

Accounting for Bonus issue And Right issue.

(1) Bonus issue

issue of Additional shares
↓
to the existing shareholders in a company
↓
Free of cost
↓
in the proportion of existing holding

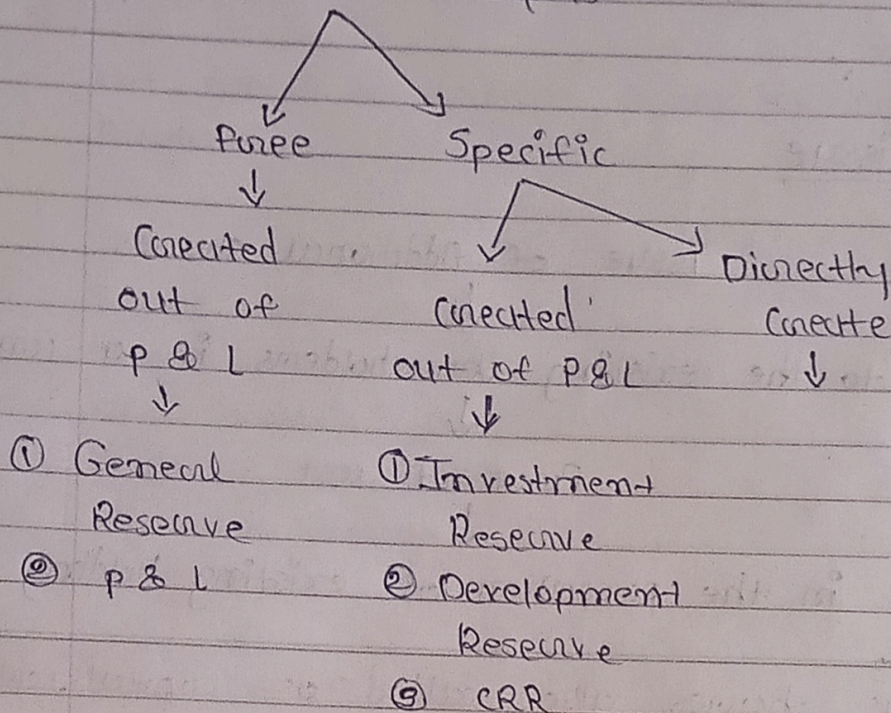
Bonus shares also called as Capitalization of profit

* Provisions of the Companies Act (63)

Can issue Bonus share out of :

Free Reserves Securities premium A/c Capital Redemption (CRR) ~~Revaluation Reserve~~

* Reserves & Surplus



* Accounting Entries

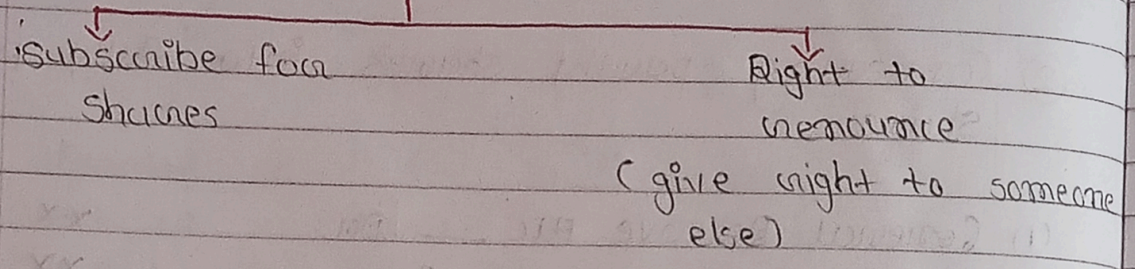
- ① Directly issue Bonus Shares
- ② Converting partly paid up shares into fully paid up shares

① Directly issue Bonus Shares

(i)

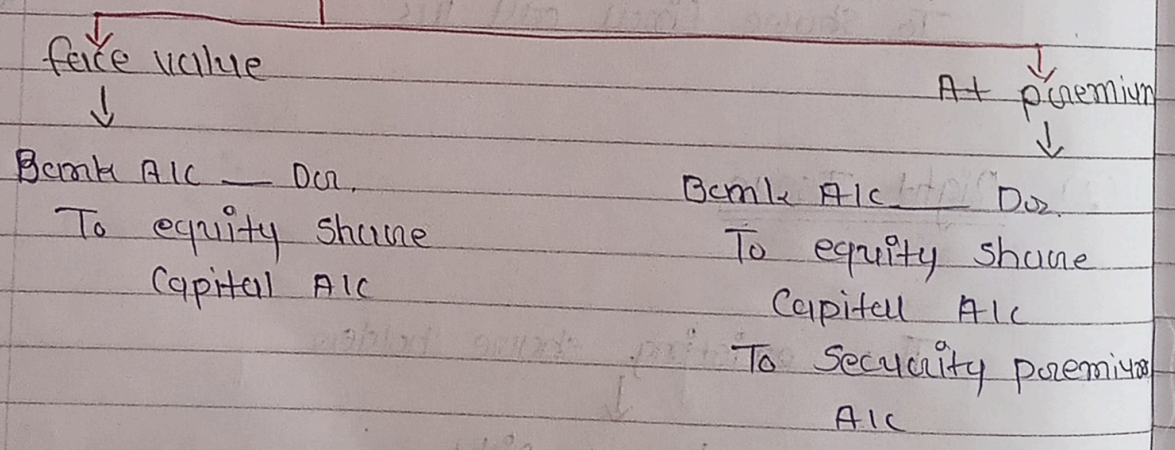
Capital Redemption Reserve A/c	Dr.	xx
Securities premium A/c	Dr.	xx
General Reserve A/c	Dr.	xx
profit & loss A/c	Dr.	xx
To Bonus to Shareholders A/c		xx

* Option to existing shareholder's



Value of Right	=	Curr right value of share	-	Exc right value of share
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* Accounting Entries



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