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.

<table>
<thead>
<tr>
<th>Date</th>
<th>Shares Outstanding</th>
<th>Shares Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>01/01/X1</td>
<td>40,000</td>
<td></td>
</tr>
<tr>
<td>04/01/X1</td>
<td>20,000</td>
<td>20,000</td>
</tr>
<tr>
<td>07/01/X1</td>
<td>30,000</td>
<td>30,000</td>
</tr>
<tr>
<td>10/01/X1</td>
<td>12,000</td>
<td>12,000</td>
</tr>
<tr>
<td>12/31/X1</td>
<td>102,000</td>
<td></td>
</tr>
</tbody>
</table>

Calculate the weighted average number of shares outstanding:

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

\[
\begin{align*}
40,000 \times \frac{12}{12} & = 40,000 \\
20,000 \times \frac{9}{12} & = 15,000 \\
30,000 \times \frac{6}{12} & = 15,000 \\
12,000 \times \frac{3}{12} & = 3,000 \\
\text{weighted average} & = \frac{73,000}{4}
\end{align*}
\]

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

\[
\begin{align*}
40,000 \times \frac{3}{12} & = 10,000 \\
60,000 \times \frac{3}{12} & = 15,000 \\
90,000 \times \frac{3}{12} & = 22,500 \\
102,000 \times \frac{3}{12} & = 25,500 \\
\text{weighted average} & = \frac{73,000}{4}
\end{align*}
\]