Shares

Earnings Per Share

Measure the amount of profit made per every share in the company.
The company's profit after tax was £500,000 and they had 10,000,000 shares in issue.

To work out the EPS = Net Income / Average Outstanding Common Shares
£500,000/10,000,000 Shares = **0.05p**

If the company wants to make £900,000 and issue costs are £100,000 they must raise a total of **£1,000,000**

Price Per Share

EPS = 0.05p
P/E = 5

To work out the Price Per Share = Price Earnings x Earning Per Share
5 x 0.05p = **0.25p**

Price Earnings P/E

The most important ratio in the stock market. It measures the market confidence in the future earning power of the business.
Mathematically, it shows the number of years it would take for the (current) profit to equate the share price

A companies price per share is 0.25p
The EPS is 0.05p

To work out the Price Earnings = Price Per Share / Earnings Per Share (EPS)
0.25p/0.05p = **5**

Current price per share	0.25p
20% discount for rights issue	<u>0.05p</u>
Price per share for rights issue	**0.20p**

The amount of money from rights issue that needs raising is £1,000,000
To find out how many shares need to be issued we do this calculation:
Amount that needs raising/Price per share for rights issue
£1,000,000/0.20p = **5,000,000 Shares need issuing**
This means that for 2 shares a shareholder owns they will be offered 1 rights issue share.
10,000,000/5,000,000 = **2**
1 for 2 rights issue