

Calculation of weighted average number of common stock shares:

A company started the year with 40,000 shares of common stock outstanding. Additional shares were issued on the following dates:

April 1, 20X1, 20,000 shares
 July 1, 20X1, 30,000 shares
 October 1, 20X1, 12,000 shares

Compute the weighted average number of shares outstanding to be used for EPS for 20X1.

01/01/X1	04/01/X1	07/01/X1	10/01/X1	12/31/X1

40,000	20,000	30,000	12,000	102,000
outstanding	Issued	Issued	Issued	Outstanding

calculate the weighted average number of shares outstanding:

1. Weight as to how many months the various blocks of shares are outstanding

$$\begin{array}{rcl}
 40,000 \times 12/12 & = & 40,000 \\
 20,000 \times 9/12 & = & 15,000 \\
 30,000 \times 6/12 & = & 15,000 \\
 12,000 \times 3/12 & = & \underline{3,000} \\
 \text{weighted average} & & \underline{\underline{73,000}}
 \end{array}$$

2. Weight as to how many months the shares are outstanding until a change in that number occurs.

$$\begin{array}{rcl}
 40,000 \times 3/12 & = & 10,000 \\
 60,000 \times 3/12 & = & 15,000 \\
 90,000 \times 3/12 & = & 22,500 \\
 102,000 \times 3/12 & = & \underline{25,500} \\
 \text{weighted average} & & \underline{\underline{73,000}}
 \end{array}$$