ACCOUNTS FOR BONUS SHARES

PROVISIONS:

1. Bonus Shares are issued to the **Existing Equity Share Holder** of the company.

2. Bonus Shares are issued to the **fully paid up** existing equity share holders only.

3. **Partly paid up** Equity Shares can be made **fully paid up *through* Bonus**.

4. Bonus Shares are issued **Out of Free Reserves** means the following

    - Profits which are available for Dividend
    - And **Capital Profits** like
        - Securities Premium
        - Capital Reserves
        - Other Capital Profits but they should be **realized in Cash**.

5. **Capital Redemption Reserve (CRR):-** This is used to issue the Bonus Shares only.

6. **Statutory Reserves: -** Reserves required by state regulators, and if maintained than used only for specific purpose for which it created. Like

    - Investment Allowance Reserve
    - Development Rebate Reserve
    - Export Profit Reserve
    - Foreign Project Reserve

    Note: Statutory Reserves can not be used to issue the Bonus Shares.

7. Profit created through Revaluation of Assets **Can Not** be used to issue the bonus Shares.

8. Bonus Shares **Can Not** be issued in lieu of **Dividend**

9. No company shall issue Bonus shares **unless** similar benefits are hold or extended to the **Fully Convertible Debentures** and **Partly Convertible Debentures**.

10. A company which **announces its bonus issue** after the approval of the board of directors must **implement** the proposal **within** a period of **SIX MONTHS** (**6** Months) from the Date of such approval.

11. A company **can not Capitalized its profit** by way of Bonus **unless** the **Articles of Association (AOA)** of the company authorizes it.

12. To issue the bonus shares by way of capitalizing the profit, a company should **amend (change)** it's **Articles of Association (AOA)** by a resolution in meeting.

13. **Capital Redemption Reserve**, **Securities Premium**, **Capital Reserve** (*Realized in Cash*) is used **only** to issue the New Shares as Bonus to the existing equity share holders of the company.

AND

To make **partly paid up** equity shares as **fully paid up** the company uses it Revenue Reserves like General Reserves and Profit and Loss A/c etc.

14. If the issue of Bonus Shares **exceeds** the **authorized capital**, the company should make the proper provisions to increase its Authorized Capital.

15. **Bonus Shares** always **issued** as **fully paid up**.

JOURNAL ENTRIES

FOR BONUS SHARES

CASE 1: When **Partly Paid Up** equity shares made **Fully Paid Up** through **Bonus**

S.No.	Particulars	Dr.	Cr.
1.	(When Final Call is Made) Equity Share Final Call A/c **To** Equity Share Capital A/c	 *** 	 ***
2.	(When Final Call is Completed through Bonus) General Reserve A/c Profit and Loss A/c **To** Bonus to Share Holders A/c	 *** *** 	 ***
3.	(When Bonus to Share holder are cancelled) Bonus to Share Holders A/c **To** Equity Share Final Call A/c	 *** 	 ***

CASE2: When **Bonus Shares** are **issued** to the **existing fully paid up equity share holders**.

S.No.	Particulars	Dr.	Cr.
1.	(When Bonus Share are issued) Capital Redemption Reserve A/c Securities Premium A/c Capital Reserve A/c General Reserve A/c } Profit and Loss A/c } Revenue Reserves Other Revenue Reserves A/c } **To** Bonus to Share Holders A/c	 *** *** *** *** *** *** 	 ***