

Assignment 11

Define bonus issue with example.

is also known as scrip issue or Capitalization Issue is when a company distribute additional shares to its existing shareholders for free, based on the no. of shares they already hold. This increases the total number of shares in the market value. The price of each share typically decrease proportionally as the company's equity is spread over more share.

Ex: 1. Suppose company ABC Company announces 1:2 bonus issue. This means that for every 2 shares a share holder holds they will receive 1 additional share.

If you own 200 shares. You will receive 100 additional shares (additional shares for every 2 shares you own) making your total shareholding 300 shares. However, the price per share will decrease proportionally, so while you hold more shares the total value of your investment remain the same initially.

Ex: 2.

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

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