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Stock Splits and Bonus Shares

Stock splits and bonus shares have many similarities and differences. When a company declares a stock split, the number of shares increases, but the investment value remains the same. Companies typically declare a stock split as a method of infusing additional liquidity into shares, increasing the number of shares trading and making shares more affordable to retail investors.

When a stock is split, there is no increase or decrease in the company's cash reserves. In contrast, when a company issues bonus shares, the shares are paid for out of the cash reserves, and the reserves deplete.

