# IAS 33 EARNINGS PER SHARE

## FACT SHEET

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This fact sheet is based on existing requirements as at 31 December 2015 and it does not take into account recent standards and interpretations that have been issued but are not yet effective.

## IMPORTANT NOTE

**This fact sheet is based on the requirements of the International Financial Reporting Standards (IFRSs). In some jurisdictions, the IFRSs are adopted in their entirety; in other jurisdictions the individual IFRSs are amended. In some jurisdictions the requirements of a particular IFRS may not have been adopted. Consequently, users of the fact sheet in various jurisdictions should ascertain for themselves the relevance of the fact sheet to their particular jurisdiction. The application date included below is the effective date of the initial version of the standard.**

## IASB APPLICATION DATE (NON-JURISDICTION SPECIFIC)

IAS 33 is applicable for annual reporting periods commencing on or after 1 January 2005.

## OBJECTIVE

IAS 33 prescribes principles for the determination and presentation of earnings per share (EPS) to improve performance comparisons between different entities in the same reporting period and between different reporting periods for the same entity.

## SCOPE

An entity that discloses earnings per share shall calculate and disclose earnings per share in accordance with IAS 33. The disclosures required by IAS 33 are only required for consolidated information when an entity presents both consolidated and separate financial statements according to IFRS 10 *Consolidated Financial Statements* and IAS 27 *Separate Financial Statements*.

## MEASUREMENT

**Basic earnings per share**

An entity shall calculate basic EPS for profit or loss attributable to ordinary equity holders of the parent entity and, if presented, profit or loss from continuing operations attributable to those equity holders.

The basic EPS calculation is:

$$\frac{\text{profit or loss attributable to ordinary equity holders of the parent entity}}{\text{the weighted average number of ordinary shares outstanding during the period}}$$

***Earnings (the numerator)***

Profit or loss attributable to ordinary equity holders of the parent entity includes:

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

These amounts are 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.

***Shares (the denominator)***

The weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares bought back or issued during the period multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the period. The weighted average number of ordinary shares outstanding during the period 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.

Contingently issuable shares are treated as outstanding and are included in the calculation of basic earnings per share only from the date when all necessary conditions are satisfied (e.g. the events have occurred). This excludes shares that are issuable solely after a period of time (e.g. event has not occurred and passage of time is a certainty).

**Diluted earnings per share**

For the purpose of calculating diluted EPS, an entity shall adjust 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.

***Earnings (the numerator)***

To calculate diluted EPS, the profit or loss attributable to ordinary equity holders of the parent entity, shall be adjusted by the after-tax effect of:

- any dividends or other items related to dilutive potential ordinary shares deducted in arriving at profit or loss attributable to ordinary equity holders of the parent entity;
- any interest recognised in the period related to dilutive potential ordinary shares; and
- any other changes in income or expense that would result from the conversion of the dilutive potential ordinary shares.

***Shares (the denominator)***

For the purpose of calculating diluted EPS, the number of ordinary shares shall be the weighted average number of ordinary shares, 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. 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 are treated as dilutive when, and only when, their conversion to ordinary shares would decrease EPS or increase loss per share from continuing operations.

For the purpose of calculating diluted EPS, an entity:

- assumes that dilutive options and warrants of the entity are exercised;
- presumes that when the entity issues contracts that may be settled in ordinary shares or cash at the entity's option, the contracts will be settled in ordinary shares;
- presumes that contracts that may be settled in ordinary shares or cash at the holder's option, the more dilutive of cash settlement and share settlement shall be used; and
- reflects the dilutive effect of contracts requiring the entity to repurchase its own shares (e.g. written put options and forward purchase contracts). IAS 33 specifies diluted EPS calculation requirements for such instruments that are 'in-the-money' during the period.

Potential ordinary shares are considered antidilutive when their conversion to ordinary shares would increase earnings per share or decrease loss per share from continuing operations. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an antidilutive effect on earnings per share.

**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 EPS for all periods presented shall be adjusted retrospectively.

If these changes occur after the reporting period but before the financial statements are authorised 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 that per share calculations reflect such changes in the number of shares shall be disclosed.

In addition, basic and diluted EPS of all periods presented shall be adjusted for the effects of errors and adjustments resulting from changes in accounting policies, accounted for retrospectively.

## PRESENTATION

An entity shall present in the statement of comprehensive income 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 comprehensive income or in the notes.

An entity shall present basic and diluted earnings per share, even if the amounts are negative (i.e. a loss per share).

## DISCLOSURES

Refer to Appendix 1 for a checklist to assist with IAS 33 presentation and disclosure requirements.

## DEFINITIONS

| | |
|---|---|
| **Antidilution** | An increase in EPS or a reduction 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. |
| **Contingently issuable ordinary shares** | Ordinary shares issuable for little or no cash or other consideration upon the satisfaction of specified conditions in a contingent share agreement. |
| **Contingent share agreements** | Agreements to issue shares depending on the satisfaction of specified conditions. |
| **Dilution** | A reduction in EPS 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. |
| **Options, warrants and their equivalents** | Financial instruments that give the holder the right to purchase ordinary shares. |
| **Ordinary shares** | Equity instruments that are subordinate to all other classes of equity instruments. |
| **Potential ordinary shares** | Financial instruments or other contracts that may entitle its holder to ordinary shares. |
| **Put options on ordinary shares** | Contracts that give the holder the right to sell ordinary shares at a specified price for a given period. |

# AUSTRALIAN SPECIFIC REQUIREMENTS

The Australian equivalent standard is AASB 133 *Earnings Per Share* and is applicable for annual reporting periods commencing on or after 1 January 2005.

## REDUCED DISCLOSURE REQUIREMENTS (RDR)

On 30 June 2010, the Australian Accounting Standards Board published AASB 1053 *Application of Tiers of Australian Accounting Standards* (and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*) which established a differential reporting framework, consisting of two Tiers of reporting requirements for preparing general purpose financial statements:

a. Tier 1: Australian Accounting Standards; and

b. Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.

A Tier 2 entity is a 'reporting entity' as defined in SAC 1 *Definition of the Reporting Entity* that does not have 'public accountability' as defined in AASB 1053 and is not otherwise deemed to be a Tier 1 entity by AASB 1053.

RDR is applicable to annual periods beginning on or after 1 July 2013.

The requirements that do not apply to RDR entities are identified in Appendix 1 by shading of the relevant text.

# APPENDIX 1 – DISCLOSURE CHECKLIST

This checklist can be used to review your financial statements. You should complete the "Yes / No / N/A" column about whether the requirement is included. To ensure the completeness of disclosures, provide an explanation for "No" answers.

| CODE | | YES / NO / N/A | EXPLANATION (*If required*) |
|---|---|---|---|
| IAS 33.66 | Has the entity presented, in the statement of comprehensive income, basic and diluted earnings per share for the:<br>a. profit or loss from continuing operations attributable to the ordinary equity holders of the parent entity; and<br>b. 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?<br>If basic and diluted earnings per share are equal, dual presentation can be accomplished in one line on the statement of comprehensive income.<br>Has the entity presented basic and diluted earnings per share with equal prominence for all periods presented? | | |
| IAS 33.68 | Has the basic and diluted earnings per share for reported discontinued operations been disclosed either in the statement of comprehensive income or in the notes to the financial statements? | | |
| IAS 33.69 | Has the entity presented basic and diluted earnings per share, even if the amounts are negative (i.e. a loss per share)? | | |

| CODE | | YES / NO / N/A | EXPLANATION (*If required*) |
|---|---|---|---|
| IAS 33.70 | Has the entity disclosed the following:<br>a. 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, ensuring the reconciliation includes the individual effect of each class of instruments that affects earnings per share;<br>b. 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, ensuring the reconciliation includes the individual effect of each class of instruments that affects earnings per share;<br>c. 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 anti-dilutive for the period(s) presented; and<br>d. a description of ordinary share transactions or potential ordinary share transactions, other than those accounted for in accordance with paragraph 64, that would have significantly changed 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? | | |
| IAS 33.72 | Financial instruments and other contracts generating potential ordinary shares may incorporate terms and conditions that affect the measurement of basic and diluted earnings per share. These terms and conditions may determine whether any potential ordinary shares are dilutive and, if so, the effect on the weighted average number of shares outstanding and any consequent adjustments to profit or loss attributable to ordinary equity holders. The disclosure of the terms and conditions of such financial instruments and other contracts is encouraged, if not otherwise required (see IFRS 7 *Financial Instruments: Disclosures*). | | |

| CODE | | YES / NO / N/A | EXPLANATION (*If required*) |
|---|---|---|---|
| IAS 33.73 | If the entity discloses, in addition to basic and diluted earnings per share, amounts per share using a reported component of the statement of comprehensive income other than one required by IAS 33:<br>a. have basic and diluted amounts per share relating to such a component been disclosed with equal prominence and presented in the notes to the financial statements; and<br>b. has the basis been indicated on which the numerator(s) is (are) determined, including whether amounts per share are before tax or after tax.<br>c. has a reconciliation been provided between the component used and a line item that is reported in the statement of comprehensive income? | | |
| IAS 33.73A | Paragraph 73 applies also to an entity that discloses, in addition to basic and diluted earnings per share, amounts per share using a reported item of profit or loss, other than one required by this Standard. | | |

# OTHER MATTERS

## LEGAL NOTICE



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