RULES AND REGULATIONS GOVERNING FORM AND CONTENT OF FINANCIAL STATEMENTS

Read online (full-text search, related cases, audio case brief): https://batas.org/library/0055d502dfb9/

The Commission in its Resolution No. 6191 series of 1998 dated October 2, 1998 approved the adoption of Statement of Financial Accounting Standards No. 29 (Earnings Per Share) which was approved on October 4, 1997 by the Accounting Standards Council. Accordingly, Part II (m) (15) of RSA Rule 48-1 (Rules and Regulations Governing Form and Content of Financial Statements) is hereby amended to read as follows:

(15) Earnings per share. Present earnings per share data in the financial statements of issuers of securities in accordance with the following rules:

A. Basic earnings per share should be calculated by dividing the net income or loss for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period.

B. For the purpose of calculating basic earnings per share, the net income or loss for the period attributable to common shareholders should be the net income or loss for the period after deducting preferred dividends.

C. For the purpose of calculating basic earnings per share, the number of common shares should be the weighted average number of common shares outstanding during the period.

D. The weighted average number of common shares outstanding during the period and for all periods presented should be adjusted for events, other than the conversion of potential common shares, that have changed the number of common shares outstanding, without a corresponding change in resources.

E. For the purpose of calculating diluted earnings per share, the net income attributable to common shareholders and the weighted average number of shares outstanding should be adjusted for the effects of all dilutive potential common shares.

F. For the purpose of calculating diluted earnings per share, the amount of net income or loss for the period attributable to common shareholders, as calculated in accordance with paragraph (b), should be adjusted by the after-tax-effect:

i. any dividends on dilutive potential common shares which have been deducted in arriving at the net income attributable to common shareholders as calculated in accordance with paragraph (B);

ii. interest recognized in the period for the dilutive potential common shares; and

iii. any other changes in income or expense that would result from the conversion of the dilutive potential common shares.

G. For the purpose of calculating diluted earnings per share, the number of common shares should be the weighted average number of common shares calculated in accordance with paragraph (C) and (D), plus the weighted average number of common shares which would be issued on the conversion of all the dilutive potential common shares. Dilutive potential common shares should be deemed to have been converted into common shares at the beginning of the period or, if later, the date of the issue of the potential common shares.

Turn this case into an audio lecture - facts, issues, ruling and doctrine - at batas.org

H. For the purpose of calculating diluted earnings per share, a corporation should assume the exercise of dilutive options and other dilutive potential common shares of the corporation. The assumed proceeds from these issues should be considered to have been received from the issue of shares that would have been issued at fair value. The difference between the number of shares issued and the number of shares that would have been issued at fair value should be treated as an issue of common shares for no consideration.

I. Potential common shares should be treated as dilutive when, and only when, their conversion to common shares would decrease net income per share from continuing common operations.

J. If the number of common or potential common shares outstanding increases as a result of a stock dividend or stock split or decreases as a result of a reverse stock split, the calculation of basic and diluted earnings per share for all periods presented should be adjusted retroactively. If these changes occur after the balance sheet date but before the issuance of the financial statements, the per share calculations for those and any prior period financial statements presented should be based on the new number of shares. When per share calculations reflect such changes in the number of shares, that fact should be disclosed. In addition, basic and diluted earnings per share of all periods presented should be adjusted for:

i. the effects of correction of errors, and adjustments resulting from changes in accounting principles, that are accounted for retroactively; and

ii. the effects of a business combination which is accounted for as a pooling of interests.

K. A corporation should present basic and diluted earnings per share on the face of the income statement. A corporation should present basic and diluted earnings per share with equal prominence for all periods presented.

L. This Rule requires a corporation to present basic and diluted earnings per share, even if the amounts disclosed are negative (a loss per share).

M. A corporation should disclose the following:

i. the amounts used as the numerators in calculating basic and diluted earnings per share, and a reconciliation of those amounts to the net income or loss for the period; and

ii. the weighted average number of common shares used as the denominator in calculating basic and diluted earnings per share, and a reconciliation of these denominators to each other.

N. If an enterprise discloses, in addition to basic and diluted earnings per share, per share amounts using a reported component of net income other than net income or loss for the period attributable to common shareholders, such amounts should be calculated using the weighted average number of common shares determined in accordance with this Rule. If a component of net income is used which is not reported as a line item in the income statement, a reconciliation should be provided between the component used and a line item which is reported in the income statement. Basic and diluted per share amounts be disclosed with equal prominence.

O. The provisions of Statement of Financial Accounting Standards No. 29 shall supplement this rule for clarification.

P. This Memorandum Circular becomes effective for financial statements covering periods ending on or after December 31, 1998, although earlier application is encouraged. In the period of adoption, all prior-period earnings per share data presented shall be restated to conform with the provisions of this Rule for comparability.

This Memorandum Circular shall take effect fifteen (15) days after its publication in at least two (2) newspapers of general circulation.

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

Adopted: 9 Oct. 1998

(SGD.) FE ELOISA C. GLORIA
Associate Commissioner

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at https://batas.org

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.