Earnings Per Share (Basic & Diluted) Master Cheat Sheet

ASC 260 WACSO Calculations, Treasury Stock Method & If-Converted Mechanics | US GAAP

1. BASIC EPS FORMULA & WACSO TIMING

Basic EPS = (Net Income – Preferred Dividends) / WACSO

• **Preferred Dividends:** Deduct if cumulative (whether declared or not) or noncumulative (only if declared).

• **WACSO (Weighted-Average Common Shares Outstanding):** Shares are weighted by the months outstanding. *Stock dividends and splits are treated retroactively as if they occurred Jan 1!*

2. DILUTED EPS: TREASURY STOCK VS. IF-CONVERTED METHODS

Security Type	Method Used	Numerator Adjustment	Denominator Adjustment
Stock Options & Warrants	Treasury Stock Method	**$0** (No income effect)	+ Shares Issued upon exercise minus shares repurchased at average market price with exercise proceeds.
Convertible Bonds	If-Converted Method	**+ Interest Expense Saved × (1 – Tax Rate)**	+ Additional common shares issued assuming full bond conversion.
Convertible Preferred Stock	If-Converted Method	**+ Preferred Dividends** (add back to numerator)	+ Additional common shares issued assuming full preferred conversion.

3. ANTIDILUTION TEST

If the incremental EPS of converting a security exceeds Basic EPS, the security is **Antidilutive**. Antidilutive securities MUST be excluded from Diluted EPS calculations!