**Stock Split**

A share is generally split when it has a high price. Such a share is called a heavy share. This high price may discourage small investors. Generally, retail investors prefer to buy larger number of low priced shares. It is in this situation its shares.

Stock splits the process of reducing the face value of the share (or stock) of a company by dividing one share into two or more parts. For example, if a stock has a face value Rs. 10, a two for one stock split will mean that there will be twice the number if shares as before with a face value of Rs. 5 each for the new share.

**RIGHT SHARES OR RIGHT ISSUES**

' According to Section 62(1) of the Companies Act, 2013 when the company wants to increase the subscribed capital by issue of further shares, such shares must be issued first of all to existing shareholders in proportion of their existing shareholding. These shares are called Right Shares,

**Meaning of Right Shares or Right Issues**

In case a company wants to make a further issue of shares, the issue must first be offered to the existing equity shareholders. Thus, an issue of shares in which existing shareholders has a preemptive right to subscribe for the new shares are called 'Right Issue'.

**Advantages of Right Issue**

1. Advantages to companies

a) Issue costs are lower,

b) Issue is made at the direction of the directors,

c) It improves the image of the company,

d) Raising capital is more certain than in the case of public issue.

2. Advantages to shareholders

1. Existing shareholders get shares at a price which is lower than the market price.
2. It helps in preserving the control of the company in the hands of the existing shareholders.

**Value of Right**

A company offer right issue at a price which is lower than the market price of the shares. Thus the legal right is advantages to the existing shareholders especially when the market price of shares is higher than issue price. Money value of such advantages is called ***value of right.***

The value of right is calculated as below:

No. of New or Right Shares x (Market price - Issue price)

Total No. of all Shares (i.e., Fresh + Existing Shares)

OR

**Market price of share-Average price of a share**

Market price of existing shares + Issue price of proportionate right issue

**Average price of a share**=

Total No. of Shares

\*Average price of a share is also known as *Theoretical market price*

Sometimes *percentage increase in share capital* is required to be found. it is calculated as below:

Increase in share capital after rights issue

% increase in share capital = \* 100

Share capital before rights issue