

## Assignment-14

Define bonus issue with example.

A bonus issue also known as scrip issue or capitalisation issue is when a company distributes additional shares to its existing shareholders for free. It is based on the number of shares they already hold. This increases the total number of shares in the market which increases the company's earnings per share (EPS) and thus the value of the company.

Example

Suppose company ABC company announced a bonus issue. This means that for every 2 shares a shareholder holds, they will receive 1 additional share.

If you own 100 shares, you will receive 50 additional shares. This means your total shareholding will be 150 shares. However, the price per share will decrease. For example, if the price was ₹100 per share, it will now be ₹66.67 per share. The total value of your investment remains the same.



## EXAMPLE-2

In a 3:5 bonus share 100 share  
holder will receive 3 shares for every 5  
they hold

If you own 200 share you will  
get 120 new shares making your total 320  
share.

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