

B-15.06

Trinity Railway began 20X5 with 900,000 shares of common stock outstanding. On March 1, 20X5, Trinity Railway issued 300,000 additional shares of common stock. 50,000 shares of common stock were reacquired on October 1. Trinity Railway reported net income of \$2,275,000 for the year ending December 31, 20X5. Trinity Railway paid \$250,000 in common dividends during 20X5.

- (a) Calculate the weighted-average common shares outstanding for 20X5.
- (b) Calculate basic earnings per share for 20X5.
- (c) If Trinity Railway also had preferred stock outstanding, and declared and paid \$227,500 in dividends on these shares during 20X5, calculate the revised amount for basic earnings per share.
- (d) Explain the concept of diluted EPS. What types of additional securities would Trinity Railway likely need to issue before it would be become necessary to calculate a diluted EPS amount?