



IAS 33 — Earnings Per Share



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Overview

IAS 33 *Earnings Per Share* sets out how to calculate both basic earnings per share (EPS) and diluted EPS. The calculation of Basic EPS is based on the weighted average number of ordinary shares outstanding during the period, whereas diluted EPS also includes dilutive potential ordinary shares (such as options and convertible instruments) if they meet certain criteria.

IAS 33 was reissued in December 2003 and applies to annual periods beginning on or after 1 January 2005.

History of IAS 33

January 1996	Exposure Draft E33 <i>Earnings Per Share</i>
February 1997	IAS 33 <i>Earnings Per Share</i>
1 January 1999	Effective date of IAS 33 (1997)
18 December 2003	Revised version of IAS 33 issued by the IASB
1 January 2005	Effective date of IAS 33 (Revised 2003)
7 August 2008	IASB proposes to amend IAS 33. Click for Press Release (PDF 48k).
1 January 2009	Effective date of consequential amendments arising from IAS 1 (2007)

Related Interpretations

- ▶ IAS 33 (2003) superseded [SIC-24 Earnings Per Share – Financial Instruments](#)

and Other Contracts that May Be Settled in Shares

Amendments under consideration by the IASB

- Performance Reporting
- Earnings Per Share

Summary of IAS 33

Objective of IAS 33

The objective of IAS 33 is to prescribe principles for determining and presenting earnings per share (EPS) amounts to improve performance comparisons between different entities in the same reporting period and between different reporting periods for the same entity. [IAS 33.1]

Scope

IAS 33 applies to entities whose securities are publicly traded or that are in the process of issuing securities to the public. [IAS 33.2] Other entities that choose to present EPS information must also comply with IAS 33. [IAS 33.3]

If both parent and consolidated statements are presented in a single report, EPS is required only for the consolidated statements. [IAS 33.4]

Key definitions [IAS 33.5]

Ordinary share: also known as a common share or common stock. An equity instrument that is subordinate to all other classes of equity instruments.

Potential ordinary share: a financial instrument or other contract that may entitle its holder to ordinary shares.

Common examples of potential ordinary shares

- convertible debt
- convertible preferred shares
- share warrants
- share options
- share rights
- employee stock purchase plans
- contractual rights to purchase shares
- contingent issuance contracts or agreements (such as those arising in business combination)

Dilution: 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.

Antidilution: 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.

Requirement to present EPS

An entity whose securities are publicly traded (or that is in process of public issuance) must present, on the face of the statement of comprehensive income, basic and diluted EPS for: [IAS 33.66]

- profit or loss from continuing operations attributable to the ordinary equity holders of the parent entity; and
- profit or loss attributable to the ordinary equity holders of the parent entity for the period for each class of ordinary shares that has a different right to share in profit for the period.

If an entity presents the components of profit or loss in a separate income statement, it presents EPS only in that separate statement. [IAS 33.4A]

Basic and diluted EPS must be presented with equal prominence for all periods presented. [IAS 33.66]

Basic and diluted EPS must be presented even if the amounts are negative (that is, a loss per share). [IAS 33.69]

If an entity reports a discontinued operation, basic and diluted amounts per share must be disclosed for the discontinued operation either on the face of the of comprehensive income (or separate income statement if presented) or in the notes to the financial statements. [IAS 33.68 and 68A]

Basic EPS

Basic EPS is 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 the period. [IAS 33.10]

The earnings numerators (profit or loss from continuing operations and net profit or loss) used for the calculation should be after deducting all expenses including taxes, minority interests, and preference dividends. [IAS 33.12]

The denominator (number of shares) is calculated by adjusting the shares in issue at the beginning of the period by the number of shares bought back or issued during the period, multiplied by a time-weighting factor. IAS 33 includes guidance on appropriate recognition dates for shares issued in various circumstances. [IAS 33.20-21]

Contingently issuable shares are included in the basic EPS denominator when the contingency has been met. [IAS 33.24]

Diluted EPS

Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other dilutive potential ordinary shares. [IAS 33.31] The effects of anti-dilutive potential ordinary shares are ignored in calculating diluted EPS. [IAS 33.41]

Guidance on calculating dilution

Convertible securities. The numerator should be adjusted for the after-tax effects of dividends and interest charged in relation to dilutive potential ordinary shares and for any other changes in income that would result from the conversion of the potential ordinary shares. [IAS 33.33] The denominator should include shares that would be issued on the conversion. [IAS 33.36]

Options and warrants. In calculating diluted EPS, assume the exercise of outstanding dilutive options and warrants. The assumed proceeds from exercise should be regarded as having been used to repurchase ordinary shares at the average market price during the period. The difference between the number of ordinary shares assumed issued on exercise and the number of ordinary shares assumed repurchased shall be treated as an issue of ordinary shares for no consideration. [IAS 33.45]

Contingently issuable shares. Contingently issuable ordinary shares are treated as outstanding and included in the calculation of both basic and diluted EPS if the conditions have been met. If the conditions have not been met, the number of contingently issuable shares included in the diluted EPS 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 period expires. [IAS 33.52]

Contracts that may be settled in ordinary shares or cash. Presume that the contract will be settled in ordinary shares, and include the resulting potential ordinary shares in diluted EPS if the effect is dilutive. [IAS 33.58]

Retrospective adjustments

The calculation of basic and diluted EPS for all periods presented is adjusted retrospectively when 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. If such changes occur after the balance sheet date but before the financial statements are authorised for issue, the EPS calculations for those and any prior period financial statements presented are based on the new number of shares. Disclosure is required. [IAS 33.64]

Basic and diluted EPS are also adjusted for the effects of errors and adjustments resulting from changes in accounting policies, accounted for retrospectively. [IAS 33.64]

Diluted EPS for prior periods should not be adjusted for changes in the assumptions used or for the conversion of potential ordinary shares into ordinary shares outstanding. [IAS 33.65]

Disclosure

If EPS is presented, the following disclosures are required: [IAS 33.70]

- the amounts used as the numerators in calculating basic and diluted EPS, and a reconciliation of those amounts to profit or loss attributable to the parent entity for the period
- the weighted average number of ordinary shares used as the denominator in calculating basic and diluted EPS, and a reconciliation of these denominators to each other
- instruments (including contingently issuable shares) that could potentially dilute basic EPS in the future, but were not included in the calculation of diluted EPS because they are antidilutive for the period(s) presented
- a description of those ordinary share transactions or potential ordinary share transactions that occur after the balance sheet date and that would have changed significantly the number of ordinary shares or potential ordinary shares outstanding at the end of the period if those transactions had occurred before the end of the reporting period. Examples include issues and redemptions of ordinary shares issued for cash, warrants and options, conversions, and exercises [IAS 34.71]

An entity is permitted to disclose amounts per share other than profit or loss from continuing operations, discontinued operations, and net profit or loss earnings per share. Guidance for calculating and presenting such amounts is included in IAS 33.73 and 73A.



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