

A Comparative study of Ind-AS 33 & AS 20 - Earnings per Share

Subrata Nath

Hooghly Mohsin College

Abstract: AS-20, issued by the Institute of Chartered Accountants of India, became mandatory for listed public limited companies effective from 1.4.2001. Since EPS is single most measure widely used in financial analysis, this paper deals with A Comparative study of Ind AS 33 & AS 20. Although the standard in question is not free from certain limitations, AS-20 and Ind AS-33, both on EPS, have greater compatibility than many other standards in other areas.

Key Words: EPS, Ind AS 33, Diluted EPS, AS 20.

Indian Accounting Standards, (abbreviated as Ind AS) are a set of accounting standards notified by the Ministry of Corporate Affairs which are converged with International Financial Reporting Standards (IFRS). These accounting standards are formulated by Accounting Standards Board of Institute of Chartered Accountants of India.

Indian Accounting Standards, (abbreviated as Ind AS) are a set of accounting standards notified by the Ministry of Corporate Affairs which are converged with International Financial Reporting Standards (IFRS). These accounting standards are formulated by Accounting Standards Board of Institute of Chartered Accountants of India. Now India will have two sets of accounting standards viz. existing accounting standards under Companies (Accounting Standard) Rules, 2006 and IFRS converged Indian Accounting Standards (Ind AS). The Ind AS are named and numbered in the same way as the corresponding IFRS. NACAS recommend these standards to the Ministry of Corporate Affairs. The Ministry of Corporate Affairs has to spell out the accounting standards applicable for companies in India. As on date the Ministry of Corporate Affairs notified 35 Indian Accounting Standards (Ind AS). But it has not notified the date of implementation of the same.

The basic objective of Accounting Standards is to remove variations in the treatment of several accounting aspects and to bring about standardization in presentation. They intent to harmonize the diverse accounting policies followed in the preparation and presentation of financial statements by different reporting enterprises so as to facilitate intra-firm and inter-firm comparison.

Ind AS 33, Earnings per Share:

The objective of Ind AS 33 is to prescribe principles for the determination and presentation of earnings per share, so as to improve performance comparisons between different entities in the same reporting period and between different reporting periods for the same entity. The focus of this Standard is on the denominator of the earnings per share calculation. Ind AS 33 shall be applied to companies that have issued ordinary shares to which Indian Accounting Standards (Ind AS) notified under the Companies Act applies.

An ordinary share is an equity instrument that is subordinate to all other classes of equity instruments. A potential ordinary share is a financial instrument or other contract that may entitle its holder to ordinary shares.

An entity shall present in the statement of profit and loss basic and diluted earnings per share for profit or loss from continuing operations attributable to the ordinary equity holders of the parent entity and for profit or loss attributable to the ordinary equity holders of the parent entity for the period for each class of ordinary shares that has a different right to share in profit for the period. An entity shall present basic and diluted earnings per share with equal prominence for all periods presented.

An entity that reports a discontinued operation shall disclose the basic and diluted amounts per share for the discontinued operation either in the statement of profit and loss or in the notes.

Basic earnings per share:

Basic earnings per share shall be calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period.

For the purpose of calculating basic earnings per share, the amounts attributable to ordinary equity holders of the parent entity in respect of:

- profit or loss from continuing operations attributable to the parent entity; and
- profit or loss attributable to the parent entity

shall be the amounts in (a) and (b) adjusted for the after-tax amounts of preference dividends, differences arising on the settlement of preference shares, and other similar effects of preference shares classified as equity.

Where any item of income or expense which is otherwise required to be recognised in profit or loss in accordance with Indian Accounting Standards is debited or credited to securities premium account/other reserves, the amount in respect thereof shall be deducted from profit or loss from continuing operations for the purpose of calculating basic earnings per share.

For the purpose of calculating basic earnings per share, the number of ordinary shares shall be the weighted average number of ordinary shares outstanding during the period. (Paragraph 19 of the Standard)

The weighted average number of ordinary shares outstanding during the period and for all periods presented shall be adjusted for events, other than the conversion of potential ordinary shares that have changed the number of ordinary shares outstanding without a corresponding change in resources. (Paragraph 26 of the Standard)

Diluted earnings per share:

Diluted earnings per share shall be calculated by an entity by adjusting profit or loss attributable to ordinary equity holders of the parent entity, and the weighted average number of shares outstanding, for the effects of all dilutive potential ordinary shares.

Dilution is a reduction in earnings per share or an increase in loss per share resulting from the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued upon the satisfaction of specified conditions.

For the purpose of calculating diluted earnings per share, the number of ordinary shares shall be the weighted average number of ordinary shares calculated in accordance with paragraphs 19 and 26, plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Potential ordinary shares shall be treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

An entity uses profit or loss from continuing operations attributable to the parent entity as the control number to establish whether potential ordinary shares are dilutive or anti-dilutive. In determining whether potential ordinary shares are dilutive or anti-dilutive, each issue or series of potential ordinary shares is considered separately rather than in aggregate.

Item	Basic EPS	Diluted EPS
Earnings (the numerator)	Profit or loss attributable to ordinary equity holders of the parent entity	<ul style="list-style-type: none"> • Adjust for the effects of potential ordinary shares • May include dividends, interest or other changes in income or expense
Shares (the denominator)	Weighted average number of ordinary shares	<ul style="list-style-type: none"> • Assume conversion of all dilutive potential ordinary shares • Assume conversion as of the beginning of the period, or issue date, if later

Retrospective adjustments:

If the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalisation, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share for all periods presented shall be adjusted retrospectively. If these changes occur after the reporting period but before the financial statements are approved for issue, the per share calculations for those and any prior period financial statements presented shall be based on the new number of shares.

Example 1: Participating equity instruments and two-class ordinary shares*

Reference: Ind AS 33, paragraphs A13 and A14	
Profit attributable to equity holders of the parent entity	Rs. 1,00,000
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)	Rs. 5.50 per share
--	--------------------

After ordinary shares have been paid a dividend of Rs. 2.10 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 Rs. 5.50 and Rs. 2.10 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	Rs. 33,000	(Rs. 5.50 per share)
Dividends on ordinary shares paid	Rs. 21,000	(Rs. 2.10 per share)
<i>Basic earnings per share is calculated as follows:</i>	<i>Rs.</i>	<i>Rs.</i>
Profit attributable to equity holders of the parent entity		1,00,000
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; $B = \frac{1}{4} A$
	$(A \times 10,000) + (\frac{1}{4} \times A \times 6,000) = \text{Rs. } 46,000$ $A = \text{Rs. } 46,000 \div (10,000 + 1,500)$ $A = \text{Rs. } 4.00$ $B = \frac{1}{4} A$ $B = \text{Rs. } 1.00$

Basic per share amounts:		
	Preference Shares	Ordinary Shares
Distributed earnings	Rs. 5.50	Rs. 2.10
Undistributed earnings	Rs. 1.00	Rs. 4.00
Totals	Rs. 6.50	Rs. 6.10

Note-

* 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 Ind AS 32.

Example 2: Calculation and presentation of basic and diluted earnings per share (comprehensive example)*

This example illustrates the quarterly and annual calculations of basic and diluted earnings per share in the year 2018 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 2018 were as follows:

First quarter Rs. 49, Second quarter Rs. 60, Third quarter Rs. 67, Fourth quarter Rs. 67.

The average market price of ordinary shares from 1 July to 1 September 2018 was Rs. 65.

Ordinary shares: The number of ordinary shares outstanding at the beginning of 2018 was 50,00,000. On 1 March 2018, 2,00,000 ordinary shares were issued for cash.

Convertible bonds: In the last quarter of 2017, 5 per cent convertible bonds with a principal amount of Rs. 1,20,00,000 due in 20 years were sold for cash at Rs. 1,000 (par). Interest is payable twice a year, on 1 November and 1 May. Each Rs. 1,000 bond is convertible into 40 ordinary shares. No bonds were converted in 2017. The entire issue was converted on 1 April 2018 because the issue was called by Company A.

Convertible preference shares: In the second quarter of 2017, 8,00,000 convertible preference shares were issued for assets in a purchase transaction. The quarterly dividend on each convertible preference share is Rs. 0.05, payable at the end of the quarter for shares outstanding at that date. Each share is convertible into one ordinary share. Holders of 6,00,000 convertible preference shares converted their preference shares into ordinary shares on 1 June 2018.

Warrants: Warrants to buy 6,00,000 ordinary shares at Rs. 55 per share for a period of five years were issued on 1 January 2018. All outstanding warrants were exercised on 1 September 2018.

Options: Options to buy 15,00,000 ordinary shares at Rs. 75 per share for a period of 10 years were issued on 1 July 2018. No options were exercised during 2018 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 2018.

2018	Profit (loss) from ¹ continuing operations attributable to the parent entity (Rs.)	Profit (loss) attributable to the parent entity (Rs.)
First quarter	50,00,000	50,00,000
Second quarter	65,00,000	65,00,000
Third quarter	10,00,000	(10,00,000) ²

Fourth quarter	<u>(7,00,000)</u>	<u>(7,00,000)</u>
Full year	1,18,00,000	98,00,000

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

(2) Company A had a Rs. 20,00,000 loss (net of tax) from discontinued operations in the third quarter.

First Quarter 2018

<u>Basic EPS calculation</u>	<u>Rs.</u>
Profit from continuing operations attributable to the parent entity	50,00,000
Less: preference share dividends	<u>(40,000)^(a)</u>
Profit attributable to ordinary equity holders of the parent entity	<u>49,60,000</u>

Dates	Shares Outstanding	Fraction of Period	Weighted – average shares
1 January–28 February	50,00,000	2 / 3	33,33,333
Issue of ordinary shares on 1 March	<u>2,00,000</u>		
1 March–31 March	52,00,000	1 / 3	17,33,333
Weighted-average shares			50,66,666
Basic EPS			Rs. 0.98

Diluted EPS calculation

Profit attributable to ordinary equity holders of the parent entity	Rs. 49,60,000
Add: profit impact of assumed conversions Preference share dividends	Rs. 40,000 ^(a)
Interest on 5% convertible bonds	<u>Rs. 90,000^(b)</u>
Effect of assumed conversions	<u>Rs. 1,30,000</u>
Profit attributable to ordinary equity holders of the parent entity including assumed conversions	<u>Rs. 50,90,000</u>
Weighted-average shares	50,66,666
Add: Incremental shares from assumed conversions Warrants	0 ^(c)
Convertible preference shares	8,00,000

5% convertible bonds	<u>4,80,000</u>	
Dilutive potential ordinary shares		<u>12,80,000</u>
Adjusted weighted-average shares		<u>63,46,666</u>

Diluted EPS Rs. 0.80

(a) 800,000 shares × Rs. 0.05

(b) (Rs.12,000,000 × 5%) ÷ 4; less taxes at 40%

(c) The warrants were not assumed to be exercised because they were anti-dilutive in the period (Rs. 55 [exercise price] > Rs. 49 [average price])

Second Quarter 2018

Basic EPS calculation	Rs.
Profit from continuing operations attributable to the parent entity	65,00,000
Less: preference share dividends	<u>(10,000)^(a)</u>
Profit attributable to ordinary equity holders of the parent entity	<u>64,90,000</u>

Dates	Shares Outstanding	Fraction of Period	Weighted – average Shares
1 April	52,00,000		
Conversion of 5% bonds on 1 April			
1 April–31 May	<u>4,80,000</u>		
Conversion of preference shares :			
1 June	56,80,000	2 / 3	<u>37,86,666</u>
1 June–30 June	<u>6,00,000</u>		
Weighted-average shares	<u>62,80,000</u>	1 / 3	<u>20,93,333</u>
Basic EPS			<u>58,80,000</u>
			<u>Rs. 1.10</u>
Diluted EPS calculation:			
Profit attributable to ordinary equity holders of the parent entity			Rs. 64,90,000
Add: profit impact of assumed conversions			
Preference share dividends		Rs. 10,000 ^(a)	
Effect of assumed conversions			Rs. 10,000
Profit attributable to ordinary equity holders of the parent entity including assumed conversions			Rs. <u>65,00,000</u>
Weighted-average shares			58,80,000
Add: incremental shares from assumed conversions Warrants	50,000 ^(b)		
Convertible preference shares	6,00,000 ^(c)		
Dilutive potential ordinary shares			<u>6,50,000</u>

Adjusted weighted-average shares			<u>65,30,000</u>
Diluted EPS			<u>Rs. 1.00</u>

(a) 2,00,000 shares × Rs. 0.05

(b) Rs. 55 × 6,00,000 = Rs. 3,30,00,000; Rs. 3,30,00,000 ÷ Rs. 60 = 5,50,000; 6,00,000 – 5,50,000 = 50,000 shares OR [(Rs. 60 – Rs. 55) ÷ Rs. 60] × 6,00,000 shares = 50,000 shares

(c) (8,00,000 shares × 2/3) + (2,00,000 shares × 1/3)

Third Quarter 2018

Basic EPS calculation	Rs.
Profit from continuing operations attributable to the parent entity	10,00,000
Less: preference share dividends	<u>(10,000)</u>
Profit from continuing operations attributable to ordinary equity holders of the parent entity	9,90,000
Loss from discontinued operations attributable to the parent entity	<u>(20,00,000)</u>
Loss attributable to ordinary equity holders of the parent entity	<u>(10,10,000)</u>

Dates	Shares Outstanding	Fraction of Period	Weighted – average Shares
1 July–31 August	62,80,000	2 / 3	41,86,666
Exercise of warrants on 1 September	<u>6,00,000</u>		
1 September–30 September	68,80,000	1 / 3	<u>22,93,333</u>
Weighted-average shares			<u>64,80,000</u>
Basic EPS			
Profit from continuing operations			Rs. 0.15
Loss from discontinued operations			<u>(Rs. 0.31)</u>
Loss			<u>(Rs. 0.16)</u>
Diluted EPS calculation			
Profit from continuing operations attributable to ordinary equity holders of the parent entity			Rs. 9,90,000
Add: profit impact of assumed conversions		Rs. 10,000	
Preference share dividends			<u>Rs. 10,000</u>
Effect of assumed conversions			
Profit from continuing operations attributable to ordinary equity holders of the parent entity including assumed conversions			Rs. 10,00,000
Loss from discontinued operations attributable to the parent entity			<u>(Rs. 20,00,000)</u>
Loss attributable to ordinary equity holders of the parent entity including assumed conversions			<u>(Rs. 10,00,000)</u>
Weighted-average shares			

Add: incremental shares from assumed conversions Warrants			64,80,000
Convertible preference shares		61,538 ^(a)	
Dilutive potential ordinary shares		<u>2,00,000</u>	
Adjusted weighted-average shares			<u>2,61,538</u>
			<u>67,41,538</u>
Diluted EPS			
Profit from continuing operations			Rs. 0.15
Loss from discontinued operations			<u>(Rs. 0.30)</u>
Loss			<u>(Rs. 0.15)</u>

(a) $[(Rs. 65 - Rs. 55) \div Rs. 65] \times 600,000 = 92,308$ shares; $92,308 \times 2/3 = 61,538$ shares

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 anti-dilutive. 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 (i.e. profit, rather than loss).

Fourth Quarter 2018

Basic EPS calculation	Rs.
Loss from continuing operations attributable to the parent entity	(7,00,000)
Add: preference share dividends	<u>(10,000)</u>
Loss attributable to ordinary equity holders of the parent entity	<u>(7,10,000)</u>

Dates	Shares Outstanding	Fraction of Period	Weighted – average Shares
1 October–31 December	68,80,000	3 /3	<u>6,8,80,000</u>
Weighted-average shares			<u>68,80,000</u>
Basic and diluted EPS			
Loss attributable to ordinary equity holders of the parent entity			<u>(Rs. 0.10)</u>

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 (i.e. a loss, rather than profit).

Full Year 2018

Basic EPS calculation	Rs.
Profit from continuing operations attributable to the parent entity	1,18,00,000
Less: preference share dividends	<u>(70,000)</u>
Profit from continuing operations attributable to ordinary equity holders of the parent entity	1,17,30,000

Loss from discontinued operations attributable to the parent entity (20,00,000)

Profit attributable to ordinary equity holders of the parent entity 97,30,000

Dates	Shares Outstanding	Fraction of Period	Weighted – average Shares
1 January–28 February	50,00,000	2 /12	8,33,333
Issue of ordinary shares on 1 March	<u>2,00,000</u>		
1 March–31 March	52,00,000	1 /12	4,33,333
Conversion of 5% bonds on 1 April	<u>4,80,000</u>		
1 April–31 May	56,80,000	2 /12	9,46,667
Conversion of preference shares on 1 June	<u>6,00,000</u>		
1 June–31 August	62,80,000	3 /12	15,70,000
Exercise of warrants on 1 September	<u>6,00,000</u>		
1 September–31 December	68,80,000	4 /12	<u>22,93,333</u>
Weighted-average shares			<u>60,76,667</u>
Basic EPS			
Profit from continuing operations			Rs. 1.93
Loss from discontinued operations			<u>(Rs. 0.33)</u>
Profit			<u>Rs. 1.60</u>

Diluted EPS calculation

Rs.

Profit from continuing operations attributable

to ordinary equity holders of the parent entity

1,17,30,000

Add: Profit impact of assumed conversions

Preference share dividends

Rs. 70,000

Interest on 5% convertible bonds

Rs. 90,000^(a)

Effect of assumed conversions

1,60,000

Profit from continuing operations attributable

to ordinary equity holders of the parent entity

including assumed conversions

1,18,90,000

Loss from discontinued operations attributable

to the parent entity

(20,00,000)

Profit attributable to ordinary equity holders

of the parent entity including assumed conversions

98,90,000

Shares

Weighted-average shares

60,76,667

Add: incremental shares from assumed conversions Warrants

14,880^(b)

Convertible preference shares

4,50,000^(c)

5% convertible bonds

1,20,000^(d)

Dilutive potential ordinary shares

5,84,880

Adjusted weighted-average shares	<u>66,61,547</u>
Diluted EPS	
Profit from continuing operations	Rs. 1.78
Loss from discontinued operations	<u>(Rs. 0.30)</u>
Profit	<u>Rs. 1.48</u>

(a) $(Rs. 12,000,000 \times 5\%) \div 4$; less taxes at 40%

(b) $[(Rs. 57.125^* - Rs. 55) \div Rs. 57.125] \times 600,000 = 22,320$ shares; $22,320 \times 8/12 = 14,880$ shares.

* The average market price from 1 January 2018 to 1 September 2018

(c) $(800,000 \text{ shares} \times 5/12) + (200,000 \text{ shares} \times 7/12)$

(d) $480,000 \text{ shares} \times 3/12$

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

For the year
ended 2018(Rs.)

Earnings per ordinary share

Profit from continuing operations	1.93
Loss from discontinued operations	<u>(0.33)</u>
Profit	<u>1.60</u>

Diluted earnings per ordinary share

Profit from continuing operations	1.78
Loss from discontinued operations	<u>(0.30)</u>
Profit	<u>1.48</u>

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

	Rs.	Rs.	Rs.	Rs.	Rs.
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

AS 20, Earnings per Share:

The objective of AS 20 is to describe principles for determination and presentation of earnings per share which will improve comparison of performance among different enterprises for the same period and among different accounting periods for the same enterprise.

Earnings per share (EPS) is a financial ratio indicating the amount of profit or loss for the period attributable to each equity share and AS 20 gives computational methodology for determination and presentation of basic and diluted earnings per share.

This Accounting Standard is mandatory for all companies. However, disclosure of diluted earnings per share (both including and excluding extraordinary items) is not mandatory for SMCs. Such companies are however encouraged to make these disclosures.

In consolidated financial statements, the information required by AS 20 should be presented on the basis of consolidated information.

Earnings per share (EPS) is a financial ratio that provides information regarding earnings available on each equity share held in a company.

This ratio acts as an important financial tool to improve the comparability between two or more companies, as well as between two or more accounting periods.

AS 20 entails the process of calculation of Earnings per share.

There are two types of EPS which are to be reported by enterprises on the face of the statement of profit & loss account even if the amounts disclosed are negative (a loss per share).

1. Basic EPS
 2. Diluted EPS
- 1. Basic EPS**

Basic EPS = Net profit or loss attributable to equity shareholders / Weighted average number of outstanding equity shares

Earnings – Basic (Numerator)

Net profit or loss for the period as defined under AS 5 which is shown here:

Particulars	Amount
Earnings before tax	XXX
(+) extraordinary items (income)	XXX
(-) extraordinary items (expenses)	(XXX)
(-) tax attributable to the period	(XXX)
(-) preference dividend *	(XXX)
Profit for the purpose of calculating EPS	XXX

*the preference dividend deducted for the period is:

- (a) the amount of any preference dividends on **non-cumulative preference shares** provided for the period; and
- (b) the full amount of the required preference dividends for **cumulative preference shares** for the period, whether or not the dividends have been provided for. The amount of preference dividends for the period does not include the amount of any preference dividends for cumulative preference shares paid or declared during the current period in respect of previous periods.

Per share – Basic (Denominator)

For calculating basic earnings per share, the number of equity shares should be the weighted average number of equity shares outstanding during the period.

The time-weighting factor = Number of days for which the specified share is outstanding / Total number of days in the period

Diluted EPS:

For calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period should be adjusted for the effects of all dilutive potential equity shares.

Earnings – Diluted (Numerator)

For calculating Diluted EPS, the numerator used for basic EPS should be adjusted by the following, after considering any attributable change in tax expense for the period:

- a) any dividends on dilutive potential equity shares which have been deducted in arriving numerator of basic EPS;

- b) interest recognized in the period for the dilutive potential equity shares; and
- c) any other changes in expenses or income that would result from the conversion of the dilutive potential equity shares.

Per share – Diluted (Denominator)

For calculating diluted earnings per share, the number of equity shares should be the aggregate of the weighted average number of equity shares which would be issued on the conversion of all the dilutive potential equity shares into equity shares.

Diluted earnings per share is calculated in the case of potential equity share like convertible debentures, convertible preference shares, options etc. Potential equity shares are diluted if their conversion into equity shares reduces the earning per share and if it increases, then they are considered as anti-dilutive.

Example: Net profit for the year 2010 is Rs. 18 lacs. Net profit for the year 2011 is Rs. 60 lacs. Number of equity shares outstanding till 30-09-2010 is 20 lacs. Bonus issue on 01-10-2011 = 2 (new): 1(old). Calculate EPS for the year 2011 and adjusted EPS for the year 2010.

Solution: As per AS 20, when bonus shares are issued during the year, it should be calculated in the weighted average from the beginning of reporting period irrespective of issue date. Therefore, the bonus issue is treated as if it had occurred prior to the beginning of the year 2010, the earliest period reported.

Particulars	Amount (in Rs.)
Net profit for the year 2010	18,00,000
Net profit for the year 2011	60,00,000
Number of equity shares outstanding till 30-09-2011	20,00,000
Bonus issue on 01-10-2011	20,00,000 x 2 = 40,00,000
Earnings per share for the year 2011	60,00,000 / (20,00,000 + 40,00,000) = Re. 1
Adjusted Earnings per share for the year 2010	18,00,000 / (20,00,000 + 40,00,000) = Re. 0.30

Difference Between AS 20 and Ind AS 33:

Area of Difference	AS 20	IND-AS 33
Disclosure in separate financial statements	AS 20 requires disclosure of basic and diluted EPS information both in the separate and consolidated financial statements of the parent.	EPS is required to be presented in both, consolidated as well as separate financial statements.
Disclosure of EPS from continuing and discontinued operations	No separate disclosure for EPS from continuing and discontinuing operations.	The statement of comprehensive income will present basic and diluted earnings per share from continuing operations and if applicable, basic and diluted earnings per share from discontinued operations. EPS from discontinued operations may alternatively be disclosed in the notes.
Extraordinary items	EPS with and without extraordinary items is to be presented.	Prohibits the disclosure of items as extraordinary, no separate consideration is given to such items while calculating EPS.
Items of income or expense debited or credited to securities premium account/ other reserves	<p>No specific guidance.</p> <p>The ICAI has proposed a limited revision to AS 20 which will require that for purpose of calculating basic earnings per share, the net profit or loss for the period attributable to equity shareholders should be the net profit or loss for the period after adjusting the amount in respect of an item of income or expense which is debited or credited to share premium account/ reserves, that is otherwise required to be recognised in the statement of profit and loss in accordance with Accounting Standards.</p>	Where any item of income or expense which is otherwise required to be recognised in profit or loss in accordance with Indian Accounting Standards is debited or credited to securities premium account/ other reserves, profit or loss from continuing operations should be adjusted by the amount in respect thereof for the purpose of calculating basic earnings per share.

REFERENCES:

- [1] Verma, O.P. and Sharma, Sanjeet. (2011), "Macro Economic Indicators and Stock Prices: Evidence from Indian Stock Market", Kegees Journal of Social Science, Vol. 3, No. 2, pp.266-272.
- [2] Lalwani, Mehesh (1997), "Determinants of stock prices on National Stock Exchange", UTI Institute of Capital Markets and Quest Publications, 1997, pp. 135-149.
- [3] Chandra, Prasanna (1981), "Valuation of Equity Shares in India", Sultan Chand and sons, New Delhi, 1981.
- [4] Dutta, S.K. (2004), "The Share price and its valuation", The Management Accountant, April 2004, Vol. 39, No. 4, pp. 274-282.
- [5] Greawal, S.S. (1986), "Making Money on the Stock Market," Vision Books, New Delhi, 1986.
- [6] Kaundal, R.K. and Sharma, Sanjeet. (2010), "Stock Market Integration Examining Linkages between India and Select Asian Markets", Foreign Trade Review, Vol. XLV, pp.3-18.
- [7] Sharma, Sanjeet. (2011), "Stock market development and Economic Growth", Indian Journal of Management Science (IJMS), Vol. I, No. 1, pp. 25-30.
- [8] Khan, M.Y. and P.K. Jain (1994), "Financial Management tent and problems", Tata McGrow – Hill Publishing Company Limited, New Delhi.
- [9] Khanna, S. (1999), "Financial Reforms and Industrial Sector in India", Economic and Political Weekly, November 6, pp. 3231-3241.
- [10] Sachdeva, Y.P. (1994), "Rise and Fall of share prices. Factors and determinants", Deep and Deep Publications, New Delhi.
-