

**Example 1****Solution:****Journal of X Ltd.**

Reserves A/c To Bonus to Shareholders A/c (Declaration of bonus out of reserve)	Dr.	80,000	80,000
Bonus to Shareholders A/c To Share Capital A/c (Issue of fully paid bonus shares)	Dr.	80,000	80,000

**Example 2****Solution:****Working note:**

- Amount needed for issue of bonus share at a premium of Rs. 2 per share is  
∴ For every 4 shares held 1 bonus share issued.  
For 2, 00,000 shares held, 50000 shares issued.  
*i.e.*, Amount needed is  $50,000 \times (10 + 2) = \text{Rs. } 6, 00,000$

This amount is to be appropriated out of free reserves of Rs.8, 00,000

- Price quoted in the market is not considered while writing the entries because the company has issued the shares at face value plus premium.

**Journal of AB Ltd.**

Reserve A/c To Bonus to Shareholders A/c (Declaration of bonus out of reserves)	Dr.	6,00,000	6,00,000
Bonus to shareholders A/c Dr. To Equity Share Capital A/c To Security Premium A/c (Issue of 5000 fully paid bonus shares of ₹ 10 each at a premium of ₹ 2 per share)		6,00,000	5,00,000 1,00,000