

Aufgabe QR-11.3: Eigenkapitalausweis und Earnings per Share

(Disclosure of Equity and EPS figure)

Brackelkötter AG is a distribution company for paintings and coatings. Brackelkötter AG buys 200,000 kg lacquer from Buntmayer AG. The price for 1 kg lacquer is 6.00 EUR - gross amount. Brackelkötter sells 180,090 kg of lacquer for 14.94 EUR/kg. Other expenses are 100,000.00 EUR. Interest amounts to 70,000.00 EUR.

Brackelkötter AG has been established based on 100,000 ordinary shares 1.00 EUR/share. On 31.03.20X4 Brackelkötter AG issued 200,000 preference shares par value 1.00 EUR/share. The shares come with a dividend claim 12.5 % of face value per year. On 1.07.20X4 Brackelkötter AG makes a rights issue. It issues 50,000 ordinary shares at an issue price 3.80 EUR/share. Market value per share on 1.07.20X4 was 4.15 EUR. The face value of all ordinary shares is 1.00 EUR/share.

Required: Compute profit after taxes (EAT) and display equity section of Brackelkötter AG as at 31.12.20X4 along IAS 1, comparative information are required. Determine Earnings per Share figure for Brackelkötter AG. Assume pretax profit in 20X3 was 250,000.00 EUR. Determine dividend per share along §§ 150 and 58 AktG so that Brackelkötter maximises reserves. Assume that Brackelkötter AG's other earnings reserves as at 1.01.20X3 is nil.

Lösung: (Solution)

For computation of EPS figure you have to determine profit after taxes first. The profit and loss account displays the gross profit as difference between purchases ($200,000 \cdot 6 / 120 \% = 1,000,000.00 \text{ EUR}$) and sales ($180,090 \cdot 14.94 / 120 \% = 2,242,120.50 \text{ EUR}$) plus closing stock ($(200,000 - 180,090) \cdot 5.00 = 99,550.00 \text{ EUR}$) to be 1,341,670.50 EUR. See the profit and loss account in total below:

D		PROFIT & LOSS ACC.		C	
20X4	[EUR]	20X4	[EUR]		
Purchase	1.000.000,00	Sales	2.242.120,50		
GP (c/d)	1.341.670,50	Cl. Stock	99.550,00		
	<u>2.341.670,50</u>		<u>2.341.670,50</u>		
Other	100.000,00	GP (b/d)	1.341.670,50		
Interest	70.000,00				
NP (c/d)	1.171.670,50				
	<u>1.341.670,50</u>		<u>1.341.670,50</u>		
Inc Tax	351.501,15	NP (b/d)	1.171.670,50		
R/E	820.169,35				
	<u>1.171.670,50</u>		<u>1.171.670,50</u>		

Exhibit 1: P&L account

Along German companies act (AktG) not all profit is distributable to shareholders. In order to get an overview about how much profit is available for dividend the equity section of Brackelkötter AG is prepared as at 31.12.20X4 including comparable information for 20X3 accounting period.

	20X4	20X3
	[EUR]	[EUR]
...		
Capital		
ISSUED CAPITAL		
Ordinary Share Capital		
- 150,000 Ordinary Shares at 1.00 EUR each,		
in 20X3: 100,000		
Preference Share Capital		
- 200,000 12.5% Preference Shares at 1.00 EUR each,		
in 20X3: nil.		
RESERVES		
Capital Reserves (Share Premium)	140.000,00	0,00
Other Earnings Reserves	534.147,18	91.875,00
Revaluation Reserves		
RETAINED EARNINGS		83.125,00
<i>Total of Shareholder's Equity</i>	<u>1.024.147,18</u>	<u>275.000,00</u>

Exhibit 2: Equity section

The equity section is explained below:

The share capital in 20X3 is given. In 20X4 there is a ordinary share issue as rights issue. (see pg. 271 ff.) Accordingly, there is an increase of issued capital related to face value 50,000.00 EUR. $100,000 + 50,000 = 150,000.00$ EUR. The share premium account is shown along German AktG as capital reserves. It amounts to $(3.80 - 1.00) \cdot 50,000 = 140,000.00$ EUR. Other earnings reserves in 20X3 are displayed in accordance with §§ 58 and 150 AktG. Brackelkötter has to put 5 % of profit after taxes into other earnings reserves. Maximum amount to put to reserves is half of the remaining 95 % of profit after taxes. The other earnings reserves amount to $(1 - 30\%) \cdot (5\% + (95/2)\%) \cdot 250,000 = 91,875.00$ EUR. The remaining amount is profit carried forward because there was no dividend declared in 20X3. The profit carried forward is shown as retained earnings: $((1 - 30\%) \cdot 250,000) - 91,875 = 83,125.00$ EUR. In 20X4 there is no need to put 5 % of EAT into reserves because share premium is 140,000.00 EUR. $140,000 > 10\% \cdot 150,000$. Reserves contain still 91,875.00 EUR. Additionally, the half of profit after preference dividend is to put into reserves. The same is for profit carried forward. The other earnings reserves amount to $91,875 + (820,169.35 - (9/12) \cdot 200,000 \cdot 12,5\%)/2 + 83,125/2 = 534,147.18$ EUR.

Earnings per share figure is basic earnings divided by amount of ordinary shares outstanding on average. Basic earnings is profit after preference dividend: $820,169.35 - (9/12) \cdot 200,000 \cdot 12,5\% = 801,419.35$ EUR. As EPS figure is required as comparative information the amount is to be computed for 20X3 as well. It is $250,000 \cdot (1 - 30\%) = 175,000.00$ EUR. Here, the contribution along § 150 AktG is considered as appropriation of profit. The denominator of EPS figure does not consider preference shares. So, amount shares at the beginning of 20X3 and 20X4 is 100,000. The rights issue requires determination of

the adjustment factor along IAS 33. It is computed as share market price over ex rights value. The adjustment factor is $4.15 / ((100,000 \cdot 4.15 + 50,000 \cdot 3.80) / 150,000) = \mathbf{1.0289}$. The adjustment factor is rounded down to 4 digits after decimal point. The adjustment factor represents the amount of shares issued not for value. Along IAS 33 the issue not for value increases the amount of shares for the period before issue date. Shares outstanding for 20X3 amount to $100,000 + 50,000 \cdot 1.0289 = \mathbf{151,445 \text{ shares}}$. In 20X4 the amount is $100,000 + 6/12 \cdot 50,000 \cdot 1.0289 = \mathbf{125,722.5 \text{ shares}}$.

EPS(20X3) figure is $175,000 / 151,445 = \mathbf{1.16 \text{ EUR/share}}$.

EPS(20X4) figure is $801,419.35 / 125,722.5 = \mathbf{6.37 \text{ EUR/share}}$.