What is Bonus Shares

Bonus shares are free additional shares that are issued to existing shareholders based on the amount of shares they own.

Difficulté **Très facile** | Durée **0 mois** | Catégories **Décoration** | Coût **0 USD ($)**

Sommaire

Introduction

Bonus shares are free additional shares that are issued to existing shareholders based on the amount of shares they own. Rather than being given as dividends, the company's cumulative earnings are turned into free shares.
For instance, if a firm offers one bonus share for two shares, an existing shareholder will receive one more shares for two existing share.
Let’s assume that a shareholder owns 1,000 shares in the company. He will receive 500 bonus shares when the firm releases bonus shares, i.e. (1000 * 1/2 = 500).
The terms **"record date"** and **"ex-date"** are used when the corporation issues bonus shares to its shareholders. Let's look at what the terms "record date" and "ex-date" mean:

What is the record date of bonus shares?

The record date is the cut-off date set by the corporation for bonus shares eligibility. The corporation will issue bonus shares to all shareholders who have shares in their **Demat account** on the record date.

What is Ex-Date of bonus shares?

The record date is one day prior than the ex-date. To be eligible for bonus shares, an investor must purchase the shares at least one day before the ex-date.

The following are the two different types of bonus shares:

1) Bonus shares that are fully paid
2) Bonus shares that are partly paid

Bonus Shares that are fully paid

Fully paid bonus shares are those that are distributed at no additional expense in proportion to the amount of stock held by investors. Bonus shares of this type can be obtained from the following sources:

1) Profit and loss account
2) Security Premium Account
3) Capital Reserves
4) Capital redemption reserves

Bonus Shares that are paid partly

Let's start with a definition of a partly-paid share before moving on to party-paid up bonus shares.
A partly paid share is one that has only been partially paid in comparison to the full issue price. It means that an investor can purchase partially paid shares without having to pay the entire issue price.
However, when the corporation makes calls, the remaining sum for partially paid shares can be paid in installments.
When a bonus is applied to partly-paid shares and changed into fully paid shares without calling out the uncalled amount through profit capitalization, partially-paid up bonus shares are generated.
Partly paid-up bonus shares, on the other hand, cannot be issued through a capital redemption reserve account or a security account, unlike fully paid-up bonus shares.

Advantages of Bonus Shares

From the viewpoint of the Investor's
1) When investors receive bonus shares from the corporation, they are not required to pay any taxes.
2) Bonus shares are useful to long-term shareholders who want to increase the value of their investment.
3) Bonus shares are issued by the company at no cost to shareholders, increasing the number of outstanding shares of an investment in the company and increasing the stock's liquidity.
4) Bonus shares contribute to an investor's trust in the firm's business and operations by allowing the investor to participate in the company and receive capital in return.
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From the viewpoint of the company
1) The issuance of bonus shares boosts the company's worth and improves its market position and image, earning the trust of existing shareholders and attracting a number of small investors to the **stock market**.
2) With the issuance of bonus shares on the market, the companies have more free-floating shares.
3) The issuance of bonus shares helps corporations get out of situations where they are unable or unwilling to pay cash dividends to their shareholders.

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Matériaux

Outils

Étape 1 -

Étape 2 -