

Dilutions possible drop in per share earnings

Q. I was reading a report about a stock and one of the comments was that the stock was subject to 12 per cent dilution. Can you tell me what that means?
A. A stock being subject to dilution

means that more shares of common stock are going to be issued. The effect of more shares outstanding is to lower the earnings per share since a given amount of earnings will then be spread over a larger number of shares.

The additional shares may also be issued in a way that results in a reduction in the book value per share. In the case of your stock 12 per cent more common shares can be issued, reducing earnings per share by 12 per cent.

Back in the halcyon days of 1980-85, the big source of dilution in stock came from stock options issued to executives. The abuse came mostly in smaller corporations, but it did extend into a number of the large conglomerates that were formed at that time.

Recently, with the much smaller movement in stock prices, firms have tended not to issue as many stock options. Options issued in moderation to executives in a way to provide incentive may produce good for shareholders.

However, it is well to check any company that you are considering buying stock in to see if there is any potential dilution and how much. If it's very much, you'll want to be certain that what the company gets in return is likely to make your shares more valuable in time.

Q. Can you suggest the arithmetic that would enable me to compare the

price action of the stock I own with the Dow Jones Industrial Average and the Standard and Poor's 500 Stock Index? I hope you can tell me in elementary arithmetic. If it involves new math, don't bother.
A. You can compare the price

the current value and the value you computed today. Divide that difference by the beginning value and your answer will give you the percentage change.
Make the same calculation with the averages you are using. The percent-

age change you get with your stock values as compared with those on the averages will tell you how you have done.
O'Hara welcomes your questions but will answer them only through this column.

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Charles P. Wissinger of Farmington was among the 300 Master Masons who received the Scottish Rite Freemasonry's 32nd Degree during the Nov. 8 reunion at Masonic Temple. The class was designated the Motor City Masonic Class, in tribute to the Detroit area members. Elliot Estes, president of General Motors, spoke at the banquet, which ended the two-weekend reunion.

Language class is sponsored

The Orchard Ridge Campus of Oakland Community College will offer a course designed to help adults whose first language is not English. The course, "Elements of Written Communication" (subtitled "English for Speakers of Other Languages"), is adapted to help adults who have inadequate control of English.

The four-credit class will meet on Mondays and Wednesdays, 6:30-8:30 p.m. Classes begin Monday, Jan. 12.

For further information, call Professor Charles Braun, Lloyd Mebeth or Ben Reilly.

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