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**International
Accounting Standards
Board**

This document is provided as a convenience to observers at IASB meetings, to assist them in following the Board's discussion. It does not represent an official position of the IASB. Board positions are set out in Standards.

These notes are based on the staff papers prepared for the IASB. Paragraph numbers correspond to paragraph numbers used in the IASB papers. However, because these notes are less detailed, some paragraph numbers are not used.

INFORMATION FOR OBSERVERS

Board Meeting: 17 July 2007, London

Project: Short-term convergence – Earnings per Share

Subject: Earnings per share: Outstanding issues
(Addendum to Agenda paper 3)

PURPOSE OF THIS MEMORANDUM

1. This memo is an addendum to FASB Board Memo #12 and IASB Agenda Paper 3 to supplement those papers and provide Board Members with a high level summary of the staff conclusions and recommendations regarding the first two issues discussed therein. In an attempt to simplify the presentation of the staff conclusions and recommendations, the staff has grouped the instruments discussed in the first two issues of the Board papers into (a) instruments with the same underlying accounting, same EPS amount, but achieved through different methods of computing EPS, (b) instruments with different underlying accounting and therefore different methods of computing EPS that achieve the same EPS denominator, and (c) instruments with the same underlying accounting, same EPS amount, achieved through the same method.

Type of instrument	U.S. GAAP accounting	IFRS accounting	Proposed U.S. GAAP EPS		Proposed IFRS EPS		Comparison of proposed U.S. GAAP EPS and IFRS EPS
			Basic	Diluted	Basic	Diluted	
A. INSTRUMENTS WITH SAME UNDERLYING ACCOUNTING, SAME EPS AMOUNT, BUT ACHIEVED THROUGH DIFFERENT METHODS OF COMPUTING EPS							
Forward purchase contract – gross physical settlement	Gross liability: present value of redemption amount. Subsequent measurement at amortized cost.	Gross liability: present value of redemption amount. Subsequent measurement at amortized cost.	Adjust numerator and denominator to exclude shares to be repurchased. Same effect as not making any adjustment. ¹	No further adjustment. ¹	No adjustment to numerator or denominator.	Apply proposed modified reverse treasury stock method. This method will return an anti-dilutive result so no effect on diluted EPS.	Same EPS amount, but achieved through different methods of computing EPS.
B. INSTRUMENTS WITH DIFFERENT UNDERLYING ACCOUNTING AND THEREFORE DIFFERENT METHODS OF COMPUTING EPS THAT ACHIEVE THE SAME EPS DENOMINATOR							
Forward purchase contract – option of gross physical or net share or net cash settlement	Recognize as a derivative. Measure at fair value through profit or loss.	Gross liability: present value of redemption amount. Subsequent measurement at amortized cost.	Apply proposed fair value method. No adjustment to numerator or denominator.	Apply proposed fair value method. Diluted EPS same as basic EPS.	No adjustment to numerator or denominator.	Apply proposed modified reverse treasury stock method. This method will return an anti-dilutive result so no effect on diluted EPS.	Different EPS amounts due to the difference in the underlying accounting (i.e., fair value measurement versus amortized cost). However, will result in the same EPS denominator.

¹ The proposed calculation of basic and diluted EPS in accordance with U.S. GAAP for physically settled forward purchase contracts is the same as current requirements

Type of instrument	U.S. GAAP accounting	IFRS accounting	Proposed U.S. GAAP EPS		Proposed IFRS EPS		Comparison of proposed U.S. GAAP EPS and IFRS EPS
			Basic	Diluted	Basic	Diluted	
Written put option – gross physical settlement	Recognize as a derivative. Measure at fair value through profit or loss.	Gross liability: present value of redemption amount. Subsequent measurement at amortized cost.	Apply proposed fair value method. No adjustment to numerator or denominator.	Apply proposed fair value method. Diluted EPS same as basic EPS.	No adjustment to numerator or denominator.	Apply proposed modified reverse treasury stock method. This method will return an anti-dilutive result so no effect on diluted EPS.	Different EPS amounts due to the difference in the underlying accounting (i.e., fair value measurement versus amortized cost). However, will result in the same EPS denominator.
Written put option – option of gross physical or net share or net cash settlement	Recognize as a derivative. Measure at fair value through profit or loss.	Gross liability: present value of redemption amount. Subsequent measurement at amortized cost.	Apply proposed fair value method. No adjustment to numerator or denominator.	Apply proposed fair value method. Diluted EPS same as basic EPS.	No adjustment to numerator or denominator.	Apply proposed modified reverse treasury stock method. This method will return an anti-dilutive result so no effect on diluted EPS.	Different EPS amounts due to the difference in the underlying accounting (i.e., fair value measurement versus amortized cost). However, will result in the same EPS denominator.

Type of instrument	U.S. GAAP accounting	IFRS accounting	Proposed U.S. GAAP EPS		Proposed IFRS EPS		Comparison of proposed U.S. GAAP EPS and IFRS EPS
			Basic	Diluted	Basic	Diluted	
C. INSTRUMENTS WITH SAME UNDERLYING ACCOUNTING, SAME EPS AMOUNT, ACHIEVED THROUGH THE SAME METHOD OF COMPUTING EPS							
Forward purchase contract – net share settlement	Recognize as a derivative. Measure at fair value through profit or loss.	Recognize as a derivative. Measure at fair value through profit or loss.	Apply proposed fair value method. No adjustment to numerator or denominator.	Apply proposed fair value method. Diluted EPS same as basic EPS.	Apply proposed fair value method. No adjustment to numerator or denominator.	Apply proposed fair value method. Diluted EPS same as basic EPS.	Same EPS result using the same method (i.e., the proposed fair value method).
Written put option – net share settlement	Recognize as a derivative. Measure at fair value through profit or loss.	Recognize as a derivative. Measure at fair value through profit or loss.	Apply proposed fair value method. No adjustment to numerator or denominator.	Apply proposed fair value method. Diluted EPS same as basic EPS.	Apply proposed fair value method. No adjustment to numerator or denominator.	Apply proposed fair value method. Diluted EPS same as basic EPS.	Same EPS result using the same method (i.e., the proposed fair value method).