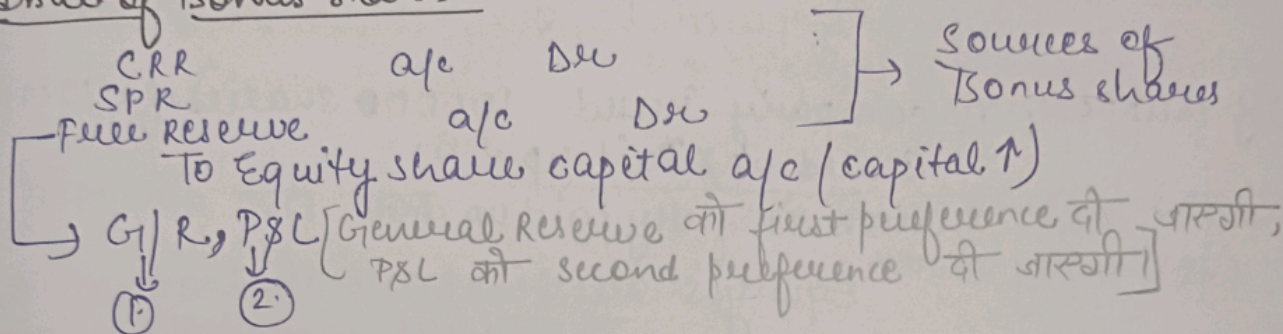


BONUS ISSUE AND RIGHT ISSUE

Bonus + shares free shares | Bonus share issued but received nothing

Bonus shares are those shares which are issued by company without any consideration.

Issue of Bonus shares



Balance sheet

Equity share capital 100000 E.S of ₹ 10 each	100000
Reserve & Surplus	
capital Reserve	50000
capital R & Reserve	20000
SPR	10000
General Reserve	15000
P&L a/c	8000

Company decides to issue bonus share 1 for every two
Prepaid Journal Entries.

10000 shares F.V 10Rs/share

Bonus 1 for every 2

$$\frac{10000}{2} \times 1 = 5000 \text{ shares } 10\text{Rs}/\text{share} = ₹ 50000$$

CRR a/c	DR	20000	Sources of Bonus
SPR a/c	DR	10000	
G/R a/c	DR	15000	
P&L a/c	DR	5000	
To Bonus issue			50000

Bonus issue a/c Dr 50000
 To Equity share capital a/c 50000

"Bonus is Basically capitalization of Profits"

Point to Remember

1. Issue of Bonus must be authorized by Articles of Association.

2. Bonus share can be issued to fully paid up shares.
 If there are any partly paid up shares, then convert them into fully paid up.

Eg. Suppose A company issued 100000 shares of ₹10 each
 Called up & Paid up ₹8.

सबसे पहले shares को fully paid up करना होगा और उसके लिए entry होगी -

Equity share final call a/c Dr
 To E. share capital a/c

Shareholder pay the money

If shareholder did not pay

Bank a/c Dr
 To E. share final call a/c

Reserve & Surp. a/c Dr
 To E. share final call a/c

Eg. 1000 shares Partly paid up. Out 1000 only
 950 shares call money paid 50 shares call money
 un Paid. [This case Depend on the Question]

Illustration 1:

No. of Bonus shares $\rightarrow \frac{40000}{4} \times 1 = 10000$ shares

SPR	a/c	Dr 30000
capital Red. Reserve	a/c	Dr 55000
G/R	a/c	Dr 15000
		To Bonus to shareholder a/c 100000

Bonus to shareholder a/c Dr 100000
 To Equity share capital a/c 100000

Right shares

↳ whenever company needs more funds

then company gives an option to its existing shareholders to subscribe the shares at lesser than m.v.

Eg. F.V = ₹10
M.P = ₹35

Existing S.H ⇒ Right shares at ₹25

Still it is issue of shares at premium.

Value of Right ⇒ Cum Right
Price of share
(Current M.P)

— Ex Right Price
of share
(Current Shares × Current M.P.
+ Right Share × Right Price)
÷
Current Shares + Right Shares

Eg 10000 shares F.V = ₹20
CMP = ₹15

Company is offering 2 Right shares every 5 held at ₹8/share
Calculate value of right.

Ex Right Value $\left(\frac{10000 \times 15 + 4000 \times 8}{10000 + 4000} \right)$

⇒ ₹13

Value of Right ⇒ CMP - Ex Right Price
⇒ ₹15 - ₹13
⇒ ₹2

Illustration 2. i) Share final a/c dr 125000
TO Equity share capital 125000

GR a/c dr 125000
TO Bonus to shareholders a/c 125000

Bonus to shareholders a/c dr 125000
TO E. share capital a/c 125000