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| **EX1-weighted average calculation** |
| Company B presented the following information about the movement of its shares during the year.  - On January 1,2022 , the opening balance of shares outstanding was 240,000 shares.  -On February 1, 2022 , 60,000 common shares were issued.  - On March 1,2022, the company issued a 20% stock dividend  - On May 1, 2022, the company purchased 50,000 shares of its own stock.  - On June 1, 2022 ,the company split its stock 3:1  - On October 1,2022, the company reissued 30,000 shares of the stock purchased on May 1.  -**Required**: Calculate the weighted average of common stock outstanding on December 31,2022  **Solution**   |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | |  | **Mouvement** | **Changes** | **Existing shares** | **Modifications** | **period** | **Weighted average** | | **1/1**  **1/2**  **1/3**  **1/5**  **1/6**  **1/10** | Opening Balance  Issuance  20% Dividend  Share Purchase  Share Split  Share Reissue  **weighted average** | -  60000  60000¹  (50000)  -  30000 | 240000  300000  360000  310000  930000²  960000 | **1.2×3**  **1.2×3**  **3**  **3** | **1 / 12**  **1 / 12**  **1 / 12**  **1 / 12**  **3/ 12**  **4/ 12** | **72000**  **90000**  **180000**  **77500**  **310000**  **240000**  **969000** |   ¹Stock dividends 300,000 x 20% = 60,000 shares  ²Stock split = 310,000 x 3 = 930,000 shares  From the above table that the distribution of free shares is treated as if it took place at the beginning of the year, and for this reason the number of shares outstanding during the periods prior to the distribution was multiplied by 2. The stock split is treated in the same way as the distribution of free shares. |

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| EX2- **Diluted earnings per share** |
| Company( C) reliazed a net profit of $210,000 and the weighted average number of common shares outstanding during the period was 100,000.  The company has convertible bonds issued as follows:  -10,000 bonds with a par value of $100 and an interest rate of 6%, convertible into 20,000 common shares. These bonds were issued during the previous year.  -10,000 bonds with a par value of $100 and an interest rate of 10%, convertible into 32,000 common shares. These bonds were issued on April 1 of the current year.  -Tax rate of 40%  **Required**-Calculate the basic earnings per share and the diluted earnings per share.  **Solution**  **Basic EPS = Net Income ÷ Weighted Average Shares**  **= 210000÷100000**  **=$2.1**  **Diluted earnings per share**  Calculate the weighted average number of shares probable to be issued   |  | | --- | | • Weighted average common stock outstanding **100,000**  **• Potential shares**  • 6% bonds since the beginning of the year. 20,000  10% bonds since April (32,000 × 9/12) 24,000  Weighted average of outstanding and potential shares **144,000**  **Calculate net income**:  Net income 210,000  Interest on bonds (net of taxes) 60,000 × 0.6 36,000  Interest on bonds (net of taxes) 100,000 × 0.6 × 9/12 45,000  Net income adjusted for interest on potential shares **291,000**  **Diluted EPS** = 291,000 ÷ 144,000 = $**2.02** per share | |