}^{24} - \text{CU400}^{25}}{1{,}000^{26}}$
Diluted EPS	CU3.66 calculated:	$\dfrac{\text{CU5,400}^{27}}{(1{,}000 + 75^{28} + 400^{29})}$

[23] This example does not illustrate the classification of the components of convertible financial instruments as liabilities and equity or the classification of related interest and dividends as expenses and equity as required by SB-FRS 32.

[24] Subsidiary's profit attributable to ordinary equity holders.

[25] Dividends paid by subsidiary on convertible preference shares.

[26] Subsidiary's ordinary shares outstanding.

[27] Subsidiary's profit attributable to ordinary equity holders (CU5,000) increased by CU400 preference dividends for the purpose of calculating diluted earnings per share.

[28] Incremental shares from warrants, calculated: [(CU20 – CU10) ÷ CU20] × 150.

[29] Subsidiary's ordinary shares assumed outstanding from conversion of convertible preference shares, calculated: 400 convertible preference shares × conversion factor of 1.

Consolidated earnings per share

Basic EPS CU1.63 calculated: $\dfrac{\text{CU}12{,}000^{30} + \text{CU}4{,}300^{31}}{10{,}000^{32}}$

Diluted EPS CU1.61 calculated: $\dfrac{\text{CU}12{,}000 + \text{CU}2{,}928^{33} + \text{CU}55^{34} + \text{CU}1{,}098^{35}}{10{,}000}$

[30] Parent's profit attributable to ordinary equity holders of the parent entity.

[31] Portion of subsidiary's profit to be included in consolidated basic earnings per share, calculated: (800 × CU5.00) + (300 × CU1.00).

[32] Parent's ordinary shares outstanding.

[33] Parent's proportionate interest in subsidiary's earnings attributable to ordinary shares, calculated: (800 ÷ 1,000) × (1,000 shares × CU3.66 per share).

[34] Parent's proportionate interest in subsidiary's earnings attributable to warrants, calculated: (30 ÷ 150) × (75 incremental shares × CU3.66 per share).

[35] Parent's proportionate interest in subsidiary's earnings attributable to convertible preference shares, calculated: (300 ÷ 400) × (400 shares from conversion × CU3.66 per share).

Example 11 Participating equity instruments and two-class ordinary shares[36]

Reference: SB-FRS 33, paragraphs A13 and A14

Profit attributable to equity holders of the parent entity	CU100,000
Ordinary shares outstanding	10,000
Non-convertible preference shares	6,000
Non-cumulative annual dividend on preference shares (before any dividend is paid on ordinary shares)	CU5.50 per share

After ordinary shares have been paid a dividend of CU2.10 per share, the preference shares participate in any additional dividends on a 20:80 ratio with ordinary shares (ie after preference and ordinary shares have been paid dividends of CU5.50 and CU2.10 per share, respectively, preference shares participate in any additional dividends at a rate of one-fourth of the amount paid to ordinary shares on a per-share basis).

Dividends on preference shares paid	CU33,000	(CU5.50 per share)
Dividends on ordinary shares paid	CU21,000	(CU2.10 per share)

Basic earnings per share is calculated as follows:

	CU	CU
Profit attributable to equity holders of the parent entity		100,000
Less dividends paid:		
Preference	33,000	
Ordinary	21,000	
		(54,000)
Undistributed earnings		46,000

Allocation of undistributed earnings:

Allocation per ordinary share = A

Allocation per preference share = B; $B = {}^{1}/_{4}\,A$

$(A \times 10{,}000) + ({}^{1}/_{4} \times A \times 6{,}000) = CU46{,}000$

$A = CU46{,}000 \div (10{,}000 + 1{,}500)$

$A = CU4.00$

$B = {}^{1}/_{4}\,A$

$B = CU1.00$

Basic per share amounts:

	Preference shares	*Ordinary shares*
Distributed earnings	CU5.50	CU2.10
Undistributed earnings	CU1.00	CU4.00
Totals	CU6.50	CU6.10

[36] This example does not illustrate the classification of the components of convertible financial instruments as liabilities and equity or the classification of related interest and dividends as expenses and equity as required by SB-FRS 32.

Example 12 Calculation and presentation of basic and diluted earnings per share (comprehensive example)[37]

This example illustrates the quarterly and annual calculations of basic and diluted earnings per share in the year 20X1 for Company A, which has a complex capital structure. The control number is profit or loss from continuing operations attributable to the parent entity. Other facts assumed are as follows:

Average market price of ordinary shares: The average market prices of ordinary shares for the calendar year 20X1 were as follows:

First quarter	CU49
Second quarter	CU60
Third quarter	CU67
Fourth quarter	CU67

The average market price of ordinary shares from 1 July to 1 September 20X1 was CU65.

Ordinary shares: The number of ordinary shares outstanding at the beginning of 20X1 was 5,000,000. On 1 March 20X1, 200,000 ordinary shares were issued for cash.

Convertible bonds: In the last quarter of 20X0, 5 per cent convertible bonds with a principal amount of CU12,000,000 due in 20 years were sold for cash at CU1,000 (par). Interest is payable twice a year, on 1 November and 1 May. Each CU1,000 bond is convertible into 40 ordinary shares. No bonds were converted in 20X0. The entire issue was converted on 1 April 20X1 because the issue was called by Company A.

Convertible preference shares: In the second quarter of 20X0, 800,000 convertible preference shares were issued for assets in a purchase transaction. The quarterly dividend on each convertible preference share is CU0.05, payable at the end of the quarter for shares outstanding at that date. Each share is convertible into one ordinary share. Holders of 600,000 convertible preference shares converted their preference shares into ordinary shares on 1 June 20X1.

Warrants: Warrants to buy 600,000 ordinary shares at CU55 per share for a period of five years were issued on 1 January 20X1. All outstanding warrants were exercised on 1 September 20X1.

Options: Options to buy 1,500,000 ordinary shares at CU75 per share for a period of 10 years were issued on 1 July 20X1. No options were exercised during 20X1 because the exercise price of the options exceeded the market price of the ordinary shares.

Tax rate: The tax rate was 40 per cent for 20X1.

[37] This example does not illustrate the classification of the components of convertible financial instruments as liabilities and equity or the classification of related interest and dividends as expenses and equity as required by SB-FRS 32.

20X1	*Profit (loss) from continuing operations attributable to the parent entity*[38]	*Profit (loss) attributable to the parent entity*
	CU	CU
First quarter	5,000,000	5,000,000
Second quarter	6,500,000	6,500,000
Third quarter	1,000,000	(1,000,000)[39]
Fourth quarter	(700,000)	(700,000)
Full year	11,800,000	9,800,000

First Quarter 20X1

Basic EPS calculation	CU
Profit from continuing operations attributable to the parent entity	5,000,000
Less: preference share dividends	(40,000)[40]
Profit attributable to ordinary equity holders of the parent entity	4,960,000

Dates	*Shares outstanding*	*Fraction of period*	*Weighted-average shares*
1 January–28 February	5,000,000	$^{2}/_{3}$	3,333,333
Issue of ordinary shares on 1 March	200,000		
1 March–31 March	5,200,000	$^{1}/_{3}$	1,733,333
Weighted-average shares			5,066,666
Basic EPS			**CU0.98**

38 This is the control number (before adjusting for preference dividends).

39 Company A had a CU2,000,000 loss (net of tax) from discontinued operations in the third quarter.

40 800,000 shares × CU0.05

Diluted EPS calculation

Profit attributable to ordinary equity holders of the parent entity		CU4,960,000
Plus: profit impact of assumed conversions		
Preference share dividends	CU40,000[40]	
Interest on 5% convertible bonds	CU90,000[41]	
Effect of assumed conversions		CU130,000
Profit attributable to ordinary equity holders of the parent entity including assumed conversions		CU5,090,000
Weighted-average shares		5,066,666
Plus: incremental shares from assumed conversions		
Warrants	0[42]	
Convertible preference shares	800,000	
5% convertible bonds	480,000	
Dilutive potential ordinary shares		1,280,000
Adjusted weighted-average shares		6,346,666
Diluted EPS		***CU0.80***

Second Quarter 20X1

Basic EPS calculation	CU
Profit from continuing operations attributable to the parent entity	6,500,000
Less: preference share dividends	(10,000)[43]
Profit attributable to ordinary equity holders of the parent entity	6,490,000

Dates	*Shares outstanding*	*Fraction of period*	*Weighted-average shares*
1 April	5,200,000		
Conversion of 5% bonds on 1 April	480,000		
1 April–31 May	5,680,000	$^2/_3$	3,786,666
Conversion of preference shares 1 June	600,000		
1 June–30 June	6,280,000	$^1/_3$	2,093,333
Weighted-average shares			5,880,000
Basic EPS			***CU1.10***

41 (CU12,000,000 × 5%) ÷ 4; less taxes at 40%

42 The warrants were not assumed to be exercised because they were antidilutive in the period (CU55 [exercise price] > CU49 [average price]).

43 200,000 shares × CU0.05

Diluted EPS calculation

Profit attributable to ordinary equity holders of the parent entity		CU6,490,000
Plus: profit impact of assumed conversions		
Preference share dividends	CU10,000[43]	
Effect of assumed conversions		CU10,000
Profit attributable to ordinary equity holders of the parent entity including assumed conversions		CU6,500,000
Weighted-average shares		5,880,000
Plus: incremental shares from assumed conversions		
Warrants	50,000[44]	
Convertible preference shares	600,000[45]	
Dilutive potential ordinary shares		650,000
Adjusted weighted-average shares		6,530,000
Diluted EPS		***CU1.00***

Third Quarter 20X1

Basic EPS calculation	CU
Profit from continuing operations attributable to the parent entity	1,000,000
Less: preference share dividends	(10,000)
Profit from continuing operations attributable to ordinary equity holders of the parent entity	990,000
Loss from discontinued operations attributable to the parent entity	(2,000,000)
Loss attributable to ordinary equity holders of the parent entity	(1,010,000)

Dates	*Shares outstanding*	*Fraction of period*	*Weighted-average shares*
1 July–31 August	6,280,000	$^{2}/_{3}$	4,186,666
Exercise of warrants on 1 September	600,000		
1 September–30 September	6,880,000	$^{1}/_{3}$	2,293,333
Weighted-average shares			6,480,000
Basic EPS			
Profit from continuing operations			***CU0.15***
Loss from discontinued operations			**(CU0.31)**
Loss			**(CU0.16)**

44 CU55 × 600,000 = CU33,000,000; CU33,000,000 ÷ CU60 = 550,000; 600,000 – 550,000 = 50,000 shares OR [(CU60 – CU55) ÷ CU60] × 600,000 shares = 50,000 shares

45 (800,000 shares × $^{2}/_{3}$) + (200,000 shares × $^{1}/_{3}$)

Diluted EPS calculation

Profit from continuing operations attributable to ordinary equity holders of the parent entity		CU990,000
Plus: profit impact of assumed conversions		
Preference share dividends	CU10,000	
Effect of assumed conversions		CU10,000
Profit from continuing operations attributable to ordinary equity holders of the parent entity including assumed conversions		CU1,000,000
Loss from discontinued operations attributable to the parent entity		(CU2,000,000)
Loss attributable to ordinary equity holders of the parent entity including assumed conversions		(CU1,000,000)
Weighted-average shares		6,480,000
Plus: incremental shares from assumed conversions		
Warrants	61,538[46]	
Convertible preference shares	200,000	
Dilutive potential ordinary shares		261,538
Adjusted weighted-average shares		6,741,538
Diluted EPS		
Profit from continuing operations		***CU0.15***
Loss from discontinued operations		**(CU0.30)**
Loss		**(CU0.15)**

Note: The incremental shares from assumed conversions are included in calculating the diluted per-share amounts for the loss from discontinued operations and loss even though they are antidilutive. This is because the control number (profit from continuing operations attributable to ordinary equity holders of the parent entity, adjusted for preference dividends) was positive (ie profit, rather than loss).

46 [(CU65 – CU55) ÷ CU65] × 600,000 = 92,308 shares; 92,308 × $^{2}/_{3}$ = 61,538 shares

Fourth Quarter 20X1

Basic EPS calculation	CU
Loss from continuing operations attributable to the parent entity	(700,000)
Add: preference share dividends	(10,000)
Loss attributable to ordinary equity holders of the parent entity	(710,000)

Dates	*Shares out-standing*	*Fraction of period*	*Weighted-average shares*
1 October–31 December	6,880,000	$^3/_3$	6,880,000
Weighted-average shares			6,880,000

Basic and diluted EPS

Loss attributable to ordinary equity holders of the parent entity	***(CU0.10)***

Note: The incremental shares from assumed conversions are not included in calculating the diluted per-share amounts because the control number (loss from continuing operations attributable to ordinary equity holders of the parent entity adjusted for preference dividends) was negative (ie a loss, rather than profit).

Full Year 20X1

Basic EPS calculation	CU
Profit from continuing operations attributable to the parent entity	11,800,000
Less: preference share dividends	(70,000)
Profit from continuing operations attributable to ordinary equity holders of the parent entity	11,730,000
Loss from discontinued operations attributable to the parent entity	(2,000,000)
Profit attributable to ordinary equity holders of the parent entity	9,730,000

Dates	*Shares outstanding*	*Fraction of period*	*Weighted-average shares*
1 January–28 February	5,000,000	$^2/_{12}$	833,333
Issue of ordinary shares on 1 March	200,000		
1 March–31 March	5,200,000	$^1/_{12}$	433,333
Conversion of 5% bonds on 1 April	480,000		
1 April–31 May	5,680,000	$^2/_{12}$	946,667
Conversion of preference shares on 1 June	600,000		

1 June–31 August	6,280,000	$^{3}/_{12}$	1,570,000
Exercise of warrants on 1 September	600,000		
1 September–31 December	6,880,000	$^{4}/_{12}$	2,293,333
Weighted-average shares			6,076,667
Basic EPS			
Profit from continuing operations			***CU1.93***
Loss from discontinued operations			**(CU0.33)**
Profit			**CU1.60**

Diluted EPS calculation

Profit from continuing operations attributable to ordinary equity holders of the parent entity		CU11,730,000
Plus: profit impact of assumed conversions		
Preference share dividends	CU70,000	
Interest on 5% convertible bonds	CU90,000[47]	
Effect of assumed conversions		CU160,000
Profit from continuing operations attributable to ordinary equity holders of the parent entity including assumed conversions		CU11,890,000
Loss from discontinued operations attributable to the parent entity		(CU2,000,000)
Profit attributable to ordinary equity holders of the parent entity including assumed conversions		CU9,890,000
Weighted-average shares		6,076,667
Plus: incremental shares from assumed conversions		
Warrants	14,880[48]	
Convertible preference shares	450,000[49]	
5% convertible bonds	120,000[50]	
Dilutive potential ordinary shares		584,880
Adjusted weighted-average shares		6,661,547
Diluted EPS		
Profit from continuing operations		**CU1.78**
Loss from discontinued operations		**(CU0.30)**
Profit		**CU1.48**

[47] (CU12,000,000 × 5%) ÷ 4; less taxes at 40%

[48] [(CU57.125* – CU55) ÷ CU57.125] × 600,000 = 22,320 shares; 22,320 × $^{8}/_{12}$ = 14,880 shares
*The average market price from 1 January 20X1 to 1 September 20X1

[49] (800,000 shares × $^{5}/_{12}$) + (200,000 shares × $^{7}/_{12}$)

[50] 480,000 shares × $^{3}/_{12}$

The following illustrates how Company A might present its earnings per share data in its statement of comprehensive income. Note that the amounts per share for the loss from discontinued operations are not required to be presented in the statement of comprehensive income.

	For the year ended 20X1
	CU
Earnings per ordinary share	
Profit from continuing operations	1.93
Loss from discontinued operations	(0.33)
Profit	1.60
Diluted earnings per ordinary share	
Profit from continuing operations	1.78
Loss from discontinued operations	(0.30)
Profit	1.48

The following table includes the quarterly and annual earnings per share data for Company A. The purpose of this table is to illustrate that the sum of the four quarters' earnings per share data will not necessarily equal the annual earnings per share data. The Standard does not require disclosure of this information.

	First quarter	*Second quarter*	*Third quarter*	*Fourth quarter*	*Full year*
	CU	CU	CU	CU	CU
Basic EPS					
Profit (loss) from continuing operations	0.98	1.10	0.15	(0.10)	1.93
Loss from discontinued operations	–	–	(0.31)	–	(0.33)
Profit (loss)	0.98	1.10	(0.16)	(0.10)	1.60
Diluted EPS					
Profit (loss) from continuing operations	0.80	1.00	0.15	(0.10)	1.78
Loss from discontinued operations	–	–	(0.30)	–	(0.30)
Profit (loss)	0.80	1.00	(0.15)	(0.10)	1.48