

AASB 133 Earnings Per Share vs. IFRS for SMEs Section 3 Financial Statement Presentation

1. Executive Summary

The *IFRS for SMEs* does not address the presentation of earnings per share. AASB 133 applies to an entity whose ordinary shares or potential ordinary shares are publicly traded; or the entity is in the process of issuing ordinary shares or potential ordinary shares in public markets. However, AASB 133 also applies to an entity that discloses earnings per share.

It is proposed to exclude from the Reduced Disclosure Regime (RDR) disclosure requirements of paragraph 72 of AASB 133.

2. Analysis of disclosure requirements

Text in AASB 133 <i>Earnings Per Share</i>	Text in <i>IFRS for SMEs</i> Section 3 <i>Financial Statement Presentation</i>	Comment
<p>Disclosure</p> <p>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 end of the reporting period but before the financial statements are authorised for issue, the per share calculations for those and any prior period financial statements presented shall be based on the new number of shares. The fact that per share calculations reflect such changes in the number of shares shall be disclosed. In addition, basic and diluted 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.</p>	<p>3.25 This IFRS does not address presentation of segment information, earnings per share, or interim financial reports by a small or medium-sized entity. An entity making such disclosures shall describe the basis for preparing and presenting the information.</p>	<p>Tier 2 entities that present earnings per share should apply AASB 133 <i>Earnings per Share</i> in full. Paragraph 64 should be retained in the RDR.</p>
<p>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 comprehensive income or in the notes.</p>		<p>Tier 2 entities that present earnings per share should apply AASB 133 <i>Earnings per Share</i> in full. Paragraph 68 should be retained in the RDR.</p>
<p>70 An entity shall disclose the following:</p> <p>(a) 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</p>		<p>Tier 2 entities that present earnings per share should apply AASB 133 <i>Earnings per Share</i> in full. Paragraph 70 should be retained in the RDR.</p>

<p>Text in AASB 133 <i>Earnings Per Share</i></p>	<p>Text in <i>IFRS for SMEs</i> Section 3 <i>Financial Statement Presentation</i></p>	<p>Comment</p>
<p>include the individual effect of each class of instruments that affects earnings per share;</p> <p>(b) the weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share, and a reconciliation of these denominators to each other. The reconciliation shall include the individual effect of each class of instruments that affects earnings per share;</p> <p>(c) instruments (including contingently issuable shares) that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are antidilutive for the period(s) presented; and</p> <p>(d) a description of ordinary share transactions or potential ordinary share transactions, other than those accounted for in accordance with paragraph 64, that occur after the end of the reporting period 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.</p>		
<p>71 Examples of transactions in paragraph 70(d) include:</p> <p>(a) an issue of shares for cash;</p> <p>(b) an issue of shares when the proceeds are used to repay debt or preference shares outstanding at the end of the reporting period;</p> <p>(c) the redemption of ordinary shares outstanding;</p> <p>(d) the conversion or exercise of potential ordinary</p>		<p>Paragraph 71 is guidance relating to a paragraph retained in the RDR and should be retained.</p>

<p>Text in AASB 133 <i>Earnings Per Share</i></p>	<p>Text in <i>IFRS for SMEs</i> Section 3 <i>Financial Statement Presentation</i></p>	<p>Comment</p>
<p>shares outstanding at the end of the reporting period into ordinary shares;</p> <p>(e) an issue of options, warrants, or convertible instruments; and</p> <p>(f) the achievement of conditions that would result in the issue of contingently issuable shares.</p> <p>Earnings per share amounts are not adjusted for such transactions occurring after the end of the reporting period because such transactions do not affect the amount of capital used to produce profit or loss for the period.</p>		
<p>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 AASB 7 <i>Financial Instruments: Disclosures</i>).</p>		<p>Paragraph 72 is in the nature of encouraged disclosure and is excluded from the RDR based on paragraph IN8 of this Appendix</p>
<p>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 comprehensive income 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</p>		<p>Tier 2 entities that present earnings per share should apply AASB 133 <i>Earnings per Share</i> in full. Paragraph 73 should be retained in the RDR.</p>

<p>Text in AASB 133 <i>Earnings Per Share</i></p>	<p>Text in <i>IFRS for SMEs</i> Section 3 <i>Financial Statement Presentation</i></p>	<p>Comment</p>
<p>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 comprehensive income is used that is not reported as a line item in the statement of comprehensive income, a reconciliation shall be provided between the component used and a line item that is reported in the statement of comprehensive income.</p>		
<p>73A Paragraph 73 applies also to an entity that discloses, in addition to basic and diluted earnings per share, amounts per share using a reported component of the separate income statement (as described in paragraph 81 of AASB 101 (as revised in 2007)), other than one required by this Standard.</p>		<p>Tier 2 entities that present earnings per share should apply AASB 133 <i>Earnings per Share</i> in full. Paragraph 73 should be retained in the RDR.</p>

3. AASB 133 *Earnings Per Share*: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 133 *Earnings Per Share*, showing requirements from which it is proposed entities applying the RDR should be exempt as shaded text.

Disclosure

- 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 end of the reporting period but before the financial statements are authorised for issue, the per share calculations for those and any prior period financial statements presented shall be based on the new number of shares. The fact that per share calculations reflect such changes in the number of shares shall be disclosed. In addition, basic and diluted 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.
- 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 comprehensive income or in the notes.
- 70** An entity shall disclose the following:
- (a) 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;
 - (b) the weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share, and a reconciliation of these denominators to each other. The reconciliation shall include the individual effect of each class of instruments that affects earnings per share;
 - (c) instruments (including contingently issuable shares) that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are antidilutive for the period(s) presented; and
 - (d) a description of ordinary share transactions or potential ordinary share transactions, other than those accounted for in accordance with paragraph 64, that occur after the end of the reporting period 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.
- 71** Examples of transactions in paragraph 70(d) include:
- (a) an issue of shares for cash;
 - (b) an issue of shares when the proceeds are used to repay debt or preference shares outstanding at the end of the reporting period;
 - (c) the redemption of ordinary shares outstanding;

- (d) the conversion or exercise of potential ordinary shares outstanding at the end of the reporting period into ordinary shares;
- (e) an issue of options, warrants, or convertible instruments; and
- (f) 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 end of the reporting period because such transactions do not affect the amount of capital used to produce profit or loss for the period.

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 AASB 7 *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 comprehensive income 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 comprehensive income is used that is not reported as a line item in the statement of comprehensive income, a reconciliation shall be provided between the component used and a line item that is reported in the statement of comprehensive income.

73A Paragraph 73 applies also to an entity that discloses, in addition to basic and diluted earnings per share, amounts per share using a reported component of the separate income statement (as described in paragraph 81 of AASB 101 (as revised in 2007)), other than one required by this Standard.