

## SCOPE

- **Apply to:** separate/individual/consolidated F/S of entity/group whose (potential) ordinary shares are traded in public market OR that files/in process of filing F/S with securities commission/other regulatory organization to issue ordinary shares in public market.
- If earnings per share (EPS) voluntarily disclosed → calculate & disclose in accordance with this Standard.

## BASIC EPS

### EARNINGS (NUMERATOR)

- = P/L (from continuing operations) attributable to parent entity - after-tax amounts of dividends on preference shares classified as equity (declared dividends on non-cumulative shares AND required dividends for the current period on cumulative shares, whether declared or not).
- +/- differences arising on settlement & other similar effects of preference shares classified as equity.

### WEIGHTED AVERAGE SHARES (DENOMINATOR)

**Weighted average ordinary shares outstanding during period** = outstanding at period's beginning + [# issued x (days outstanding/total days)] – [# bought back x (days outstanding/total days)].

**Timing of inclusion** = from date consideration is receivable (generally issue date).

- Based on terms/conditions of shares issued.
- Issued as consideration in business combination → from acquisition date.
- To be issued on mandatorily convertible instrument → include from date of contract.
- Contingently issuable shares → from date all necessary conditions are satisfied.
- If issuable solely after passage of time ≠ contingently issuable (passage of time is certain).
- Outstanding contingently returnable shares → NOT treated as outstanding while subject to recall.

### Stock dividends/share splits (consolidations)

- Δ in weighted avg. shares without corresponding Δ in resources → reflect Δ in all periods presented.
- Adjust ordinary shares outstanding before event for proportionate Δ in ordinary shares as if event had occurred at beginning of earliest period presented.
- E.g. 2:1 stock split → shares outstanding before the split are multiplied by 2.
- E.g. 1:2 share consolidation → shares outstanding before the consolidation are multiplied by ½.

**Note:** where share consolidation combined with special dividend → adjust weighted average shares outstanding for reduction in shares from date dividend is recognized (↓ in shares is result of corresponding ↓ in resources).

### Where exercise price in rights issue < FV → bonus element exists

If offered to all existing shareholders → adjust all periods presented with the following *factor* (as above for stock dividends):

- **Rights issues** = outstanding shares before rights issue x [FV per share before rights exercised ÷ theoretical ex-rights FV per share].

Factor

- **Theoretical ex-rights FV per share** = [aggregate FV of shares before exercise ÷ proceeds of rights exercised] ÷ shares outstanding after exercise.

## CALCULATION

Calculate **basic** and **diluted** EPS for:

- P/L attributable to ordinary equity holders of parent (after non-controlling interest adjustment) AND
- P/L from continuing operations attributable to ordinary equity holders of parent (if presented).

$$\text{EPS} = \frac{\text{Earnings}}{\text{Weighted average shares}}$$

## DILUTED EPS

**Dilutive potential ordinary shares** = contract that may entitle holder to ordinary shares → exercise of which ↓ EPS or ↑ loss per share (e.g. options, warrants, convertible debt, convertible preference shares).

- Earnings used in *basic EPS* from continuing operations used as control number.
- Apply in sequence from MOST → LEAST dilutive (only include those that further dilute EPS).

### EARNINGS (NUMERATOR)

- = Amount used in *basic EPS* \*\*adjusted for after tax effect of:
- + dividends/interest/other items related to *dilutive potential ordinary shares* deducted in arriving at earnings.
  - +/- any other Δs in income/expense that would result from conversion (e.g. ↓ of interest expense related to potential ordinary shares may lead to ↑ in non-discretionary employee profit-sharing plan expense).
- \*\*Adjustment to P/L made as amount would no longer be included in P/L if conversion/exercise occurred.**

### WEIGHTED AVERAGE SHARES (DENOMINATOR)

- = Amount used in *basic EPS*.
- + weighted avg. ordinary shares that would be issued on conversion of all *dilutive potential ordinary shares*.
- Calculate as if converted at beginning of period unless:
- Issued during period → include from issue date.
  - Cancelled/lapsed → include for period outstanding.
  - Converted → include from beginning to conversion date (from date of conversion resulting shares are included in *basic EPS* and thus also *diluted EPS*).
- Determine *diluted EPS* independently for each period presented.
- Amount in year-to-date period is NOT merely an average of amounts shown in interim F/S.

**There are special considerations regarding the following (see IAS 33 for more information):**

**Options, warrants and their equivalents:** *Dilutive* if results in issue of ordinary shares for less than average market price during period.

- Dilutive shares added to denominator = shares assumed issued - shares that would have been issued at average market price.

**Share based pmts per IFRS 2:** FV of goods/services to be supplied in future added to exercise/issue price.

- Employee share options with fixed or determinable terms & non-vested shares → treated as options (even if contingent on vesting).
- Performance-based employee share options → treated as contingently issuable shares.

**Contingently issuable shares:** conditions satisfied → include in calculation (same as *basic EPS*). Conditions NOT satisfied → shares included in calculation is based on shares that would be issuable if period end were end of contingency period (not restated if expires).

**Contracts that may be settled in ordinary shares or cash:** @entity's option → presume to be settled in shares @holder's option → use more *dilutive* option.

**Written put options** → see standard for detail.

**Purchased options** → anti-dilutive; therefore, not included.