Assignment - 14

Define bonus issue with example

A bonus issue also known as Scrip issue or capitalization issue is when a company distribute additional. Shares to its exiting share holders for free, base on the number of shares they already hold this increase the total number of shares is the market value,. Inverted, the Price of each share typically decrease, Proportionaly as the company equity is spread over more share.

Example :-

Suppose company ABC company announce 1:2 bonus issue. This means that for every 2 share a share holder holds, they will recive 1 additional share.

If you can 200 share, you will recive 100 additional share (additional share for every 2 share you own). Making your total shareholdering 300 share, However the price per share will decrease proportionally, So while you hold more share the total value of your investment remain the same intally.

Example - 2

In a 3:5 bonus share insure share holders will recive 3 shares for every 5 shares they hold.

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