

Illustration No. 1
Earnings per Share
Capital Structure for EPS Illustration

6% Convertible Preferred Stock, \$100 par, sold at \$120: 1,000 shares issued and outstanding; 2:1 conversion ratio	\$100,000
Common Stock, \$50 par, 2,000 shares issued and outstanding	\$100,000

Compute the necessary earnings per share (EPS) in each of the following cases:

Case A: Net income = \$40,000

Case B: Net income = \$10,000