

## Examrace

# Competitive Exams Commerce Study Material: Bonus

Get top class preparation for UGC right from your home: Get [detailed illustrated notes covering entire syllabus](#): point-by-point for high retention.

## Bonus

Bonus is an accounting term, it means a premium or gift which is paid normally in cash.

## Bonus Shares

Bonus shares means a gift or premium in the form of stock by company to its shareholders. It may be stated as extra dividend to shared holder in a joint stock company from surplus profit is in the legal context a bonus share is neither dividend nor a gift. It is governed by regulations of the company law that it can neither be declared like a dividend nor gifted away.

issue of bonus shares in lieu of dividend is not allowed.

## Source of Bonus Shares

The bonus shares can be issue out of profit or reserve which have been earned by the company over the previous years. Normally these are profit or reserve which are free for the purpose of dividend and as specified in company act. But it can not views those reserve and surpluses which are not earned by company that is which are existing due to revaluation of assets etc.

- Profit and loss account
- general reserves
- revenue reserves
- free reserves
- dividend equalization fund
- capital reserves
- sinking fund or debenture redemption reserve only after redemption
- Development rebate reserve/allowance after 8 years
- Capital redemption reserve
- Shares premium or security premium if received in cash

## Meaning of Bonus Shares

Bonus means premium or gift which is paid normally in cash

Bonus shares: Bonus shares mean a gift or premium in form of stock by a company to its shareholders. It may be stated as extra dividend to share holder in a joint stock co. From

surplus profits in the legal context a bonus share is neither dividend nor a gift. It is governed by regulations of the company law that it can neither be declared like a dividend nor gifted away.

Developed by: [Mindsprite Solutions](#)