



AskAnyDifference.com

We help you with differences and comparisons of terms, products, and services.

Difference Between Right Shares and Bonus Shares

Purpose

A company offers the right shares in a quest to raise additional funds for the firm from the market. Companies use the raised funds in acquiring assets repayment of debts, corporate expansion, and takeover, among other activities.

Right shares are a better escape for companies from the fangs of high-interest bank loans.

On the other hand, bonus shares are offered by a company in a quest to increase active trading through the increase of the outstanding number of the company's shares in the market.

Bonus shares are known to bring the market price of the company's shares within an attractive range. Bonus shares also are key in helping the company avoid cash outflows in the form of dividends.

Price

While the right shares are issued at discounted prices, the bonus shares are issued free of charge. The discounted prices while offering the right shares mean that the shares are offered to shareholders at a price lower than the market price.

Notably, the right shares are either partially or fully paid up.



AskAnyDifference.com

We help you with differences and comparisons of terms, products, and services.

However, this depends on the proportion of the paid-up value of equity shares in case further issues take place. On the other hand, unlike the right shares, the bonus shares are always fully paid up.

Minimum Subscription

While purchasing the right shares, you will be required to meet the minimum subscription stipulated by the company.

The mandatory minimum subscription follows the objective of the company by the provision of the right shares which is the generation of additional capital.

On the other hand, bonus shares require no minimum subscription from shareholders.

Creation and Renunciation

The right shares are additional shares created by a company in a quest to raise additional funds. Notably, the renunciation of the right shares can be done partially or fully.

On the other hand, bonus shares are created out of profits and reserves accumulated by a company. Unlike the right shares, bonus shares have no renunciation options.

Share Price

When it comes to the right shares, the share price might plunge due to the sale of the right shares to the open market whose price is always discounted.



AskAnyDifference.com

We help you with differences and comparisons of terms, products, and services.

Additionally, it sends an alert to the market that the subject company might be in trouble, and it might require to find new capital.

On the other hand, the dilution of bonus shares will bring the share price down for a short period. In most of the cases during the dilution of the bonus shares, the investors are likely to lose or gain nothing.

Source and more details: <https://askanydifference.com/difference-between-right-shares-and-bonus-shares/>