ACCOUNTING STANDARD

CONCEPTUAL FRAMEWORK:

If there were no framework for preparing financial statement, accounting standards would be developed in a random, haphazard way to deal with issues as they arise. This would result in standards which would be inconsistent with each other or legislation.

By having a single conceptual framework, preparers and users of financial statements understand that accounting practices and accounting standards are based on this common ideology.

A framework also provides guidance for unusual transactions, which may be otherwise open to interpretation. Some people believe that by having a conceptual framework, it improves the credibility of the accounting profession overall.

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Purpose of the IFRS Conceptual Framework

The purpose of the Conceptual Framework is summarized as follows;

1. To assist the IASB in the development of future accounting standards and in its review of existing accounting standards, ensuring consistency across standards
2. To assist the IASB in promoting harmonization of regulations, accounting standards and procedures relating to the presentation of financial statements by providing a basis for reducing the number of alternative accounting treatments permitted by accounting standards,
3. To assist national standard-setting bodies in developing national accounting standards;

4. To assist preparers of financial statements in applying international financial reporting standards and in dealing with topics that have yet to form the subject of an accounting standard.
5. To assist users of financial statements in interpreting the information contained in financial statements prepared in compliance with international financial reporting standards;
6. To assist auditors in forming an opinion on whether financial statements comply with international accounting standards; and
7. To provide those who are interested in the work of the IASB with information about its approach to the formulation of accounting standards.

Keep in mind this Conceptual Framework is not an accounting standard itself, and it doesn't override the requirements of any existing accounting standard.

Indian Accounting Standard

The objective of this Indian Accounting Standard (Ind AS) is to ensure that an entity's first Ind-AS financial statements, and its interim financial reports for part of the period covered by those financial statements, contain high quality information that: (a) is transparent for users and comparable over all periods presented; (b) provides a suitable starting point for accounting in accordance with Ind-ASs; and (c) can be generated at a cost that does not exceed the benefits.

AccountingStandard (AS)1

DisclosureofAccounting Policies

1.ThisStandarddealswiththedisclosureofsignificantaccountingpoliciesfollowed inpreparingandpresentingfinancialstatements.

2.Theviewpresentedinthefinancialstatementsofanenterpriseofitsstateofaffairs andoftheprofitorlosscanbesignificantlyaffectedbytheaccountingpoliciesfollowed inthepreparationandpresentationofthe financialstatements.Theaccountingpolicies followedvaryfromenterprisetoenterprise.Disclosureofsignificantaccountingpolicies followedisnecessaryiftheviewpresentedistobeproperlyappreciated.

3.Thedisclosureofsomeoftheaccountingpoliciesfollowedinthepreparationand presentationofthefinancialstatementsisrequiredbylawinsomecases.

4.TheInstituteofCharteredAccountantsofIndiahas,inStandardissuedbyit, recommendedthedisclosureofcertainaccountingpolicies,e.g.,translationpoliciesin respectofforeigncurrencyitems.

5.Inrecentyears,afewenterprisesinIndiahaveadoptedthepracticeof includingin theirannualreportstoshareholdersaseparatestatementofaccounting policiesfollowed inpreparingandpresentingthefinancialstatements.

6.Ingeneral,however,accountingpoliciesarenotatpresentregularly andfully disclosedinallfinancialstatements.ManyenterprisesincludeintheNotesonthe Accounts,descriptionsofsomeofthesignificantaccountingpolicies. Butthenatureand degreeofdisclosurevaryconsiderablybetweenthecorporateandthenon-corporate sectorsandbetweenunitsinthesamesector.

7.Evenamongthefewenterprisesthatpresentlyincludeintheirannual reportsa separatestatementofaccountingpolicies,considerablevariationexists.Thestatementof accountingpoliciesformspartofaccountsinsomecaseswhileinothersitisgivenas supplementaryinformation.

8.ThepurposeofthisStandardistopromotebetterunderstandingoffinancial statementsbyestablishingthroughanaccountingstandardthedisclosureofsignificant accountingpoliciesandthemannerinwhichaccountingpoliciesaredisclosedinthe financialstatements.Suchdisclosurewouldalsofacilitateamoremeaningfulcomparison betweenfinancialstatementsofdifferententerprises.

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9.Certainfundamentalaccountingassumptionsunderliethepreparationand presentationoffinancialstatements.Theyareusuallynotspecifically statedbecausetheir acceptanceanduseareassumed.Disclosureisnecessaryiftheyarenot followed.

10.Thefollowinghavebeengenerallyacceptedasfundamentalaccountingassumptions:—

a.GoingConcern

Theenterpriseisnormallyviewedasagoingconcern,thatis,as continuingin operationfortheforeseeablefuture.Itisassumedthattheenterprisehasneither theintentionnorthenecessityofliquidationorofcurtailingmateriallythescale oftheoperations.

b.Consistency

Itisassumedthataccountingpoliciesareconsistentfromoneperiodtoanother.

c.Accrual

Revenuesandcostsareaccrued,thatis,recognizedastheyareearnedor incurred(andnotasmoneyisreceivedorpaid)andrecordedinthefinancial statementsoftheperiodstowhichtheyrelate.(Theconsiderati onsaffectingthe processofmatchingcostswithrevenuesundertheaccrualassumptionarenot dealtwithinthisStandard)

NatureofAccounting Policies

11.Theaccountingpoliciesrefertothespecificaccountingprinciples andthemethods ofapplyingthoseprinciplesadoptedbytheenterpriseinthepreparationandpresentation offinancialstatements.

12.Thereisnosinglelistofaccountingpolicieswhichareapplicableto allcircumstances. Thedifferingcircumstancesinwhichenterprisesoperateinasituation ofdiverseandcomplex economicactivitymakealternativeaccountingprinciplesandmethodsofapplyingthose principlesacceptable.Thechoiceoftheappropriateaccountingprinciplesandthemethodsof applyingthoseprinciplesinthespecificcircumstancesofeachenterprisecallsfor considerablejudgementbythemanagementoftheenterprise.

13.ThevariousStandardsoftheInstituteofCharteredAccountantsofIndiacombined withtheeffortsofgovernmentandotherregulatoryagenciesandprogressive anagementshavereducedinrecentyearsthenumberofacceptablealternatives particularlyinthecaseofcorporateenterprises.Whilecontinuingeffortsinthisregardin futurearelikelytoreducethenumberstillfurther,theavailabilityofalt

ernative
accountingprinciplesandmethodsofapplyingthoseprinciplesisnotl
ikelytobe
eliminatedaltogetherinviewofthedifferingcircumstancesfacedbyt
heenterprises.

**AreasinWhichDifferingAccountingPoliciesar
eEncountered**

14.Thefollowingareexamplesoftheareasinwhichdifferentaccounti
ngpoliciesmay beadoptedbydifferententerprises.

(a)Methodsofdepreciation,depletionandamortisation

(b)Treatmentofexpenditureduringconstruction

(c)Conversionortranslationofforeigncurrencyitems

(d)Valuationofinventories

(e)Treatmentofgoodwill

(f)Valuationofinvestments

(g)Treatmentofretirementbenefits

(h)Recognitionofprofitonlong-termcontracts

(i)Valuationoffixedassets

(j)Treatmentofcontingentliabilities.

15.Theabovelistofexamplesisnotintendedtobeexhaustive.

ConsiderationsintheSelectionofAccountingPolicies

16.Theprimaryconsiderationintheselectionofaccountingpoliciesbyanenterpriseis thatthefinancialstatementspreparedandpresentedonthebasisofsuchaccounting policiesshouldrepresentatrueandfairviewofthestateofaffairsoftheenterpriseasat thebalancesheetdateandoftheprofitorlossfortheperiodendedonthat date.

17.Forthispurpose,themajorconsiderationsgoverningtheselection andapplicationof accountingpoliciesare:—

a.Prudence

Inviewoftheuncertaintyattachedtofutureevents,profitsarenotanticipated butrecognizedonlywhenrealizedthoughnotnecessarilyincash.Provisionis madeforallknownliabilitiesandlosseseventhoughtheamountcannotbe determinedwithcertaintyandrepresentsonlyabestestimateinthelightof availableinformation.

b.SubstanceoverForm

Theaccountingtreatmentandpresentationinfinancialstatementsoftransactions andeventsshouldbegovernedbytheirsubstanceandnotmerelybythelegalform.

c.Materiality

Financialstatementsshoulddiscloseall“material”items,i.e.itemstheknowledge

ofwhichmightinfluencethedecisionsoftheuserofthefinancialstatements.

DisclosureofAccounting Policies

18.Toensureproperunderstandingoffinancialstatements,itisnecessarythatall significantaccountingpoliciesadoptedinthepreparationandpresentationoffinancial statementsshouldbedisclosed.

19.Suchdisclosureshouldformpartofthefinancia
lstatements.

20.Itwouldbehelpfultothereaderoffinancialstatementsiftheyareall
disclosedas
suchinoneplaceinsteadofbeingscatteredoverseveralstatements,sch
edulesandnotes.

21.Examplesofmattersinrespectofwhichdisclosureofaccountingpoliciesadopted willberequiredarecontainedinparagraph14.Thislistofexamplesisnot,however, intendedtobeexhaustive.

22.Anychangeinanaccountingpolicywhichhasamaterialeffectshouldbedisclosed.The amountbywhichanyiteminthefinancialstatementsisaffectedbysuchchangeshouldalso bedisclosedtotheextentascertainable.Wheresuchamountisnotascertainable,whollyorin part,thefactshouldbeindicated.Ifachangeismadeintheaccountingpolicieswhichhasno materialeffectonthefinancialstatementsforthecurrentperiodbutwhichisreasonably expectedtohaveamaterialeffectinlaterperiods,thefactofsuchchangeshouldbe appropriatelydisclosedintheperiodinwhichthechangeisadopted.

23.Disclosureofaccountingpoliciesorofchangesthereincannotremedyawrongor inappropriatetreatmentoftheitemintheaccounts.

MainPrinciples

*24.**Allsignificantaccountingpoliciesadoptedinthepreparationandpresentationof financialstatementsshouldbedisclosed.***

*25.**Thedisclosureofthesignificantaccountingpoliciesassuchshouldformpartof thefinancialstatementsandthesignificantaccountingpoliciesshouldnormally be disclosedinoneplace.***

*26.**Anychangeintheaccountingpolicieswhichhasamaterialeffectinthecurrent periodorwhichisreasonablyexpectedtohaveamaterialeffectinlaterperiodsshould bedisclosed.Inthecaseofachangeinaccountingpolicieswhichhasamaterialeffect inthecurrentperiod,theamountbywhichanyiteminthefinancialstatementsis affectedbysuchchangeshouldalsobedisclosedtotheextentascertainable.Where suchamountisnotascertainable,whollyorinpart,thefactshouldbeindicated.***

*27.**Ifthefundamentalaccountingassumptions,viz.GoingConcern,Consistencyand***

Accrualarefollowedinfinancialstatements,specificdisclosureisnotrequired.If a fundamentalaccountingassumptionisnotfollowed,thefactshouldbedisclosed.

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Indian Accounting Standard (Ind AS) 16

Property, Plant andEquipment

Objective of Ind AS16

One fundamental problem in financial reporting is how to account periodically for performance when many of the expenditures an entity incurs inthe current period also contribute to future accounting periods. Expenditure on property,plantandequipment('PP&E')isthebestexampleof thisdifficulty.

The objective of this Standard is to prescribe the accounting treatment for property, plant and equipment so that users of the financial statements can discern information about an entity's investment in its property, plant and equipment and the changes in such investment.

Scope

This Standard shall be applied in accounting for property, plant andequipment except when another Standard requires or permits a different accountingtreatment.

All property, plant and equipment are within the scope of Ind AS 16 except as follows:

(a) property, plant and equipment classified as held for sale in accordance with IndAS 105, *Non-current Assets Held for Sale and Discontinued Operations*.

(b) biological assets related to agricultural activity other than bearer plants (covered by IndAS 41, *Agriculture*). This Standard applies to bearer

plantsbutitdoesnotapplytotheproduceonbearerplants
.

(c) therecognition and measurement of exploration and evaluation assets (covered by IndAS 106 *Exploration for and Evaluation of Mineral Resources*).

(d) mineral rights and mineral reserves such as oil, natural gas, and similar non-regenerativeresources.

However, this Standard applies to property, plant and equipment used to develop or maintain the assets described in (b)–(d).

1. Recognition

The cost of anitem of property, plant and equipment should be recognisedas an asset if, and onlyif:

(a) it is probable that future economic benefits associated with the item will flow to the entity;and

(b) the cost of the item can be measuredreliably.

Items such as spare parts, stand-by equipment and servicing equipment are recognised in accordance with this Ind AS when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

Ind AS 16 does not prescribe the unit of measure for recognition, i.e. what constitutes an item of property, plant and equipment. Thus, judgement is required in applying the recognition criteria to an entity's specific circumstances. It may be appropriate to aggregate individually insignificant items, such as moulds, tools and dies, and to apply the criteria to the aggregate value.

An entity should evaluate under the recognition principle all its property, plant and equipment costs at the time they are incurred. These costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it.

2. Initial costs

Items of property, plant and equipment may be acquired for safety or environmental reasons. The acquisition of such property, plant and equipment, although not directly increasing the future economic benefits of any particular existing item of property, plant and equipment, may be necessary for an entity to obtain the future economic benefits from its other assets. Such items of property, plant and equipment qualify for recognition as assets because they enable an entity to derive future economic benefits from related assets in excess of what could be derived had those items not beenacquired.

3. Subsequent costs

An entity does not recognise in the carrying amount of an item of property, plant and equipment the costs of the day-to-day servicing of the item. Rather, these costs are recognised in profit or loss as incurred. Costs of day-to-day servicing are primarily the costs of labour and consumables, and may include the cost of small parts. The purpose of these expenditures is often described as for the 'repairs and maintenance' of the item of property, plant and equipment.

Parts of some items of property, plant and equipment may require replacement at regular intervals. Items of property, plant and equipment may also be acquired to make a less frequently recurring replacement, such as replacing the interior walls of a building, or to make a non recurring replacement. An entity recognisesin the carrying amount of an item of property, plant and equipment the cost of replacing part of suchan item when that cost is incurred if the recognition criteria are met. The carrying amount of those parts that are replaced is derecognisedin accordance with the derecognition provisions of thisStandard.

A condition of continuing to operate an item of property, plant and equipment (for example, an aircraft) may be performing regular major inspections for faults regardless of whether parts of the item are replaced. When each major inspection is performed, its cost is recognisedin the carrying amount of the item of property, plant and equipment as a replacement if the recognition criteria are satisfied. Any remaining carrying amount of the cost of the previous inspection (as distinct from physical parts) is derecognised. This occurs regardless of whether the cost of the previous inspection was identifiedin the transaction in which the item was acquired or constructed. If necessary, the estimated cost of a future similar inspection may be used as anindication of what the cost of the existing inspection component was when the item was acquired orconstructed.

4. Measurement at recognition

An item of property, plant and equipment that qualifies for recognition as an asset should be measured at its cost.

1. Elements of cost

The cost of an item of property, plant and equipment comprises:

(a) itspurchase price, including import duties and non-refundablepurchase taxes, after deducting trade discounts andrebates.

(b) anycosts directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended bymanagement.

(c) theinitial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during thatperiod.

1. Examples of directly attributable costs are:

(a) Costs of employee benefits arising directly from the construction or acquisition of the item of property, plant andequipment.

(b) Costs of sitepreparation.

(c) Initial delivery and handlingcosts.

(d) Installation and assemblycosts.

(e) Costs of testing whether the asset is functioning properly, after deducting the net proceeds from selling any items produced while bringing the asset to that location and condition (such as samples produced when testing equipment)and

(f) Professionalfees.

2. Examples of costs that are not costs of an item of property, plant and equipment are:

(a) Costs of opening a newfacility.

(b) Costs of introducing a new product or service (including costs of advertising and promotionalactivities).

(c) Costs of conducting business in a new location or with a new class of customer (including costs of stafftraining).

(d) Administration and other general overheadcosts.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessaryfor it to be capable of operating in the manner intended by management. Therefore, costs incurred in using or redeploying an item are not included in the carrying amount of that item. For example, the following costs are not includedinthecarryingamountofanitemofproperty,planta ndequipment:

(a) Costs incurred while an item capable of operating in the manner intended by management has yet to be brought into use or is operated at less than fullcapacity;

(b) Initial operating losses, such as those incurred while demand for the item's output builds up;and

(c) Costsofrelocatingorreorganisingpartorallofanentity'soperations.

Some operations occur in connection with the construction or development of an item of property, plant and equipment, but are not necessary to bring the item to the location and condition necessary for it to be capableof operating in the manner intended by management. These incidental operations may occur before or during the construction or development activities. For example, income may be earned through using a building site as a car park until construction starts. Because incidental operations are not necessary to bring an item to the location and condition necessary for it to be capable of operating in the manner intended by management, the income and related expenses of incidental operations are recognisedin profit or loss andincluded in their respective classifications of income and expense.

The cost of a self-constructed asset is determined using the same principles as for an acquired asset. If an entity makes similar assets for sale in the normal course of business, the cost of the asset is usually the same as the cost of constructing an asset for sale (see IndAS 2). Therefore, any internal profits are eliminated in arriving at such costs. Similarly, the cost of abnormal amounts of wasted material, labour, or other resources incurred in self- constructing an asset is not included in the cost of the asset. IndAS 23 *Borrowing Costs* establishes criteria for the recognition of interest as a component of the carrying amount of a self-constructed item ofproperty, plant andequipment.

Bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment before they are in the location and condition necessary to be capable of operating in the mannerintended bymanagement.

5. Measurement of cost

The cost of an item of property, plant and equipment is the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognisedas interest over the period of credit unless such interest is capitalisedin accordance with IndAS23.

Acquisitions of property, plant and equipment in exchange for non-monetary assets or a combination of monetary and non-monetary assets are to be measured at fair value, unless (a) the exchange transactionlacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable. The acquired item is measured in this way even if an entity cannot immediately derecognisethe asset given up. If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset givenup.

An entity determines whether an exchange transaction has commercial substance by considering the extent to which its future cash flows are expected to change as a result of the transaction. An exchange transaction has commercial substanceif:

(a) the configuration (risk, timing and amount) of the cash flows of theasset received differs from the configuration of the cash flows of the asset transferred;or

(b) the entity-specific value of the portion of the entity's operations affectedbythetransactionchangesasaresultoftheexchange;and

(c) thedifference in (a) or (b) is significant relative to the fair value of the assetsexchanged.

6. Measurement after recognition

An entity shall choose either the cost model or the revaluation model as its accounting policy and should apply that policy to an entire class of property, plant and equipment.

1. Cost model

After recognition as an asset, an item of property, plant and equipmentshould be carried at its cost less any accumulated depreciation and any accumulated impairmentlosses.

2. Revaluation model

After recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably should be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which wouldbedeterminedusingfairvalueattheendofthereportingperiod.

The frequency of revaluations depends upon the changes in fair values of the items of property, plant and equipment being revalued. Revaluations are tobe madewith sufficient regularity to ensure that the carrying amount doesnot differ materially from the fair value at the end of the reporting period.When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is necessary. Some items of property, plant and equipment have significant and volatile changes in fair value and these shouldbe revalued annually. If there are only insignificant movements it may onlybenecessarytoperformvaluationsatthreeorfiveyearintervals.

When an item of property, plant and equipment is revalued, thegross carrying amount and the accumulated depreciation at the date of the revaluation are treated in one of the followingways:

(a) The gross carrying amount is restated in a manner consistent with the revaluation of the carrying amount. The accumulated depreciation is the difference between the gross and the net carrying amounts. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the net carryingamount.

(b) The accumulated depreciation is eliminated against the gross carrying amount of theasset.

If an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs should be revalued.

A class of property, plant and equipment is a grouping of assets of a similar nature and use in an entity's operations. The following are examples of separate classes:

(a) land;

(b) land andbuildings;

(c) machinery;

(d) ships;

(e) aircraft;

(f) motorvehicles;

(g) furniture andfixtures;

(h) office equipment;and

(i) bearerplants

If an asset's carrying amount is increased as a result of a revaluation, the increase should be recognisedin other comprehensive income and accumulated in equity under the headingofrevaluation surplus. However, theincrease should be recognisedin profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognisedin profit orloss.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognisedin profit or loss. However, the decrease shouldbe recognisedin other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognisedin other comprehensive income reduces the amount accumulated in equity under the heading of revaluationsurplus.

The revaluation surplus included in equity in respect of an item of property, plant and equipment may be transferred directly to retained earnings when theasset is derecognised. This may involve transferring the whole of the surplus when the asset is retired or disposed of. However, some of thesurplus may be transferred to retained earnings as the asset is used by an entity. In such a case, the amount of the surplus transferred would be the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Transfers from revaluationsurplustoretainedearningsarenotmadethrough profitorloss.

7. *Depreciation*

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item should be depreciated separately.

An entity allocates the amount initially recognisedin respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. For example, it may be appropriate to depreciate separately the airframe and engines of an aircraft, whether owned or subject to a finance lease. The depreciation charge for each period should be recognisedin profit or loss unless it is included in the carrying amount of anotherasset.

A significant part of an item of property, plant and equipment may have a useful life and a depreciation method that are the same as the useful life and the depreciation method of another significant part of that same item. Such parts may be grouped in determining the depreciationcharge.

The depreciation charge for each period shall be recognised in profit or loss unless it is included in the carrying amount of another asset.

The depreciation charge for a period is usually recognised in profit or loss. However, sometimes, the future economic benefits embodied in an asset are absorbed in producing other assets. In this case, the depreciation charge constitutes part of the cost of the other asset and is included in its carrying amount. For example, the depreciation of manufacturing plant and equipment is included in the costs of conversion of inventories (see Ind AS 2). Similarly, depreciation of property, plant and equipment used for development activities may be included in the cost of an intangible asset recognised in accordance with Ind AS 38, *Intangible Assets*.

1. Depreciable amount and depreciation period

The depreciable amount of an asset should be allocated on a systematic basisover its usefullife.

The residual value and the useful life of an asset should be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) should be accounted for as a change in an accounting estimate in accordance with IndAS 8 *Accounting Policies, Changes in Accounting Estimates andErrors*.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IndAS 105 and the date that the asset is derecognised. Therefore, depreciationdoes not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. However, under usage methods of depreciation the depreciation charge can be zero while thereis noproduction.

Land and buildings are separable assets and are accounted for separately, even when they are acquired together. With some exceptions, such as quarries and sites used for landfill, land has an unlimited useful life and therefore is not depreciated. Buildings have a limited useful life and therefore are depreciable assets. An increase in the value of the land on which a building stands does not affect the determination of thedepreciable amountof thebuilding.

If the cost of land includes the costs of site dismantlement, removal and restoration, that portion of the land asset is depreciated over the period of benefits obtained by incurring those costs. In some cases, the land itself may have a limited useful life, in which case it is depreciated in a manner that reflects the benefits to be derived from it.

2. Depreciation method

The depreciation method used should reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity.

The depreciation method applied to an asset should be reviewed at least at each financial year-end and, if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the method should be changed to reflect the changed pattern.Such a change should be accounted for as a change in an accountingestimate in accordance with IndAS8.

A variety of depreciation methods can be used to allocate the depreciable amount of an asset on a systematic basis over its useful life. These methods include the straight-line method, the diminishing balance method and theunits of productionmethod.

A depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The revenue generated by an activity that includes the use of an asset generally reflects factorsotherthantheconsumptionoftheeconomicbenefitso ftheasset.

8. *Impairment*

To determine whether an item of property, plant and equipment is impaired, anentity applies IndAS 36 *Impairment ofAssets*.

1. Compensation for impairment

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up should be included in profit or loss when the compensation becomesreceivable.

2. Derecognition

The carrying amount of an item of property, plant and equipment should be derecognised:

(a) on disposal;or

(b) whenno future economic benefits are expected from its use or disposal.

The gain or losses arising from derecognitionof an item of property, plantand equipment should be included in profit or loss when the item is derecognised (unless IndAS 17 requires otherwise on a saleand leaseback). Gains should not be classified asrevenue.

The gain or loss arising from the derecognitionof an item of property, plant and equipment should be determined as the difference between the net disposal proceeds, if any,and the carrying amount of the item.

The consideration receivable on disposal of an item of property, plant and equipment is recognised initially at its fair value. If payment for the item is deferred, the consideration received is recognised initially at the cash price equivalent. The difference between the nominal amount of the consideration and the cash price equivalent is recognisedas interestrevenue inaccordancewithIndAS18reflectingtheeffectiveyieldont hereceivable.

9. Disclosure

1. The financial statements should disclose, for each class of property, plant and equipment:

(a) the measurement bases used for determining the gross carrying amount;

(b) the depreciation methodsused;

(c) the useful lives or the depreciation ratesused;

(d) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period;and

(e) a reconciliation of the carrying amount at the beginning and end of the periodshowing:

 (i) additions;

 (ii) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with IndAS 105 and otherdisposals;

 (iii) acquisitions through businesscombinations;

(iv) increases or decreases resulting from revaluations and from impairment losses recognisedor reversed in other comprehensive income in accordance with IndAS36;

(v) impairment losses recognisedin profit or loss in accordance with IndAS36;

(vi) impairment losses reversed in profit or loss in accordance with Ind AS36;

(vii) depreciation;

(viii) net exchange differences arising on the translation of the financial statements from the functional currency into a different presentation currency, including the translation of a foreign operation into the presentation currency of the reporting entity; and

(ix) otherchanges

2. The financial statements shall also disclose:

(a) the existence and amounts of restrictions on title, and property, plant and equipment pledged as security forliabilities;

(b) the amount of expenditures recognisedin the carrying amount of an itemofproperty,plantandequipmentinthecourseofitsc onstruction;

(c) the amount of contractual commitments for the acquisition of property, plant and equipment;and

(d) if it is not disclosed separately in the statement of profit and loss, the amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up that is included in profit orloss.

If items of property, plant and equipment are stated at revalued amounts, the following should be disclosed:

(a) the effective date of therevaluation;

(b) whether an independent valuerwasinvolved;

(c) for each revalued class of property, plant and equipment, the carrying amount that would have been recognisedhad the assets been carried under the cost model;and

(d) therevaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance toshareholders.

3. **Users of financial statements may also find the following information relevant to their needs:**

(a) The carrying amount of temporarily idle property, plant andequipment;

(b) The gross carrying amount of any fully depreciated property, plant and equipment that is still inuse;

(c) The carrying amount of property, plant and equipment retired from active use and not classified as held for sale inaccordance with IndAS 105;and

(d) When the cost model is used, the fair value of property, plant and equipment when this is materially different from the carryingamount.

Therefore, entities are encouraged to disclose these amounts.

Changes in Existing Decommissioning, Restoration and Similar Liabilities

Appendix A of IndAS 16 also provides guidance on how to account for the changes in the measurement of any existing decommissioning, restoration or similar liability that has been recognisedboth as part of cost of PPE and liability in accordance with IndAS37.

Changes in the measurement may arise due to changes in the estimated timing or amount of the outflow of resources embodying economic benefits requiredtosettletheobligation,orachangeinthediscountrat e.

2. CostModel

If the related property, plant and equipment was measured in accordance with the cost model then changes in the liability shall be added to or deducted from the cost of the related asset in the current period. However, if adjustment results in a decrease in the cost of the asset then the amount deducted from the cost of the asset cannot exceed its carrying amount. If the amount exceeds the carrying amount, then such excess shall be recognisedinprofit orloss.

If the adjustment results in an addition to the cost of an asset, the entity shall consider whether the same is an indication for impairment. If it considers it to be so, then the asset shall be tested for impairment and accounted for in accordance with Ind AS 36.

3. Revaluation Model

If the related property, plant and Equipment was measured in accordancewith the revaluation model, then, a decrease in the liability shallbe recognisedin profit or loss to the extent that it reverses a revaluation deficiton the asset that was previously recognisedin profit or loss. Balance shall be recognisedin other comprehensive income and increase the revaluation surplus withinequity.

An increase in the liability shall be first adjusted to the extent of any credit balance existing in the revaluation surplus in respect of that asset and recognised in other comprehensive income. Balance shall be recognised in profit or loss.

If a decrease in the liability exceeds the carrying amount that would have beenrecognisedhad the asset been carried under the cost model, the excess should be recognised immediately in profit orloss.

A change in the liability indicates that the asset may have to be revalued so that it does not differ materially with its fair value at the end of the reporting period. Any such revaluation should be taken into account in determining the amounts to be recognisedin profit or loss or in other comprehensive incomeas explained above. If a revaluation is necessary, all assets of that class should berevalued.

Changes in the revaluation surplus arising from a change in the liability shall beseparatelyidentifiedanddisclosedinaccordancewithInd

AS1.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of itsuseful life,all subsequent changes in the liability should be recognisedin profit or loss as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount shall be recognisedin profit or loss as afinancecostasitoccurs.CapitalisationunderIndAS23isnot permitted.

4. Stripping Costs in the Production Phase of a Surface Mine

In surface mining operations, it may be necessary to remove mine waste materials (‘overburden’) to gain access to mineral ore deposits. This waste removal activity is known as ‘stripping’.

2.

The stripping costs incurred during the development phase(before production phase) of the mine are capitalisedas part of the depreciable cost of building, developing and constructing the mine. Those capitalisedcosts aredepreciated or amortisedon a systematic basis, usually by using the units of production method, once productionbegins.

The material removed during the stripping activity may not necessarily be a total waste. It may be a combination of ore and waste. It might also provide access to deeper levels of material that have a higher ratio of ore to waste. There can therefore be two benefits accruing to the entity from the stripping activity:

- usable ore that can be used to produce inventoryand
- improved access to further quantities of material that will be mined in futureperiods.

Appendix B of IndAS 16 provides guidance on when and how to account separately for these two benefits arising from the strippingactivity.

1. Recognition of production stripping costs as an asset

To the extent the benefit is in the form of inventory produced, the entity shall account for the same in accordance with Ind AS 2, *Inventories.*

If the benefit is improved access to ore, the entity shall recognise these costs as a non-current asset, i.eStripping Activity Asset, if all the following conditions aremet:

(a) it is probable that the future economic benefit (improved access to the orebody)associatedwiththestrippingactivitywillflow totheentity;

(b) the entity can identify the component of the ore body for which access has been improved;and

(c) thecosts relating to the stripping activity associated with that component can be measuredreliably.

The stripping activity asset shall be measured at cost and recognisedas part of an existing asset and hence its classification as tangible or intangible will besame as that of the existingasset.

When the costs of the stripping activity asset and the inventory produced are not separately identifiable, the stripping costs shall be allocated using an allocation basis that is based on a relevant production measure such as cost ofinventory produced compared with expected cost, volume of waste extracted compared with expected volume, for a given volume of ore production; and mineral content of the ore extracted compared with expected mineralcontenttobeextracted,foragivenquantityoforeproduced.

2. Subsequent Measurement

After initial recognition, the stripping activity asset shall be carried at cost or revalued amount less depreciation/amortisation and any impairment losses.

The stripping activity asset shall be depreciated or amortisedon a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied unless another method is more appropriate.

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Indian Accounting Standard (Ind AS) 33

Earnings per Share

The objective of this Standard 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. Even though earnings per share data have limitations because of the different accounting policies that may be used form determining ‘earnings’, a consistently determined denominator enhances financial reporting. The focus of this Standard is on the denominator of the earnings per share calculation.

Scope

1 This Indian Accounting Standard shall apply to companies that have issued ordinary shares[1] to which Indian Accounting Standards notified under Part I of the Companies (Accounting Standards) Rules -apply.

3. An entity that discloses earnings per share shall calculate and disclose earnings per share in accordance with thisStandard.

4. When an entity presents both consolidated financial statements and separate financial statements prepared in accordance with Ind AS 27 *Consolidated and Separate Financial Statements*, the disclosures required by this Standard shall be presented both in the consolidated financial statements and separate financial statements. In consolidated financial statements such disclosures shall be based on consolidated information and in separate financial statements such disclosures shall be based on information given in separate financial statements. An entity shall not present in consolidated financial statements, earnings per share based on the informationgiveninseparatefinancialstatementsandshallnotpresentinseparate

[1] In Indian context, the term ‘ordinary shares’ is equivalent to ‘equity shares’.

1. financial statements, earnings per share based on the information given in consolidated financial statements.

4A [Refer to Appendix 1]

Definitions

5. The following terms are used in this Standard with the meaningsspecified:

***Antidilution*is an increase in earnings per share 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.**

A *contingent share agreement* is an agreement to issue shares that is dependent on the satisfaction of specified conditions.

1. *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.

***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.**

***Options, warrants and their equivalents* are financial instruments that give the holder the right to purchase ordinary shares.**

2. 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.

3. *Put options* on ordinary shares are contracts that give the holder the right to sell ~~ordinary shares at a specified price for a given period.~~

6. Ordinary shares participate in profit for the period only after other types of shares such as preference shares have participated. An entity may have more than one class of ordinary shares. Ordinary shares of the same class have the same rights to receivedividends.

7. Examples of potential ordinary sharesare:

1. financial liabilities or equity instruments, including preference shares, that are convertible into ordinaryshares;

2. options andwarrants;

3. shares that would be issued upon the satisfaction of conditions resulting from contractual arrangements, such as the purchase of a business or otherassets.

8. Terms defined in Ind AS 32 *Financial Instruments: Presentation* are used in this Standard with the meanings specified in paragraph 11 of Ind AS 32, unless otherwise noted. IndAS

32 defines financial instrument, financial asset, financial liability, equity instrument and fair value, and provides guidance on applying those definitions.

1. Measurement

1. Basic earnings per share

9. **An entity shall calculate basic earnings per share amounts 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 equityholders.**

10. 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 theperiod.

11. **The objective of basic earnings per share information is to provide a measure of the interests of each ordinary share of a parent entity in the performance of the entity over the reportingperiod.**

Earnings

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

    1. *profit or loss from continuing operations attributable to the parent entity;and*

    2. *profit or loss attributable to the parententity*

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.

13. All items of income and expense attributable to ordinary equity holders of the parent entity that are recognised in a period, including tax expense and dividends on preference shares classified as liabilities are included in the determination of profit or loss for the period attributable to ordinary equity holders of the parent entity (see Ind AS1).

14. The after-tax amount of preference dividends that is deducted from profit or lossis:

1. the after-tax amount of any preference dividends on non-cumulative preference shares declared in respect of the period; and

2. the after-tax amount of the preference dividends for cumulative preference shares required for the period, whether or not the dividends have been declared. The amountofpreferencedividendsfortheperioddoesnotincludetheamountofany

preference dividends for cumulative preference shares paid or declared during the current period in respect of previous periods.

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15. Preference shares that provide for a low initial dividend to compensate an entity for selling the preference shares at a discount, or an above-market dividend in later periods to compensate investors for purchasing preference shares at a premium, are sometimes referred to as increasing rate preference shares. Any original issue discount or premium on increasing rate preference shares is amortised to retained earnings using the effective interest method and treated as a preference dividend for the purposes of calculating earnings per share (irrespective of whether such discount or premium is debited or credited to securities premiumaccount).

16. Preference shares may be repurchased under an entity's tender offer to the holders. The excess of the fair value of the consideration paid to the preference shareholders over the carrying amount of the preference shares represents a return to the holders of the preference shares and a charge to retained earnings for the entity. This amount is deducted in calculating profit or loss attributable to ordinary equity holders of the parent entity.

17. Early conversion of convertible preference shares may be induced by an entity through favourable changes to the original conversion terms or the payment of additional consideration. The excess of the fair value of the ordinary shares or other consideration paid over the fair value of the ordinary shares issuable under the original conversion terms is a return to the preference shareholders, and is deducted in calculating profit or loss attributable to ordinary equity holders of the parententity.

18. Any excess of the carrying amount of preference shares over the fair value of the consideration paid to settle them is added in calculating profit or loss attributable to ordinary equity holders of the parententity.

1. Shares

19. 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 theperiod.

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20. Using the weighted average number of ordinary shares outstanding during the period reflects the possibility that the amount of shareholders' capital varied during the period as a result of a larger or smaller number of shares being outstanding at any time. 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; a reasonable approximation of the weighted average is adequate in manycircumstances.

21. Shares are usually included in the weighted average number of shares from the date consideration is receivable (which is generally the date of their issue), forexample:

1. ***ordinary shares issued in exchange for cash are included when cash isreceivable;***

2. ***ordinary shares issued on the voluntary reinvestment of dividends on ordinary or preference shares are included when dividends are reinvested;***

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3. ***ordinary shares issued as a result of the conversion of a debt instrument to ordinary shares are included from the date that interest ceases toaccrue;***

4. ***ordinary shares issued in place of interest or principal on other financial instruments are included from the date that interest ceases toaccrue;***

5. ***ordinary shares issued in exchange for the settlement of a liability of the entity are included from the settlementdate;***

6. ***ordinary shares issued as consideration for the acquisition of an asset other than cash are included as of the date on which the acquisition is recognised;and***

7. ***ordinary shares issued for the rendering of services to the entity are included as the services arerendered.***

The timing of the inclusion of ordinary shares is determined by the terms and conditions attaching to their issue. Due consideration is given to the substance of any contract associated with the issue.

22. Ordinary shares issued as part of the consideration transferred in a business combination are included in the weighted average number of shares from the acquisition date. This is because the acquirer incorporates into its statement of profit and loss the acquiree's profits and losses from thatdate.

23. Ordinary shares that will be issued upon the conversion of a mandatorily convertible instrument are included in the calculation of basic earnings per share from the date the contract is enteredinto.

24. 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 (ie the events have occurred). Shares that are issuable solely after the passage of time are not contingently issuable shares, because the passage of time is a certainty. Outstanding ordinary shares that are contingently returnable (ie subj~~ect to recall) are not treated as outstanding and are exc~~luded from the calculation of basic earnings per share until the date the shares are no longer subject torecall.

25. [Refer to Appendix 1]

26. 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 inresources.

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

1. acapitalisation or bonus issue (sometimes referred to as a stockdividend);

2. a bonus element in any other issue, for example a bonus element in a rights issue to existingshareholders;

3. *a share split; and*

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4. *a reverse share split (consolidation of shares).*

28. In a capitalisation or bonus issue or a share split, ordinary shares are issued to existing shareholders for no additional consideration. Therefore, the number of ordinary shares outstanding is increased without an increase in resources. The number of ordinary shares outstanding before the event is adjusted for the proportionate change in the number of ordinary shares outstanding as if the event had occurred at the beginning of the earliest period presented. For example, on a two-for-one bonus issue, the number of ordinary shares outstanding before the issue is multiplied by three to obtain the new total number of ordinary shares, or by two to obtain the number of additional ordinaryshares.

29. A consolidation of ordinary shares generally reduces the number of ordinary shares outstanding without a corresponding reduction in resources. However, when the overall effect is a share repurchase at fair value, the reduction in the number of ordinary shares outstanding is the result of a corresponding reduction in resources. An example is a share consolidation combined with a special dividend. The weighted average number of ordinary shares outstanding for the period in which the combined transaction takes place is adjusted for the reduction in the number of ordinary shares from the date the special dividend isrecognised.

1. Diluted earnings per share

30. An entity shall calculate diluted earnings per share amounts 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 equityholders.

31. For the purpose of calculating diluted earnings per share, 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 ordinaryshares.

32. The objective of diluted earnings per share is consistent with that of basic earnings per share—to provide a measure of the interest of each ordinary share in the

performance of an entity—while giving effect to all dilutive potential ordinary shares outstanding during the period. As a result:

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1. ***profit or loss attributable to ordinary equity holders of the parent entity is increased by the after-tax amount of dividends and interest recognised in the period in respect of the dilutive potential ordinary shares and is adjusted for any other changes in income or expense that would result from the conversion of the dilutive potential ordinary shares;and***

2. ***the weighted average number of ordinary shares outstanding is increased by the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinaryshares.***

Earnings

33. For the purpose of calculating diluted earnings per share, an entity shall adjust profit or loss attributable to ordinary equity holders of the parent entity, as calculated in accordance with paragraph 12, by the after-tax effectof:

1. *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 as calculated in accordance with paragraph12;*

2. *any interest recognised in the period related to dilutive potential ordinary shares; and*

3. *any other changes in income or expense that would result from the conversion of the dilutive potential ordinaryshares.*

34. After the potential ordinary shares are converted into ordinary shares, the items identified in paragraph 33(a)–(c) no longer arise. Instead, the new ordinary shares are entitled to participate in profit or loss attributable to ordinary equity holders of the parent entity. Therefore, profit or loss attributable to ordinary equity holders of the parent entity calculated in accordance with paragraph 12 is adjusted for the items identified in paragraph 33(a)–(c) and any related taxes. The expenses associated with potential ordinary shares include transaction costs and discounts accounted for in accordance with the effective interest method (see paragraph 9 of AS 39 *Financial Instruments: Recognition andMeasurement*).

35. The conversion of potential ordinary shares may lead to consequential changes in income or expenses. For example, the reduction of interest expense related to potential ordinary shares and the resulting increase in profit or reduction in loss may lead to an increase in the expense related to a non-discretionary employee profit-sharing plan. For the purpose of calculating diluted earnings per share, profit or loss attributable to ordinary equity holders of the parent entity is adjusted for any such consequential changes in income or expense.

1. Shares

36. **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 ordinar~~y shares that would be issued on the conversion of all t~~he 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 ordinaryshares.**

37. **Dilutive potential ordinary shares shall be determined independently for each period presented. The number of dilutive potential ordinary shares included in the year-to-date period is not a weighted average of the dilutive potential ordinary shares included in each interim computation.**

38. **Potential ordinary shares are weighted for the period they are outstanding. Potential ordinary shares that are cancelled or allowed to lapse during the period are included in the calculation of diluted earnings per share only for the portion of the period during which they are outstanding. Potential ordinary shares that are converted into ordinary shares duringtheperiodareincludedinthecalculationofdilutedearningspersharefromthe**

beginning of the period to the date of conversion; from the date of conversion, the resulting ordinary shares are included in both basic and diluted earnings per share.

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39. The number of ordinary shares that would be issued on conversion of dilutive potential ordinary shares is determined from the terms of the potential ordinary shares. When more than one basis of conversion exists, the calculation assumes the most advantageous conversion rate or exercise price from the standpoint of the holder of the potential ordinary shares.

40. A subsidiary, joint venture or associate may issue to parties other than the parent, venturer or investor potential ordinary shares that are convertible into either ordinary shares of the subsidiary, joint venture or associate, or ordinary shares of the parent, venturer or investor (the reporting entity). If these potential ordinary shares of the subsidiary, joint venture or associate have a dilutive effect on the basic earnings per share of the reporting entity, they are included in the calculation of diluted earnings per share.

1. Dilutive potential ordinary shares

41. 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 continuingoperations.

42. 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 antidilutive. Profit or loss from continuing operations attributable to the parent entity is adjusted in accordance with paragraph 12 and excludes items relating to discontinued operations.

43. Potential ordinary shares are 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.

44. **In determining whether potential ordinary shares are dilutive or antidilutive, each issue or series of potential ordinary shares is considered separately rather than in aggregate. The sequence in which potential ordinary shares are considered may affect ~~whether they are dilutive. Therefore, to maximise the dil~~ution of basic earnings per share, each issue or series of potential ordinary shares is considered in sequence from the most dilutive to the least dilutive, ie dilutive potential ordinary shares with the lowest 'earnings per incremental share' are included in the diluted earnings per share calculation before those with a higher earnings per incremental share. Options and warrants are generally included first because they do not affect the numerator of thecalculation.**

Options, warrants and their equivalents

45. **For the purpose of calculating diluted earnings per share, an entity shall assume the exercise of dilutive options and warrants of the entity. The assumed proceeds from these instruments shall be regarded as having been received from the issue of ordinary shares at the average market price of ordinary shares during the period. The difference between the number of ordinary shares issued and the number of ordinarysharesthatwouldhavebeenissuedattheaveragemarketpriceof**

ordinary shares during the period shall be treated as an issue of ordinary shares for no consideration.

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46. Options and warrants are dilutive when they would result in the issue of ordinary shares for less than the average market price of ordinary shares during the period. The amount of the dilution is the average market price of ordinary shares during the period minus the issue price. Therefore, to calculate diluted earnings per share, potential ordinary shares are treated as consisting of both thefollowing:

1. a contract to issue a certain number of the ordinary shares at their average market price during the period. Such ordinary shares are assumed to be fairly priced and to be neither dilutive nor antidilutive. They are ignored in the calculation of diluted earnings per share.

2. a contract to issue the remaining ordinary shares for no consideration. Such ordinary shares generate no proceeds and have no effect on profit or loss attributable to ordinary shares outstanding. Therefore, such shares are dilutive and are added to the number of ordinary shares outstanding in the calculation of diluted earnings per share.

47. Options and warrants have a dilutive effect only when the average market price of ordinary shares during the period exceeds the exercise price of the options or warrants (ie they are 'in the money'). Previously reported earnings per share are not retroactively adjusted to reflect changes in prices of ordinaryshares.

47A For share options and other share-based payment arrangements to which Ind AS 102 *Share-based Payment* applies, the issue price referred to in paragraph 46 and the exercise price referred to in paragraph 47 shall include the fair value of any goods or services to be supplied to the entity in the future under the share option or other share- based paymentarrangement.

48. Employee share options with fixed or determinable terms and non-vested ordinary shares are treated as options in the calculation of diluted earnings per share, even though they may be contingent on vesting. They are treated as outstanding on the grant date. Performance-based employee share options are treated as contingently

issuable shares because their issue is contingent upon satisfying specified conditions in addition to the passage oftime.

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1. *Convertible instruments*

49. The dilutive effect of convertible instruments shall be reflected in diluted earnings per share in accordance with paragraphs 33 and36.

50. Convertible preference shares are antidilutive whenever the amount of the dividend on such shares declared in or accumulated for the current period per ordinary share obtainable on conversion exceeds basic earnings per share. Similarly, convertible debt is antidilutive whenever its interest (net of tax and other changes in income or expense) per ordinary share obtainable on conversion exceeds basic earnings pershare.

51. The redemption or induced conversion of convertible preference shares may affect only a portion of the previously outstanding convertible preference shares. In such cases, any excess consideration referred to in paragraph 17 is attributed to those shares that are redeemed or converted for the purpose of determining whether the remainingoutstanding

preference shares are dilutive. The shares redeemed or converted are considered separately from those shares that are not redeemed or converted.

~~1. *Contingently issuable shares*~~

52. As in the calculation of basic earnings per share, contingently issuable ordinary shares are treated as outstanding and included in the calculation of diluted earnings per share if the conditions are satisfied (ie the events have occurred). Contingently issuable shares are included from the beginning of the period (or from the date of the contingent share agreement, if later). If the conditions are not satisfied, the number of contingently issuable shares included in the diluted earnings per share calculation is based on the number of shares that would be issuable if the end of the period were the end of the contingency period. Restatement is not permitted if the conditions are not met when the contingency periodexpires.

53. If attainment or maintenance of a specified amount of earnings for a period is the condition for contingent issue and if that amount has been attained at the end of the reporting period but must be maintained beyond the end of the reporting period for an additional period, then the additional ordinary shares are treated as outstanding, if the effect is dilutive, when calculating diluted earnings per share. In that case, the calculation of diluted earnings per share is based on the number of ordinary shares that would be issued if the amount of earnings at the end of the reporting period were the amount of earnings at the end of the contingency period. Because earnings may change in a future period, the calculation of basic earnings per share does not include such contingently issuable ordinary shares until the end of the contingency period because not all necessary conditions have been satisfied.

54. The number of ordinary shares contingently issuable may depend on the future market price of the ordinary shares. In that case, if the effect is dilutive, the calculation of diluted earnings per share is based on the number of ordinary shares that would be issued if the market price at the end of the reporting period were the market price at the end of the contingency period. If the condition is based on an average of market prices over a period of time that extends beyond the end of the reporting period, the average for the period of time that has lapsed is used. Because the market price may change in a future period, the calculation of basic earnings per share does not include such contingently issuable ordinary shares until the end of the contingency period because not all necessary conditions have beensatisfied.

55. The number of ordinary shares contingently issuable may depend on future earnings and future prices of the ordinary shares. In such cases, the number of ordinary shares included in the diluted earnings per share calculation is based on both co~~nditions (ie earnings to date and the current market pri~~ce at the end of the reporting period). Contingently issuable ordinary shares are not included in the diluted earnings per share calculation unless both conditions aremet.

56. In other cases, the number of ordinary shares contingently issuable depends on a condition other than earnings or market price (for example, the opening of a specific number of retail stores). In such cases, assuming that the present status of the condition remains unchanged until the end of the contingency period, the contingently issuable ordinary shares are included in the calculation of diluted earnings per share according to the status at the end of the reportingperiod.

57. Contingently issuable potential ordinary shares (other than those covered by a contingent share agreement, such as contingently issuable convertible instruments) are included in the diluted earnings per share calculation asfollows:

1. ***an entity determines whether the potential ordinary shares may be assumed to be issuable on the basis of the conditions specified for their issue in accordance with the contingent ordinary share provisions in paragraphs 52–56;and***

2. ***if those potential ordinary shares should be reflected in diluted earnings per share, an entity determines their impact on the calculation of diluted earnings per share by following the provisions for options and warrants in paragraphs 45–48, the provisions for convertible instruments in paragraphs 49–51, the provisions for contracts that may be settled in ordinary shares or cash in paragraphs 58–61, or other provisions, asappropriate.***

However, exercise or conversion is not assumed for the purpose of calculating diluted earnings per share unless exercise or conversion of similar outstanding potential ordinary shares that are not contingently issuable is assumed.

1. *Contracts that may be settled in ordinary shares or cash*

58. When an entity has issued a contract that may be settled in ordinary shares or cash at the entity's option, the entity shall presume that the contract will be settled in ordinary shares, and the resulting potential ordinary shares shall be included in diluted earnings per share if the effect isdilutive.

59. When such a contract is presented for accounting purposes as an asset or a liability, or has an equity component and a liability component, the entity shall adjust the numerator for any changes in profit or loss that would have resulted during the period if the contract had been classified wholly as an equity instrument. That adjustment is similar to the adjustments required in paragraph33.

60. For 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 in calculating diluted earnings pershare.

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61. An example of a contract that may be settled in ordinary shares or cash is a debt instrument that, on maturity, gives the entity the unrestricted right to settle the principal amount in cash or in its own ordinary shares. Another example is a written put option that gives the holder a choice of settling in ordinary shares orcash.

1. *Purchased options*

62. Contracts such as purchased put options and purchased call options (ie options held by the entity on its own ordinary shares) are not included in the calculation of diluted earnings per share because including them would be antidilutive. The put option would be exercised only if the exercise price were higher than the market price and the call option would be exercised only if the exercise price were lower than the marketprice.

1. *Written put options*

63. Contracts that require the entity to repurchase its own shares, such as written put optionsandforwardpurchasecontracts,arereflectedinthecalculationofdiluted

earnings per share if the effect is dilutive. If these contracts are 'in the money' during the period (ie the exercise or settlement price is above the average market price for that period), the potential dilutive effect on earnings per share shall be calculated as follows:

1. *it shall be assumed that at the beginning of the period sufficient ordinary shares will be issued (at the average market price during the period) to raise proceeds to satisfy thecontract;*

2. *it shall be assumed that the proceeds from the issue are used to satisfy the contract (ie to buy back ordinary shares);and*

3. *the incremental ordinary shares (the difference between the number of ordinary shares assumed issued and the number of ordinary shares received from satisfying the contract) shall be included in the calculation of diluted earnings per share.*

Retrospectiveadjustments

64. 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. The fact that per share calculations reflect such changes in the number of shares shall be disclosed. 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.

65. An entity does not restate diluted earnings per share of any prior period presented for changes in the assumptions used in earnings per share calculations or for the conversion of potential ordinary shares into ordinaryshares.

66. 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 ordinar~~y equity holders of the parent entity for the period for e~~ach 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.

67. Earnings per share is presented for every period for which a statement of profit and loss is presented. 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. If basic and diluted earnings per share are equal, dual presentation can be accomplished in one line in the statement of profit and loss.

67A [Refer to Appendix A]

68. 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.~~

68A [Refer to Appendix A]

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

Disclosure

70. An entity shall disclose thefollowing:

1. *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 reconciliation shall include the individual effect of each class of instruments that affects earnings per share.*

2. *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. The reconciliation shall include the individual effect of each class of instruments that affects earnings pershare.*

3. *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.*

4. *a description of ordinary share transactions or potential ordinary share transactions, other than those accounted for in accordance with paragraph 64, th~~at occur after the reporting period and that would have ch~~anged 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 reportingperiod.*

71. Examples of transactions in paragraph 70(d)include:

1. ***an issue of shares forcash;***

2. ***an issue of shares when the proceeds are used to repay debt or preference shares outstanding at the end of the reportingperiod;***

3. ***the redemption of ordinary sharesoutstanding;***

4. ***the conversion or exercise of potential ordinary shares outstanding at the end of the reporting period into ordinary shares;***

5. ***an issue of options, warrants, or convertible instruments;and***

6. *the achievement of conditions that would result in the issue of contingently issuable shares. Earnings per share amounts are not adjusted for such transactions occurring after the reporting period because such transactions do not affect the amount of capital used to produce profit or loss for theperiod.*

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 Ind AS 107 *Financial Instruments:Disclosures*).

73. If an entity discloses, in addition to basic and diluted earnings per share, amounts per share using a reported component of the statement of profit and loss other than one required by this Standard, such amounts shall be calculated using the weighted average number of ordinary shares determined in accordance with this Standard. Basic and diluted amounts per share relating to such a component shall be disclosed with equal prominence and presented in the notes. An entity shall indicate the basis on which the numerator(s) is (are) determined, including whether amounts per share are before tax or after tax. If a component of the statement of profit and loss is used that is not reported as a line item in the statement of profit and loss, a reconciliation shall be provided between the component used and a line item that is reported in the statement of profit andloss.

73A [Refer to Appendix A]

Appendix A

Application guidance

This appendix is an integral part of the Standard.

1. Profit or loss attributable to the parent entity

A1 For the purpose of 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.

2. Rights issues

A2 The issue of ordinary shares at the time of exercise or conversion of potential ordinary shares does not usually give rise to a bonus element. This is because the potential ordinary shares are usually issued for full value, resulting in a proportionate change in the resources available to the entity. In a rights issue, however, the exercise price is often less than the fair value of the shares. Therefore, as noted in paragraph 27(b), such a rights issue includes a bonus element. If a rights issue is offered to all existing shareholders, the number of ordinary shares to be used in calculating basic and diluted earnings per share for all periods before the rights issue is the number of ordinary shares outstanding before the issue, multiplied by the followingfactor:

$$\frac{\text{Fair value per share immediately before the exercise of rights}}{\text{Theoretical ex-rights fair value per share}}$$

The theoretical ex-rights fair value per share is calculated by adding the aggregate market value of the shares immediately before the exercise of the rights to the proceeds from the exercise of the rights, and dividing by the number of shares outstanding after the exercise of the rights. Where the rights are to be publicly traded separately from the shares before the exercise date, fair value for the purposes of this calculation is established at the close of the last day on which the shares are traded together with the rights.

3. Control number

A3 To illustrate the application of the control number notion described in paragraphs 42 and 43, assume that an entity has profit from continuing operations attributable to the parent entity of Rs. 4,800, a loss from discontinued operations attributable to the parent entity of (Rs. 7,200), a loss attributable to the parent entity of (Rs. 2,400), and 2,000 ordinary shares and 400 potential ordinary shares outstanding. The entity’s basic earnings per share is Rs. 2.40 for continuing operations, (Rs. 3.60) for discontinued operations and (Rs. 1.20) for the loss. The 400 potential ordinary shares are included in the diluted earnings per share calculation because the resulting Rs. 2.00 earnings per share for continuing operations is dilutive, assuming no profit or loss impact of those 400 potential ordinary shares. Because profit from continuing operations attributable to the parent entity is the control number, the entity also includes those 400 potential ordinary shares in the calculation of the other earnings per share amounts, even though the resulting earnings per share amounts are antidilutive to their comparable basic earnings per share amounts, ie the loss per share is less [(Rs. 3.00) per share for the loss from discontinued operations and (Rs.1.00) per share for theloss].

4. Average market price of ordinary shares

A4 For the purpose of calculating diluted earnings per share, the average market price~~ of ordinary shares assumed to be issued is calculated on~~ the basis of the average market price of the ordinary shares during the period. Theoretically, every market transaction for an entity's ordinary shares could be included in the determination of the average market price. As a practical matter, however, a simple average of weekly or monthly prices is usually adequate.

A5 Generally, closing market prices are adequate for calculating the average market price. When prices fluctuate widely, however, an average of the high and low prices usually produces a more representative price. The method used to calculate the average market price is used consistently unless it is no longer representative because of changed conditions. For example, an entity that uses closing market prices to calculate the average market price for several years of relatively stable prices might change to an average of high and low prices if prices start fluctuating greatly and the closing market prices no longer produce a representative averageprice.

5. Options, warrants and their equivalents

A6 Options or warrants to purchase convertible instruments are assumed to be exercised to purchase the convertible instrument whenever the average prices of both the convertible instrument and the ordinary shares obtainable upon conversion are above the exercise price of the options or warrants. However, exercise is not assumed unless conversion of similar outstanding convertible instruments, if any, is also assumed.

A7 Options or warrants may permit or require the tendering of debt or other instruments of the entity (or its parent or a subsidiary) in payment of all or a portion of the exercise price. In the calculation of diluted earnings per share, those options or warrants have a dilutive effect if (a) the average market price of the related ordinary shares for the period exceeds the exercise price or (b) the selling price of the instrument to be tendered is below that at which the instrument may be tendered under the option or warrant agreement and the resulting discount establishes an effective exercise price below the market price of the ordinary shares obtainable upon exercise. In the calculation of diluted earnings per share, those options or warrants are assumed to be exercised and the debt or other instruments are assumed to be tendered. If tendering cash is more advantageous to the option or warrant holder and the contract permits tendering cash, tendering of cash is assumed. Interest (net of tax) on any debt assumed to be tendered is added back as an adjustment to the numerator.

A8 Similar treatment is given to preference shares that have similar provisions or to other instruments that have conversion options that permit the investor to pay cash for a more favourable conversion rate.

A9 The underlying terms of certain options or warrants may require the proceeds received from the exercise of those instruments to be applied to redeem debt or other instruments of the entity (or its parent or a subsidiary). In the calculation of diluted earnings per share, those options or warrants are assumed to be exercised and the proceeds applied to purchase the debt at its average market price rather than to purchase ordinary shares. However, the excess proceeds received from the assumed exercise over the amount used fortheassumedpurchaseofdebtareconsidered(ieassumedtobeusedtobuyback ordinary shares) in the diluted earnings per share calculation. Interest (net of tax) on any debt assumed to be purchased is added back as an adjustment to the numerator.

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6. Written put options

A10 To illustrate the application of paragraph 63, assume that an entity has outstanding 120 written put options on its ordinary shares with an exercise price of Rs. 35. The average market price of its ordinary shares for the period is Rs. 28. In calculating diluted earnings per share, the entity assumes that it issued 150 shares at Rs. 28 per share at the beginning of the period to satisfy its put obligation of Rs. 4,200. The difference between the 150 ordinary shares issued and the 120 ordinary shares received from satisfying the put option (30 incremental ordinary shares) is added to the denominator in calculating diluted earnings pershare.

7. Instruments of subsidiaries, joint ventures or associates

A11 Potential ordinary shares of a subsidiary, joint venture or associate convertible into either ordinary shares of the subsidiary, joint venture or associate, or ordinary shares of the parent, venturer or investor (the reporting entity) are included in the calculation of diluted earnings per share as follows:

2. ***instruments issued by a subsidiary, joint venture or associate that enable their holders to obtain ordinary shares of the subsidiary, joint venture or associate are included in calculating the diluted earnings per share data of the subsidiary, joint venture or associate. Those earnings per share are then included in the reporting entity's earnings per share calculations based on the reporting entity's holding of the instruments of the subsidiary, joint venture orassociate.***

3. ***instruments of a subsidiary, joint venture or associate that are convertible into the reporting entity's ordinary shares are considered among the potential ordinary shares of the reporting entity for the purpose of calculating diluted earnings per share. Likewise, options or warrants issued by a subsidiary, joint venture or associate to purchase ordinary shares of the reporting entity are considered among the potential ordinary shares of the reporting entity in the calculation of consolidated diluted earnings pershare.***

A12 For the purpose of determining the earnings per share effect of instruments issued by a reporting entity that are convertible into ordinary shares of a subsidiary, joint venture or associate, the instruments are assumed to be converted and the numerator (profit or loss attributable to ordinary equity holders of the parent entity) adjusted as necessary in accordance with para~~graph 33.~~

In addition to those adjustments, the numerator is adjusted for any change in the profit or loss recorded by the reporting entity (such as dividend income or equity method income) that is attributable to the increase in the number of ordinary shares of the subsidiary, joint venture or associate outstanding as a result of the assumed conversion. The denominator of the diluted earnings per share calculation is not affected because the number of ordinary shares of the reporting entity outstanding would not change upon assumed conversion.

1. Participating equity instruments and two-class ordinary shares

A13 The equity of some entities includes:

(a) instruments that participate in dividends with ordinary shares according to a predetermined formula (for example, two for one) with, at times, an upper limit on the extent of participation (for example, up to, but not beyond, a specified amount per share).

(b) a class of ordinary shares with a different dividend rate from that of another class of ordinary shares but without prior or seniorrights.

A14 For the purpose of calculating diluted earnings per share, conversion is assumed for those instruments described in paragraph A13 that are convertible into ordinary shares if the effect is dilutive. For those instruments that are not convertible into a class of ordinary shares, profit or loss for the period is allocated to the different classes of shares and participating equity instruments in accordance with their dividend rights or other rights to participate in undistributed earnings. To calculate basic and diluted earnings per share:

(a) profit or loss attributable to ordinary equity holders of the parent entity is adjusted (a profit reduced and a loss increased) by the amount of dividends declared in the period for each class of shares and by the contractual amount of dividends (or interest on participating bonds) that must be paid for the period (for example, unpaid cumulativedividends).

(b) the remaining profit or loss is allocated to ordinary shares and participating equity instruments to the extent that each instrument shares in earnings as if all of the profit or loss for the period had been distributed. The total profit or loss allocated to each class of equity instrument is determined by adding together the amount allocated for dividends and the amount allocated for a participationfeature.

(c) the total amount of profit or loss allocated to each class of equity instrument is divided by the number of outstanding instruments to which the earnings are allocated to determine the earnings per share for theinstrument.

For the calculation of diluted earnings per share, all potential ordinary shares assumed to have been issued are included in outstanding ordinary shares.

2. Partly paid shares

A15 Where ordinary shares are issued but not fully paid, they are treated in the calculation of basic earnings per share as a fraction of an ordinary share to the extent that they were entitled to participate in dividends during the period relative to a fully paid ordinary share.

A16 To the extent that partly paid shares are not entitled to participate in dividends during the period they are treated as the equivalent of warrants or options in the calculation of diluted earnings per share. The unpaid balance is assumed to represent proceeds used to purchase ordinary shares. The number of shares included in diluted earnings per share is the difference between the number of shares subscribed and the number of shares assumed to be purchased.

74. Appendix B

1. ILLUSTRATIVE EXAMPLES

CONTENTS

Ind AS 33 *EARNINGS PER SHARE*

1. Illustrative examples

These examples accompany, but are not part of, Ind AS 33.

2. Example 1 Increasing rate preference shares

1. Reference: Ind AS 33, paragraphs 12 and 15

Entity D issued non-convertible, non-redeemable class A cumulative preference shares of Rs. 100 par value on 1 January 20X1. The class A preference shares are entitled to a cumulative annual dividend of Rs. 7 per share starting in 20X4.

At the time of issue, the market rate dividend yield on the class A preference shares was 7 per cent a year. Thus, Entity D could have expected to receive proceeds of approximately Rs. 100 per class A preference share if the dividend rate of Rs. 7 per share had been in effect at the date ofissue.

In consideration of the dividend payment terms, however, the class A preference shares were issued at Rs. 81.63 per share, ie at a discount of Rs. 18.37 per share. The issue price can be calculated by taking the present value of Rs. 100, discounted at 7 per cent over a three-year period.

Because the shares are classified as equity, the original issue discount is amortised to retained earnings using the effective interest method and treated as a preference dividend for earnings per share purposes. To calculate basic earnings per share, the following imputed dividend per class A preference share is deducted to determine the profit or loss attributable to ordinary equity holders of the parent entity:

Year	Carrying amountofclass Apreference shares1	Imputed (a) Dividend	Carrying amount(b)of class Aprefere	*Dividend paid*

	Januar y		nce shares 31Decembe r	
	Rs.	Rs.	Rs.	Rs.
20X1	81.63	5.71	87.34	–
20X2	87.34	6.12	93.46	–
20X3	93.46	6.54	100.00	–
Thereafter:	100.00	7.00	107.00	(7.00)

(a) at 7 %
(b) This is before dividendpayment.

3. Example 2 Weighted average number of ordinary shares

1. Reference:Ind AS 33 paragraphs 19–21

		Shares Issued	Treasury(a) shares	Shares outstanding
1 January 20X1	Balance at beginning of year	2,000	300	1,700
31 May 20X1	Issue of new shares for Cash	800	–	2,500
1 December 20X1	Purchase of treasury shares for cash	–	250	2,250
31 December 20X1	Balance at year-end	2,800	550	2,250

Calculation of weighted average:

(1,700 × 5/12) + (2,500 × 6/12) + (2,250 × 1/12) = 2,146 shares *or*

(1,700 × 12/12) + (800 × 7/12) – (250 × 1/12) = 2,146 shares

(a) Treasury shares are equity instruments reacquired and held by the issuing entity itself or by its subsidiaries.

4. Example 3 Bonus issue

1. Reference: Ind AS 33, paragraphs 26, 27(a) and 28

Profit attributable to ordinary equity holders of the parent entity 20X0	Rs. 180
Profit attributable to ordinary equity holders of the parent entity 20X1	Rs. 600
Ordinary shares outstanding until 30 September 20X1	200
Bonus issue 1 October 20X1	2 ordinary shares for each ordinary share outstanding at 30 September 20X1 $200 \times 2 = 400$
Basic earnings per share 20X1	$\frac{\text{Rs. } 600}{(200 + 400)}$ = Rs. 1.00
Basic earnings per share 20X0	$\frac{\text{Rs. } 180}{(200 + 400)}$ = Rs. 0.30

Because the bonus issue was without consideration, it is treated as if it had occurred before the beginning of 20X0, the earliest period presented.

5. Example 4 Rights issue

1. Reference: Ind AS 33, paragraphs 26, 27(b) and A2

		20X0	20X1	20X2
Profit attributable to ordinary equity holders of the parent Entity		Rs.1,100	Rs.1,500	Rs.1,800
Shares outstanding before rights issue	500 shares			

Rights issue	One new share for each five outstanding shares (100 new sharestotal)
	Exercise price: Rs. 5.00 Date of rights issue: 1 January 20X1 Last date to exercise rights: 1 March 20X1
Market price of one ordinary share immediately before exercise on 1March20X1:	Rs.11.00
Reportingdate	31 December

2. Calculation of theoretical ex-rights value per share

Fair value of all outstanding shares before the exercise of rights + total amount received from exercise of rights Number of shares outstanding before exercise + number of shares issued in the exercise

$$\frac{(\text{Rs.}11.00 \times 500 \text{ shares}) + (\text{Rs. } 5.00 \times 100 \text{ shares})}{500 \text{ shares} + 100}$$

shares Theoretical ex-rights value per share =

Rs. 10.00 **Calculation of adjustment factor**

$$\frac{\text{Fair value per share before exerciseofrights}}{\text{Theoretical ex-rights valuepershare}} \quad \frac{\text{Rs.}11.00}{\text{Rs.}10.00} = 1.10$$

3. Calculation of basic earnings per share

		20X0	20X1	20X2
20X0 basic EPS asoriginallyreported:	Rs. 1,100res	Rs. 2.20		

÷ 500sha

20X0 basic EPS restatedforrights issue:	Rs.1,100 / (500 shares ×1.1	Rs. 2.00
20X1 basic EPS includingeffectsof rightsissue:	Rs.1,500 / (500 × 1.1 × 2/12 600 × 10/12)	Rs. 2.54
20X2basicEPS:	Rs. 1,800 ÷ 600shares	Rs. 3.00

<u>Example 5 Effects of share options on diluted earnings per share</u>

Reference: ~~Ind AS 33, paragraphs 45–47~~

Profit attributable to ordinary equity holders of the parent entity for year 20X1	Rs. 1,200,000
Weighted average number of ordinary shares outstanding during year 20X1	500,000 shares
Average market price of one ordinary share during year 20X1	Rs. 20.00
Weighted average number of shares under option during year 20X1	100,000 shares
Exercise price for shares under option during year 20X1	Rs. 15.00

Calculation of earnings per share

	Earnings	*Shares*	*Per share*
Profit attributable to ordinary equity holders of the parent entity for year 20X1	Rs. 1,200,000		
Weighted average shares outstanding during year 20X1		500,000	
Basic earnings per share			Rs. 2.40

Weighted average number of shares under option			100,000	
Weighted average number of shares that would have been issued at average market price: (100,000 × Rs. 15.00) ÷ Rs. 20.00		(a)	(75,000)	
Diluted earnings per share	Rs. 1,200,000		525,000	Rs. 2.29

(a) Earnings have not increased because the total number of shares has increased only by the number of shares (25,000) deemed to have been issued for no consideration (see paragraph 46(b) of theStandard).

Example 5A Determining the exercise price of employee shareoptions

Weighted average number of unvested share options per employee	1,000
Weighted average amount per employee to be recognised over the remainder of the vesting period for employee services to be rendered as consideration for the share options, determined in accordance with Ind AS 102 *Share-basedPayment*	Rs. 1,200
Cash exercise price of unvested share options	Rs. 15

4. Calculation of adjusted exercise price

Fair value of services yet to be rendered per employee:	Rs. 1,200
Fair value of services yet to be rendered per option: (Rs. 1,200 ÷ 1,000)	Rs. 1.20
Total exercise price of share options: (Rs. 15.00 + 1.20)	Rs. 16.20

Example 6 Convertible bonds*

Reference: Ind AS 33, paragraphs 33, 34, 36 and 49

Profit attributable to ordinary equity holders of the parent entity	Rs. 1,004
Ordinary shares outstanding	1,000
Basic earnings per share	Rs. 1.00
Convertible bonds	100
Each block of 10 bonds is convertible into three ordinary shares	
Interest expense for the current year relating to the liability component of the convertible bonds	Rs. 10
Current and deferred tax relating to that interest expense	Rs. 4

Note: the interest expense includes amortisation of the discount arising on initial recognition of the liability component

(seeInd AS 32 Financial Instruments: Presentation*).*

Adjusted profit attributable to ordinary equity holders of the parent entity	Rs. 1,004 + Rs. 10 – Rs.4 = Rs.1,010
Number of ordinary shares resulting from conversion of bonds	30
Number of ordinary shares used to calculate diluted earnings per share	1,000 + 30 = 1,030
Diluted earnings per share	Rs. 1,010 = Rs.0.98 1,030

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