



INCENTIVE EQUITY

Bonus Shares

BONUS SHARES

It refers to the issue of shares to its existing shareholders without any payment.

A bonus issue may be made out of the revenue and capital profits available with the company thereby capitalizing the profits of the company.

Capitalization of profits through bonus issue is done in two ways:

- By making partly paid shares as fully paid;
- By issuing fully paid bonus shares to existing shareholders free of cost.

FREE RESERVES THAT CAN BE USED FOR ISSUE OF BONUS SHARES

- Surplus Account;
- General Reserve;
- Securities premium reserve collected in cash;
- Capital Reserve;
- Dividend Equalisation Reserve
- Debenture Redemption Reserve
- Capital Redemption Reserve Account

PROVISIONS OF COMPANIES ACT 2013

Under Section 52 of Companies Act, 2013 the securities premium reserve may be applied in paying up unissued shares of the company to be issued to the members of the company as fully paid bonus shares.

Section 55 provides that Capital Redemption Reserve Account may be applied by the company in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares.

Section 63 of the Companies Act, 2013 provides that a company may issue fully paid up bonus shares to its members in any manner, out of its-

- i. Free Reserves
- ii. The Securities Premium Reserve A/c
- iii. Capital Redemption Reserve A/c