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# Headline earnings per share : financial managers' perceptions and actual disclosure practices in South Africa

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ABOUT

## Abstract

Earnings per share (EPS) is a key ratio which must be disclosed in the financial statements of South African listed enterprises. It is used to compare the performance of an enterprise over time and to compare its performance with that of other enterprises. Financial analysts also use EPS to calculate the price-earnings (PE) ratio. In South Africa, listed companies are required to disclose three EPS measures, namely basic EPS (BEPS), diluted EPS (DEPS) and headline EPS (HEPS). This article reports on the results of a study of financial managers' perceptions of the importance of HEPS and the actual disclosure practices relating to HEPS in selected listed companies' annual reports. This article also reports on financial managers' perceptions of selected other accounting measures of performance (such as EPS) and other financial indicators not ordinarily found in the annual report (such as the PE ratio), of the importance of EPS measures in general and of headline EPS in particular. The study found support for HEPS, compared to other per share measures, despite misconceptions regarding the objective of HEPS. The study also found that 95% of the selected companies disclosed HEPS together with the required reconciliation. However, half of the companies contravened the headline earnings definition. As a result,

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