Ch. 16 Dilutive Securities and Earnings per Share الأوراق الكالية الحاسة EPS = NI - P. S dividends waighted Average outstanding Cos Numerator (te 11) ais es es for common Stockholders Net Income Available 6 ; tiabl of 81 ilgs mes cha ~ 12 6 INI - P.S. dividends The state of the s Denominator (piel1) 3303 March 4-393 C W.A.O.C.5 لے ہو جد Issued Shaves - Treasury Shares EPS > Income a 10 2 Ab.

Dilutive Earnings per Shave [DEPS]
véeins laussisse de

EPS (prés à rand de moi) aussivare

DEPS (Dilutive securities es in igent

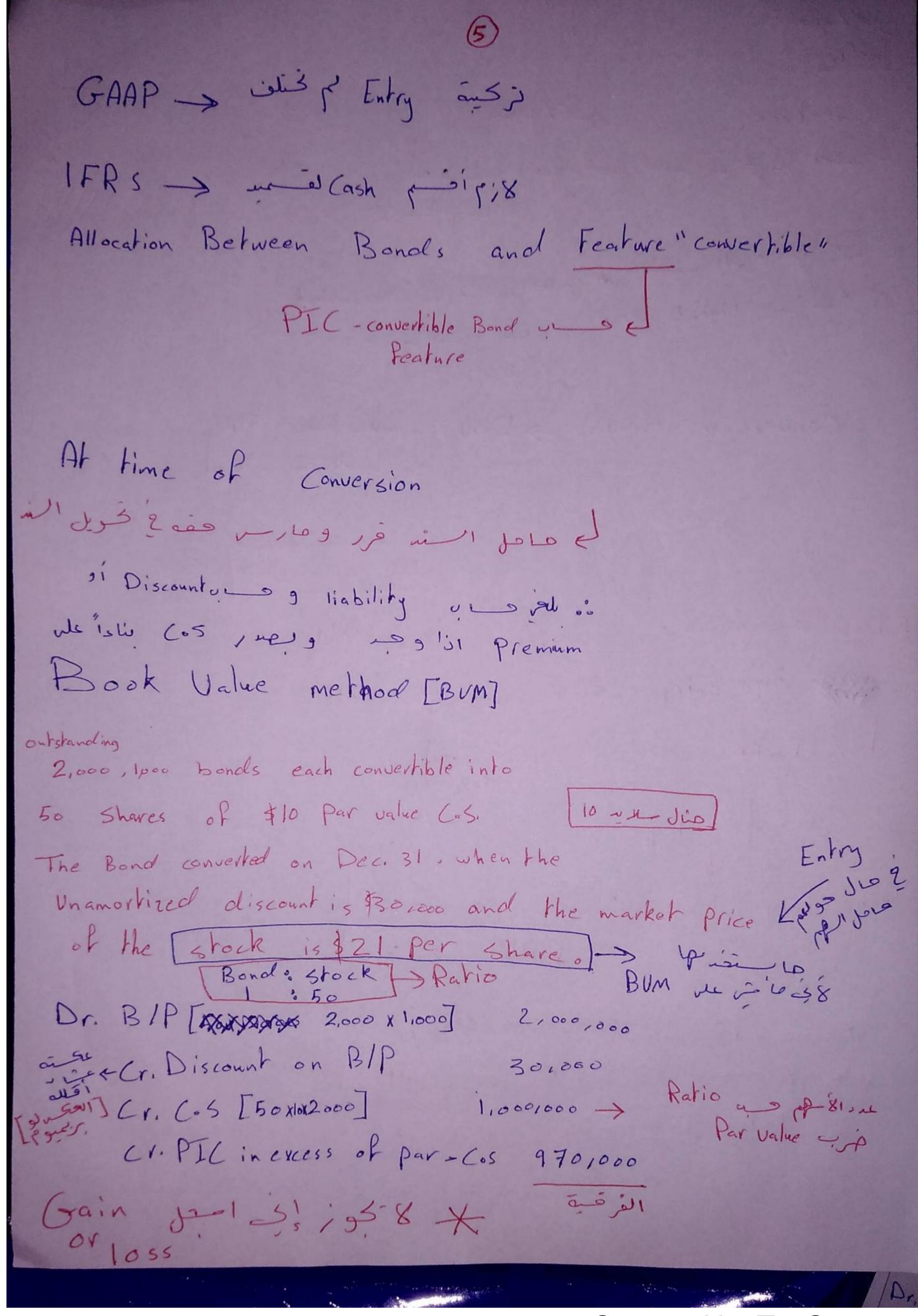
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EPS (Dilutive securities es in igent

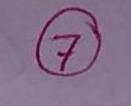
Worst Case Senario sip j' i ip jus
" up lo ull pp gl" el

13 Convertible Securities "A's aby in Jobs as" convertable Bonds "lip & wir divise Interest exp. no as il quing EPS de j'i voi dei isso e aligs ; lid 1 pl bl as & convertable P.5 NÍ 1.5.00 km 2 P.5 ans Mai الا عام الا عام الم المناع ال Stock option In Section Equity Convertable Bond in liability
Section convertible Preferred Stock In Section Equity Mandatory, Redemable sup is P.S ellis I do is Debt like '8 3' 1350 parton of "liability" plining in

Convertible Bonds plots and wolfs ar llég'i e17 mie eer l'ui pil, 15 mil of ill of stapes no lie I ho des 2 "Guranteed interest and Principal" And I will by of the I will of in a Convertible Bonds , nei as juint Jéi silé nie Financing és in J. sé d in 18 abai Mi jhis 81 am. At Time of issuance issued \$4,000,000 @ par 1000 (ash If the Bond had not included convertible faiture they would have sold for 95. 725/hdiscount * Convertible Bond * Straight Bond B (ash [4 1000/000 x 991/] 3,960,000 Dr. Cash[4,000,000 x 951] 3,800,000 Dr. discount on 13/P[4,000,000 x 51] 200,000 Dr. Discount on B/P[4,000,000 x 1°10] 40,000 Cr. B/P 4,000,000 Cr. BIP 4,000,1000



تعيم الحفي Induced Conversion Sweetner July 18 ask of 8 على معد تقل سية الفائدة عد النبية اللي بدفعها كلة السات فيحاول أفنعم -لحولواالسنان لا عمم Conversion Service -> Debt Conversion exp. 25 Manve 12 me Jup Entry vier von ji sweetner 2 et giv! With sips Entry sin dos viger sill Dr. Debt Conversion exp. 70,000 CV. Cash 70,000 Milnventory i sti sa Assume 70% bés "in 1 1 des in 70% and 099 B/P -- sidliel Entry P.4 >> 701. Xa is



Retirement of Convertible debt

1 nois Callable in Miner Sing Single

Sweetner prior bood Early Redemption Jan

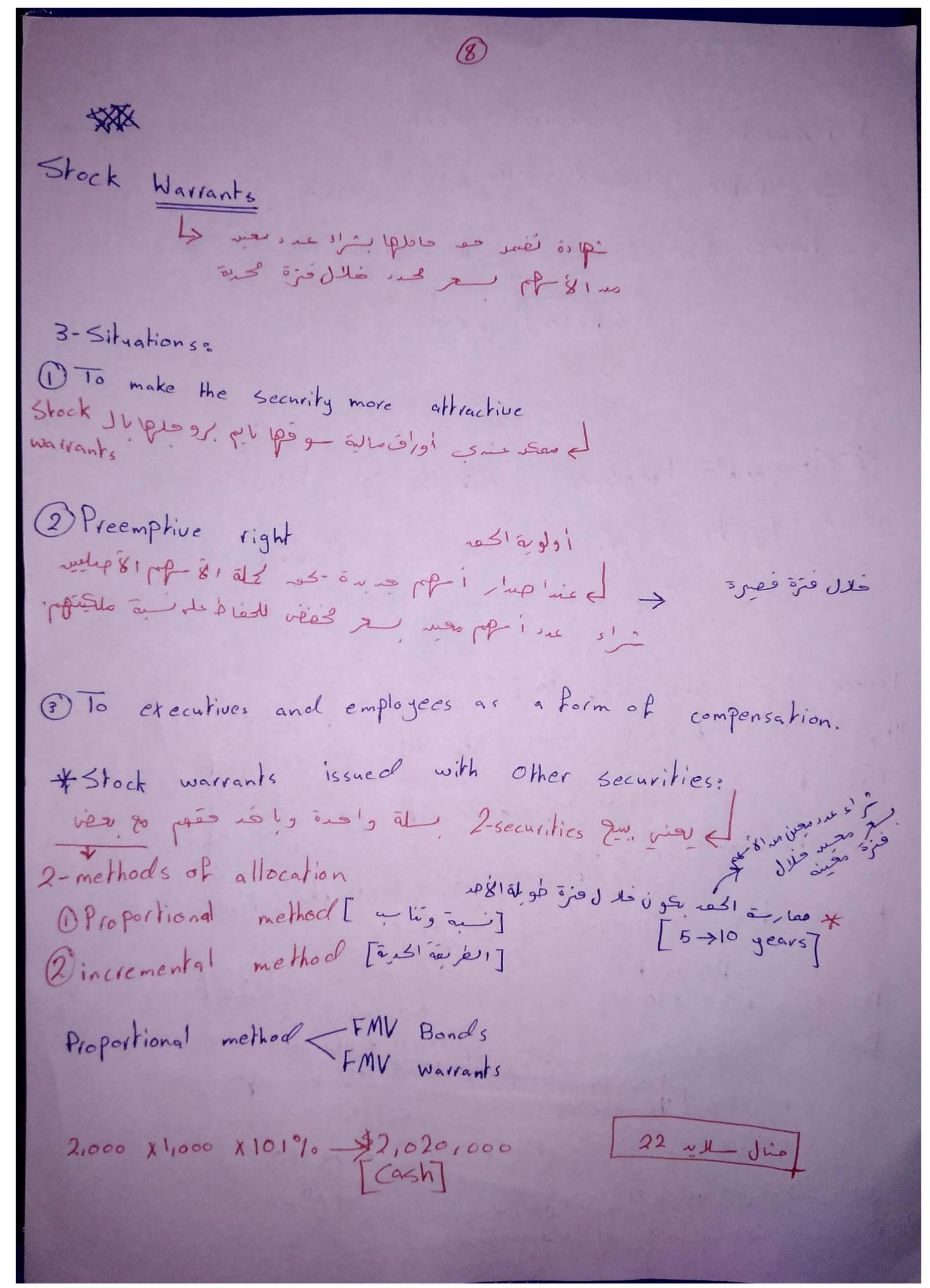
Cho 15]

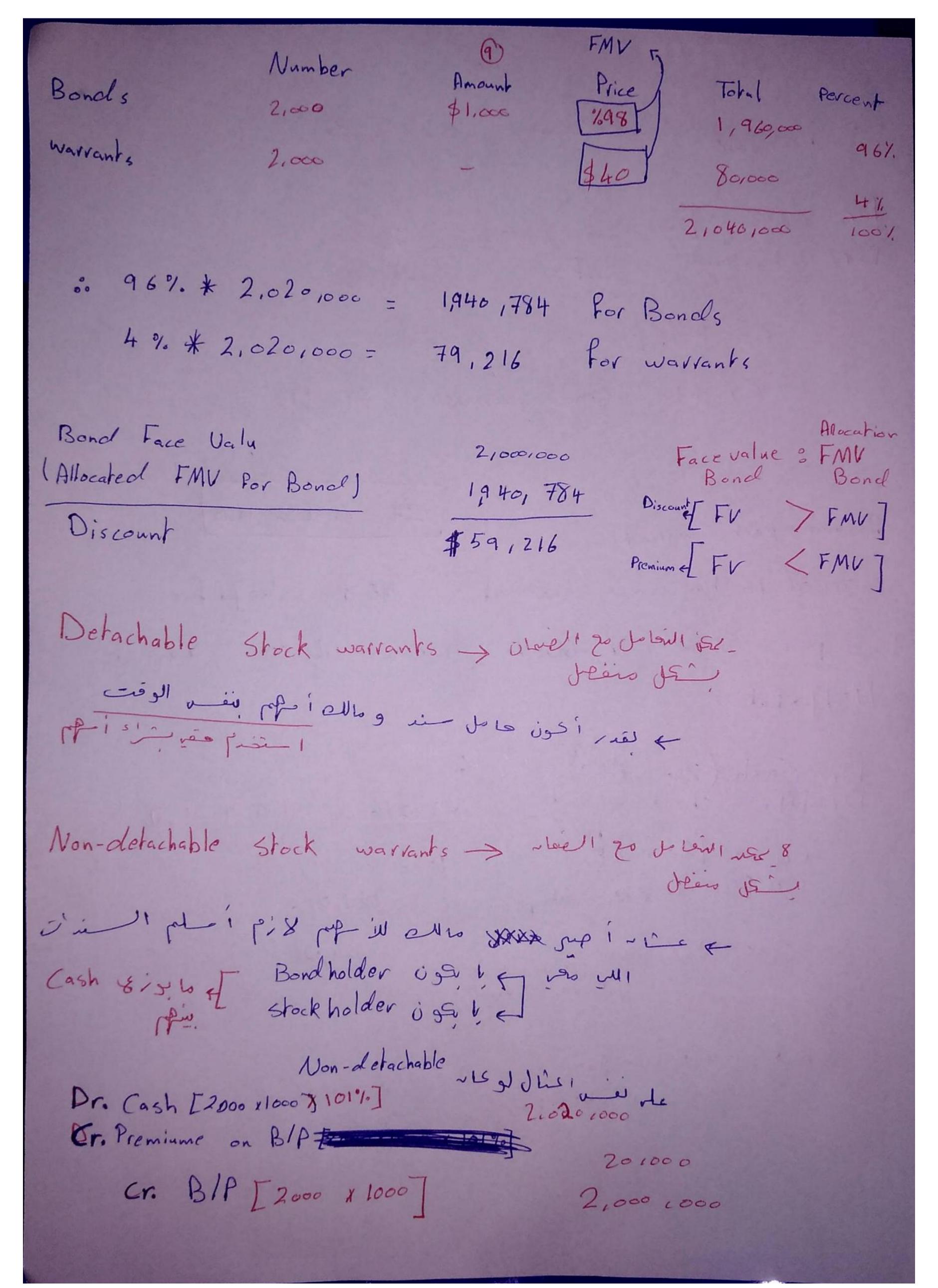
* Convertible Preferred Stock (Equity) Jourious
Jeing Equity J Equity no I glain I glas of insel

5, Lo 89 & 18 wie in BUM WK

upon conversion of 1,000 shares of \$50 par value Pos.

The Pis was originally issued at \$60 per share. The Cistrading at \$26 per shore at the time of conversion Piss Cistrading Proposed Propos





Détachable déd'ampris as nie aigs

Dr. Cash [2000 x 1000 x 101%] 2,020,000 Dr. Discount on B/P 59,216

> Cr. B/P [2,000+1000] 2,000,000 Cr. PIC - Stock warrants 79,216

Assume each warrant can be 24 n. 11- Jup

exercised to buy one share of C.S [\$5 Par value]. For

\$30 per Share. if investors exercise all 2,000 warrants

[10] Ratio

Dr. Cash (2,000 x\$30) 60,000

Dr. DIC - stock warrants 79,216 > Job of Stirl

Cr. C.5 [2,000 x 5] 10,000

Cr. PIC In eleess of par-c.s 129,216

asi use 1995. ppls in the standard in the stan

Stock warrant une dain 1, ie. M. ijiel 1 325- 10 LC X.

1820 MI Bond per m 10 pas i gen

a) FMV ion 10 1/2/81 10 1

Cash = 2000 x 1000 x 101%.

26 me dûs

Bond = 2000 x 1000 x 98%.
=\$1,960,000

2,000,000 (1,960,000) 440,000 T discount

Cash - Bondy = warranting
2020000 - 1960,000 = \$60,000

Dr. Cash 2,020,000

Dr. Discount on B/P 40,000

Cr. B/P

Cr. PIC - Stock warrants 60,000

Rights to Subscribe to Additional Shares

* Preemptive Right Ulis mes a per 1 str. mesulosistical

and a sight of the discourse of the street of the discourse of the discourse

* Stock Compensation Plan Stock option ogive key employee option to purchase Cos at given price over extended period of time [5-10 years]

Stock warrants: 1 = 38 Press Stock options: Top managers I were Key employees

Measurement - Stock Compensation

[ve gai cogreso] compensation exp. J= 1 7:11

John Jak FMV de "sie

Vesting 6 je g. Pik sies v. K., ied Just ville Period Fire of sit 1/8 [11] Espires propries ogse 9

exp. = Total FMV Compensation

of Service Period (Vesting Period)

5 - executives aption to purchase 2000 Shares 41 ml June

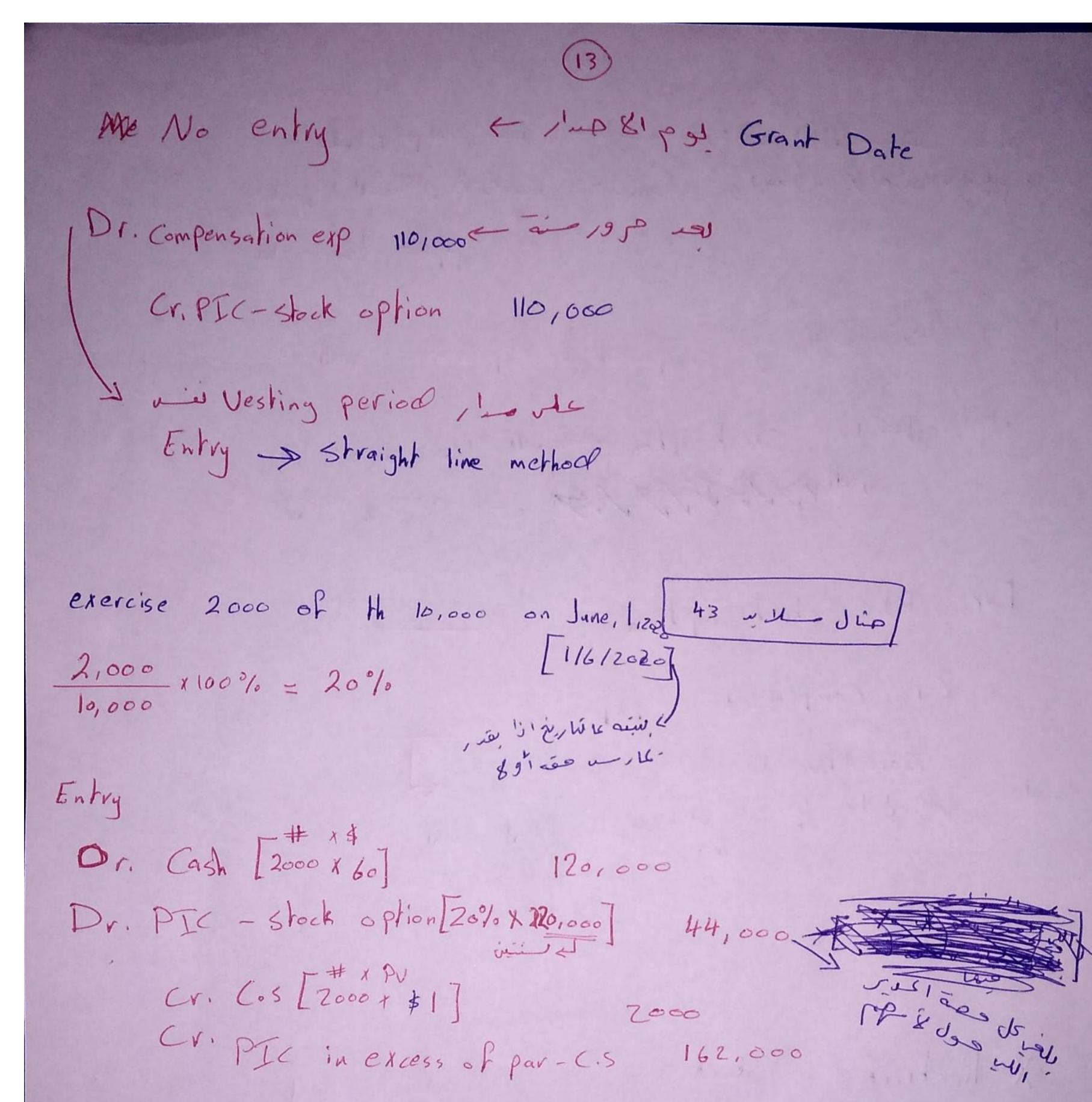
each of the company's \$1 Par value C.S.

: #of Stocks = 5 x 2000 = 10000 [15 jui vi is suds x s] is]

exercise price = option Price > \$60 + الرحة بتدرها Market Price =\$70

besting period = 2 year

5) compensation \$ 110,000 Toral FMV of compensation exp = \$220,000



Expiration Date assured stock option 176,000

Expiration Date assured stock option 176,000



علما رئم مد ای حدات معروف اول منس س ما لفتر ا لعنه کانو محرف مناکلته فیه و المدراد را حت علیم ما ما ما حدار حقوم

Just 9 des 2 Compensation expense jab.

Je des la stock option per vill station de la compart de

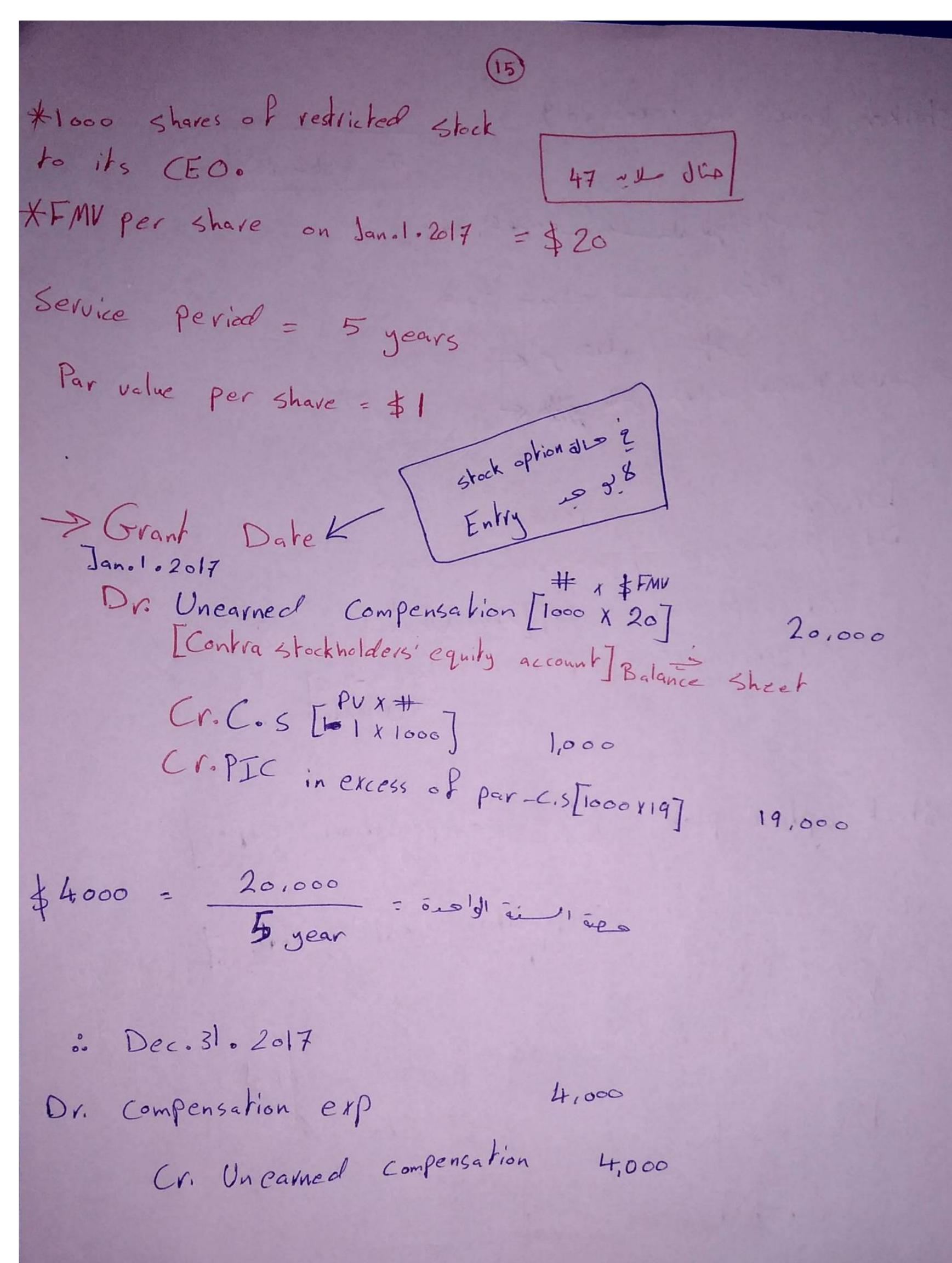
Dr. PIC-stock option

Cr. Compensation expo

di spé d'usi vu l'é, l'heil de sient au l'app x i'gi l'ins

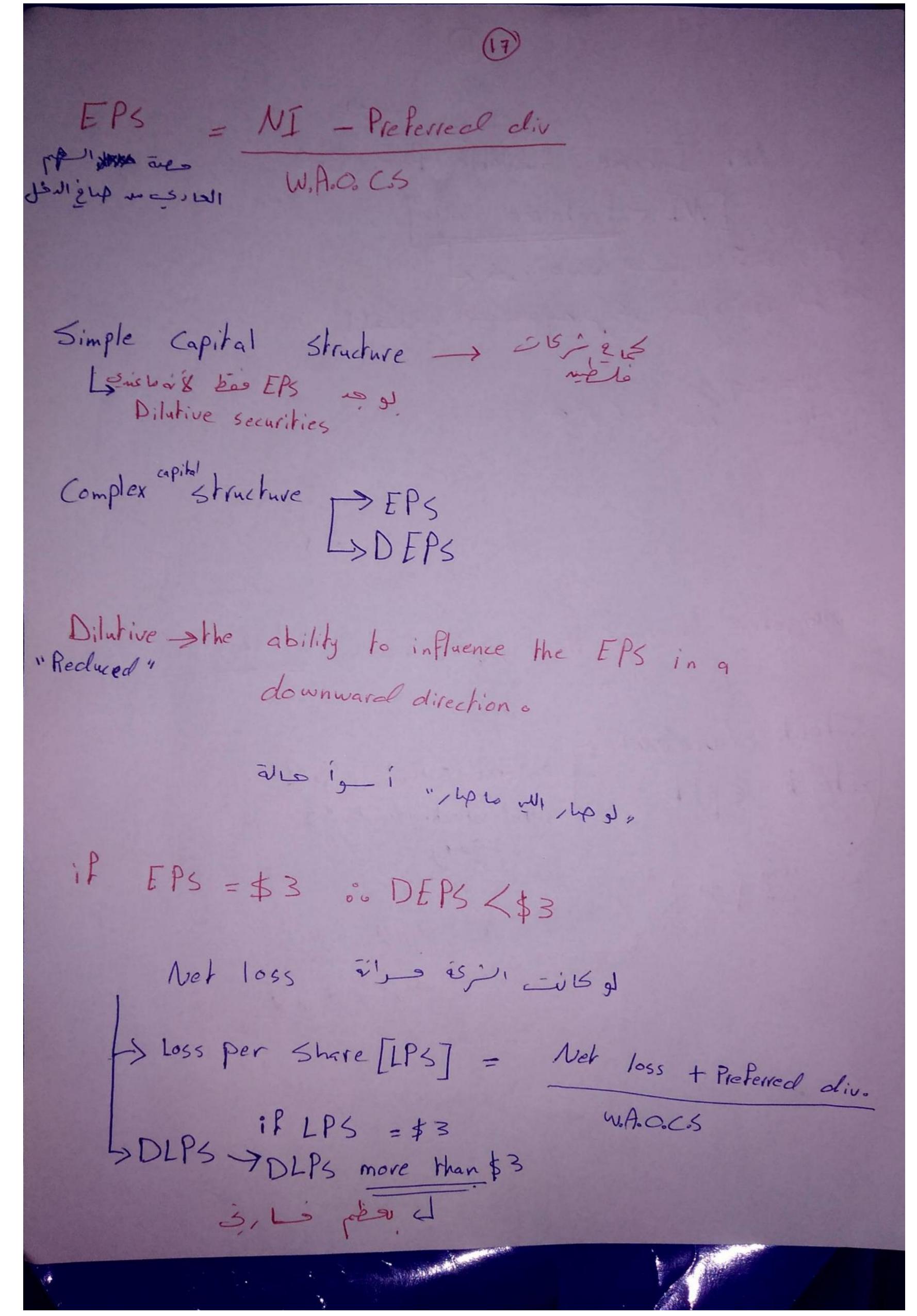
Restricted Stock ones of i som piece & Key employee as il spir of i d opi aps la of 5 8 of . Vesting Periodavisti spir print la mul la gias 8 of

Stock option Siving lind 130 in par i par view &



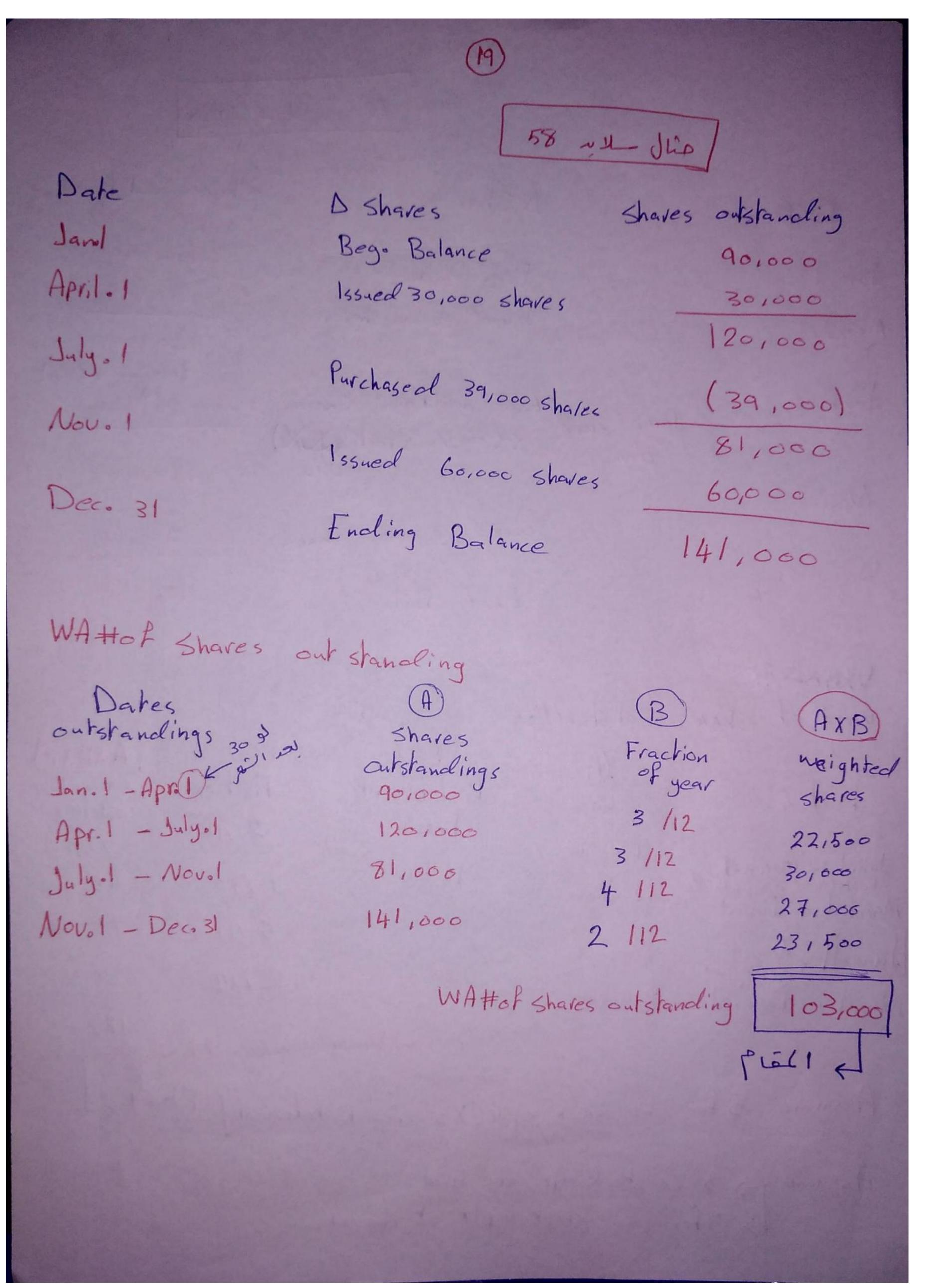
Stalker leaves on Feb-3. 2019 المعروف بعله سطاية المنه ف م عسر حسنس و زل ropi ves المعارية المعارية المعترف ع خلال فرة فرمته 1000 Dr. PIC in ercess of par-c.s 19,000 Cr. Compensation explayear 140007 Cr. Unearned Compensation[20,000-8000] 12,000

plin 1 6 Syear 14000 8,000 Stock option plan compensation exp. \$ 12 squice period compensation au dobin out of j'ès s'és l'és elje dividends às j'i ens je el Dr. Cash Cr. Retained Earnings stockproption alea cits !; Notes à zip à as pir 18 * 4) Restricted



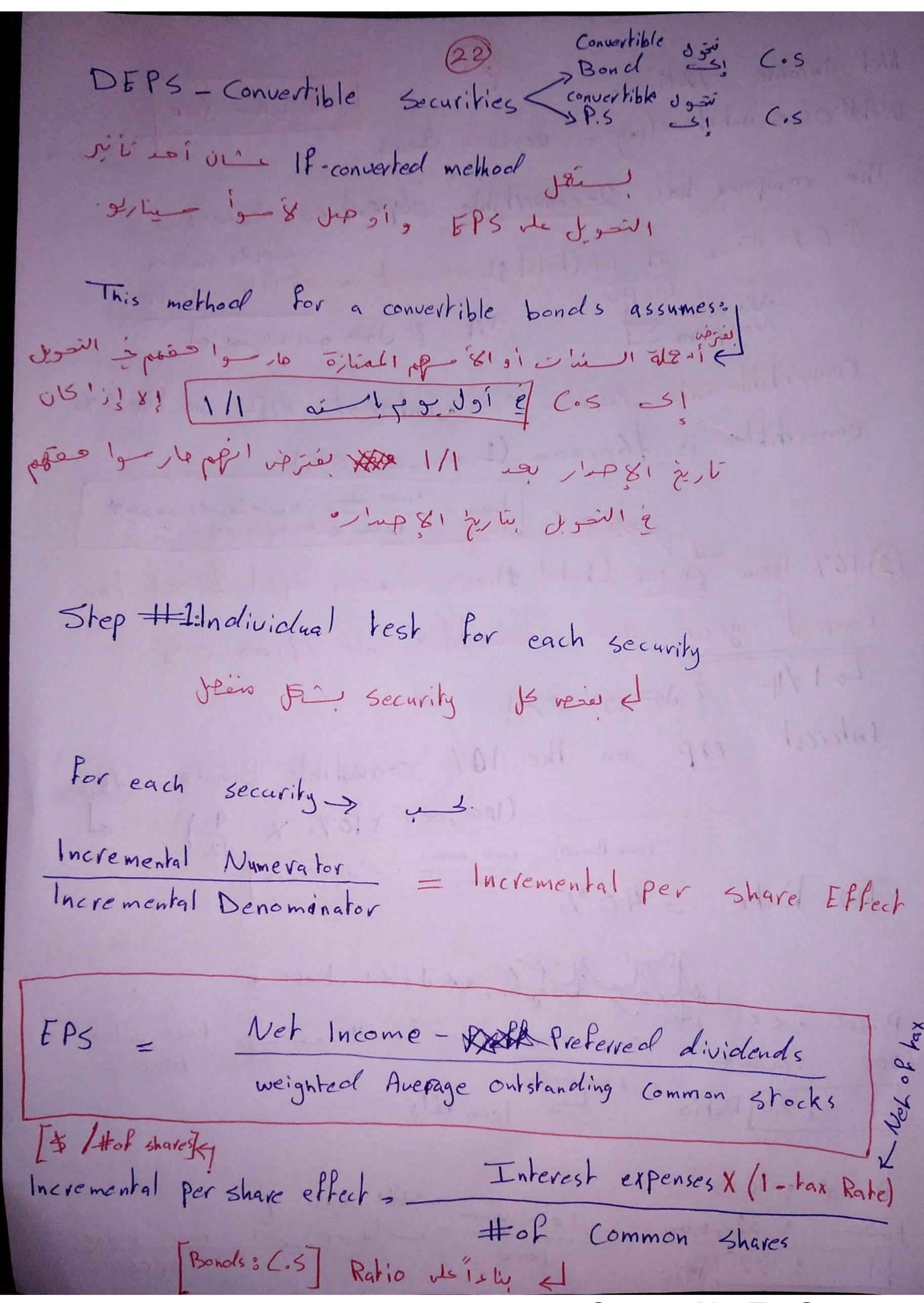
Net Income Available For Cos [NI - Préféssed div] لے کدر قسما مد الالفاقہ واکڑے Idelia l'égiés à l'égiés l'égiés l'égiés Doctoration des Joses Weighted average #of XXX Shaves Outstanding Stock dividends John Cash Js j & 8
Stock Split John Stockholder 1889

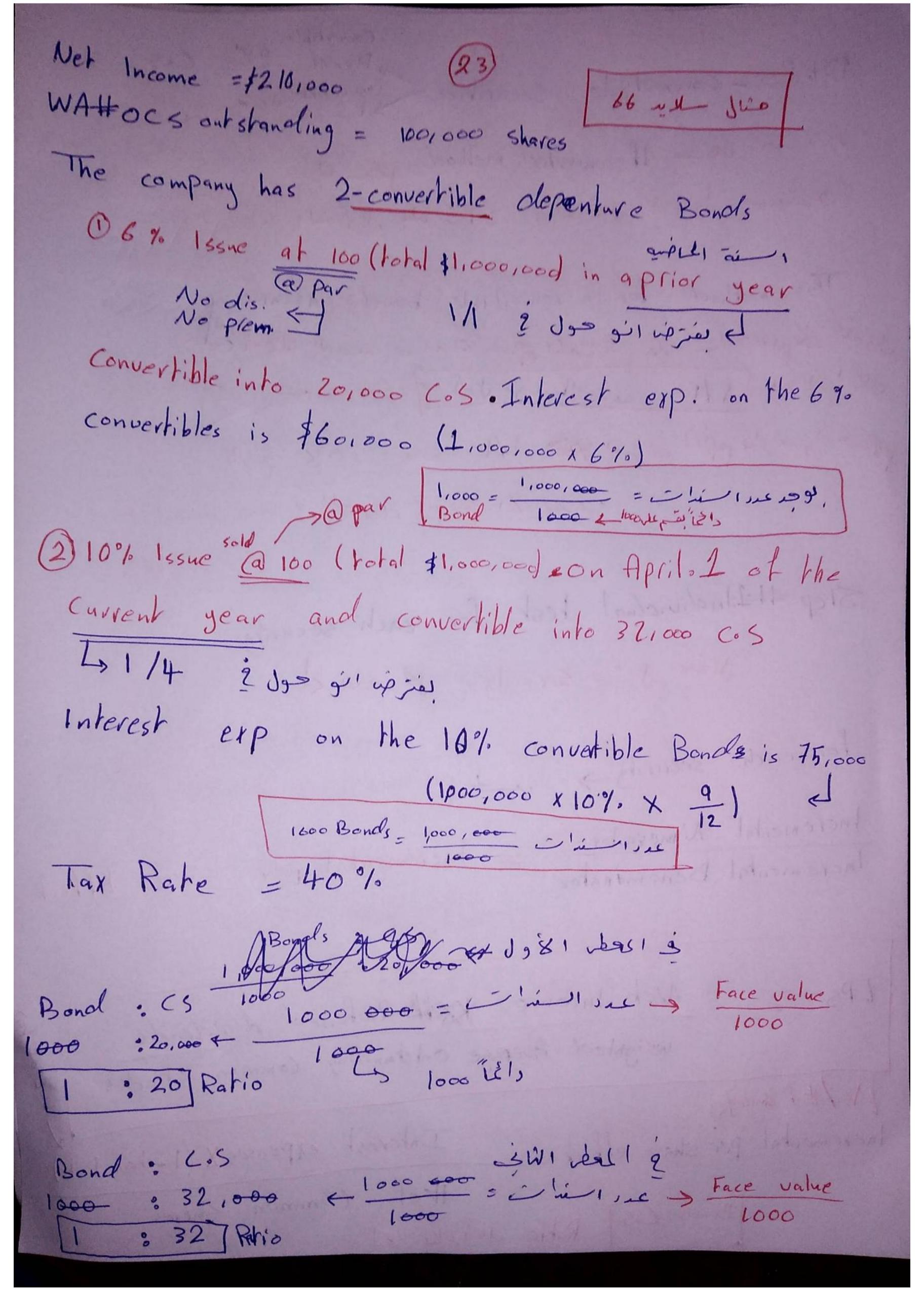
equity العارية العارية العارية العارية العارية العارية العارية العارية العارية في العارية ال



60 mel dûp Shares outstanding 1 Shaves Date 100,000 Beg. Balance Janol 20,000 Issued 20,000 shares March. 1 120,000 (120,000 Y50%) large stock (50%, Stock & Liv.)
div. June o1 60,000 180,000 Nov. 1 Issued 30,000 Shares 30,000 Deco 31 210,000 By Kain of air WASSINGHT WAHOF Shaves out standing (c) AXBXCT (A) Restatement Fraction weighted Shares Shaves Dates 2 /12 1. 50 25,000 100,000 Janel - Marchel & Marchel - June . 1 3/12 45,000 20,000 75,000 5/12 June . I - Nov. 1 180,000 2/12 35,000 210,000 Nov. 1 - Dec. 31 189000 WAHOR shaves outstanding Assume 3 for one stock split [X3 jes Restatement] [Lici] Assume > 50%, stock div at Junel
3 for one stock split at Nov. 1

Restatement soe solis del mis Stock x stock of split Janol - Maril 1.50 Maril - June-1 1. 50 June-1- Nov. 1 Nov. 1 - Dec. 31 05, Le des de 9 * Complex Capital Structure La Convertible securities La Options, warrants or other rights worst case senavio de 1sti DEPS Impact of options, DEPS = EPS - Impact of Convertables warrants and other dilutive securities Dilative securities -> DEPSUR M- LOSÚI-Unti-dilutive securities > EPSNs vist la sil-] su 2 8 comme



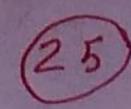


inter visco que l'ilg Ratio viver i sar ip 10 0/951 intero d'ill 1 io 2 + 10 10 0/951 Interest exp. = 1000 000 x 6% = 0981 versi 2 Befor tax \$60,000 [Fore verlage X MIR] Interest exp. = 1,000,000 × 10/1×1 = = 501 = 201 = Befor tax Fraction = 1,000,000 × 10% =\$75,000 Basic EPS LS -1 Joi EPS = NI - Preferred div = 210,000 - 0 WAHOF Cos outstanding 160,000 =\$ 2010 Step#13 Individual test for each Bond

Incremental per share effect = Interest exp x(1- rax) # of Cos

60,000 X (1-4-0%) Effect of Bond #1 = 20,000

=\$1.8



go Effect 1.33 Bonds N, Las EPS \$1.8 < \$2.10. So its dilutive

If Effect J.3 Bond (EPS + Unti-dilutive)

[La sei .] Reduced on land to see

Effect J.3 Bond #2 = 75,000 x (1-40%) 32,000 X Fraction (9)

> = 45,600 24,000 =\$1.875

1.875 < 2.10, so it's dilutive

Step#2 ? Ranking

معلى تصنيف سالنائر الأقل للنائر الأعلى

Securities

6% conv. Bond

10% Conv. Bond \$ 1.875

per shave effech

\$ 1.80

Unti-dilutive 2 1 05 i vie

