Define bonus issue with Example

A bonus issue also known as issue or Capitalization issue is when a Company distribute additional shares to its exiting shareholders for free bank on the number of shares they already hold this increase the total number of shares in the market value Inverted the Price of each share typically decrees Proportionally as the Company equity is Spread owner Shares.

Example:

Suppose Company ABC Company announces 1:2 bonus issue. This means that for every 2 Shares in Share holder they will recive 1 additional Share.

If you On 200 shares you will recive 100 additional share (additional share for every 2 shares you own) Your total shareholding 300 share However the Price Per share vein decrease Proportionally, so while you hold more share the total value of your Investment remain the Som intally.

Example 2

In a 3.5 bonus share issue shareholder will recieve 3 shares for every 5 shares they hold

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