

Illustration No. 2
Earnings per Share
Capital Structure for EPS Illustration

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| 7% Convertible Bonds, \$1,000 par, sold at par: 200 issued and outstanding; 5:1 conversion ratio. | \$200,000 |
| 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