Group Ind AS Accounting Manual

ABC

**Table of** **Contents**

[**1.7. Earnings per Share** 2](#_Toc132387263)

[**1.7.1. Objective and scope:** 2](#_Toc132387264)

[**1.7.2. Definitions:** 2](#_Toc132387265)

[**1.7.3. Recognition and measurement:** 2](#_Toc132387266)

[***Basic earnings per share*** 2](#_Toc132387267)

[***Weighted average number of shares adjustment for computing diluted EPS*** 4](#_Toc132387268)

[***Dilutive potential ordinary shares*** 4](#_Toc132387269)

[***Retrospective adjustments*** 4](#_Toc132387270)

[***Presentation*** 4](#_Toc132387271)

[**1.7.4. Disclosure:** 4](#_Toc132387272)

[**1.7.5. GAAP differences between Ind AS and IFRS:** 5](#_Toc132387273)

# **1.7.** **Earnings per Share**

|  |  |
| --- | --- |
| **Description:** | **Earnings per Share** |
| **Reference:** | **Ind AS 33/ IAS 33** |
| **Purpose:** | **To prescribe principles for determination and presentation of earnings per share in the financial statements** |

## **1.7.1. Objective and scope:**

The objective of this accounting manual is to explain the requirements of Ind AS and highlight specific differences between Ind AS and IFRS, wherever applicable. This manual prescribes the principles for determination, accounting and disclosure of earnings per share.

## **1.7.2. Definitions:**

* 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 (Refer Accounting Manual “*Ind AS 32: Financial Instruments: Presentation”*) or other contract that may entitle its holder to ordinary shares.

**Example:** Preference shares, options and warrants.

* Contingently issuable ordinary shares are ordinary shares issuable for little or no cash or other consideration upon the satisfaction of specified conditions in a contingent share agreement (Example: performance-based employee share options). This is not applicable to Solar Group, however in case of any such event or issue, the component is required to discuss with Corporate Finance Team.

## **1.7.3. Recognition and measurement:**

### ***Basic earnings per share***

* Calculated by using profit or loss attributable to equity shareholders of parent entity (i.e. total profit or loss of the Group after adjusting for non-controlling interests) or
* Profit or loss from continuing operations attributable to those equity holders.

Basic Earnings per Share = Profit or loss attributable to ordinary equity share holder of parent entity

Weighted average number of ordinary shares outstanding during the period

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

* 1. profit or loss from continuing operations attributable to the parent entity; and
  2. 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 recognized 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 calculating basic earnings per share.

The number of ordinary shares shall be the weighted average number of ordinary shares outstanding during the period.

For calculating earnings per share based on the consolidated financial statements, profit or loss attributable to the parent entity refers to profit or loss of the consolidated entity after adjusting for non-controlling interests.

*Calculation:*

|  |  |
| --- | --- |
| **Number of shares outstanding at the beginning of the period** | **xxxx** |
| **(-) Ordinary shares bought back during the period** | **(xxxx)** |
| **(+) Issued during the period** | **xxxx** |
| **Weighted average number of shares** | **xxxx** |

The above shares should be adjusted by time-weighing factor i.e. the number of days the shares are outstanding as a proportion to total number of days in the period.

**Examples (few considerations for computing time-weighing factor):**

* + - * Ordinary shares issued as consideration for business combination should be weighed from Acquisition Date.
      * Ordinary shares issued upon conversion of a mandatorily convertible instrument should be weighed from the date contract is entered into.

Ordinary shares may be issued, or the number of ordinary shares outstanding may be reduced, without a corresponding change in resources.

**Examples:**

* + capitalisation of bonus issue,
  + share split,
  + reverse share split.

If any of the above three events happen, then the basic EPS shall be calculated as at the beginning of the period and end of the period, both, using the new number of shares after considering above events.

***Diluted earnings per share***

Diluted Earnings per Share = Profit or loss attributable to ordinary equity share holder of parent entity

Weighted average number of ordinary shares outstanding during the period

(The numerator shall be adjusted with after-tax effects of dilutive potential ordinary shares such as:

1. Dividends or similar items
2. Interest recognized
3. Any other changes in income or expense on account of conversion of dilutive potential ordinary shares)

### ***Weighted average number of shares adjustment for computing diluted EPS***

The above calculation of shares is the same as basic EPS. There are additional adjustment for the weighted average number of ordinary shares because of conversion of all the dilutive potential ordinary shares into ordinary shares.

Dilutive potential ordinary shares shall be deemed to have been converted into ordinary shares at the beginning of the period or, if later, the date of the issue of the potential ordinary shares.

### ***Dilutive potential ordinary shares***

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

Potential ordinary shares are antidilutive when their conversion to ordinary shares would increase earnings per share or decrease loss per share from continuing operations.

### ***Retrospective adjustments***

If the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalization, 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.

The fact of above changes shall be disclosed in the financial statements. In addition, basic and diluted earnings per share of all periods presented shall be adjusted for the effects of errors and adjustments resulting from changes in accounting policies accounted for retrospectively.

### ***Presentation***

Statement of profit and loss shall present basic and diluted earnings per share with equal prominence for all periods presented.

In case of discontinued operation, financial statements shall disclose the basic and diluted earnings per share for the discontinued operation either in the statement of profit and loss or in the notes.

Basic and diluted earnings per share shall be presented even if the amounts are negative (i.e. loss per share).

If diluted earnings per share is reported for at least one period, it shall be reported for all periods presented, even if it equals basic earnings per share.

## **1.7.4. Disclosure:**

Financial statements shall disclose the following:

* + the amounts used as the numerators in calculating basic and diluted earnings per share, and a reconciliation of those amounts to profit or loss attributable to the parent entity for the period.
  + the weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share, and a reconciliation of these denominators to each other.
  + instruments (including contingently issuable shares) that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are antidilutive for the period(s) presented.
  + a description of ordinary share transactions or potential ordinary share transactions, other than those accounted for with retrospective effect, that occur after the reporting period and that would have changed significantly the number of ordinary shares or potential ordinary shares outstanding at the end of the period if those transactions had occurred before the end of the reporting period.
  + the above-mentioned disclosures shall be presented in both the consolidated financial statements and Separate financial statements based on information given in the respective financial statements. ***(Ind AS 33 requires presentation in consolidated financial statements only).***

## **1.7.5. GAAP differences between Ind AS and IFRS:**

* IAS 33 is applicable to the separate and consolidated financial statements of an entity/group with a parent whose ordinary or potentially ordinary shares are traded in a public market or that files or is in process of filing, its financial statements with securities commission or the other regulatory organization for the purpose of issuing ordinary shares in a public market.
* When an entity presents both separate and consolidated financial statements, EPS is required to be presented only in consolidated financial statements. An entity may disclose EPS in its separate financial statements voluntarily.

|  |  |
| --- | --- |
| **Approval authority** |  |
| **Version Date** |  |
| **Revision due on** |  |