2) Under-Capitalisation may be preferred in those cases where there is genuine rise in earnings better financial planning and efficient management. The rate of divident will be very high and the market price of the share will also be very high. But this situation also leads to certain evil consequences.

Remedies for under-Capitalisation

To remedy the evils of under Capitalisation the Indian Companies Act 1956, provides that no allotment of shares can be done unless the minimum subscription has been obtained

1) Spliting up of share

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2) Increase in Par value of Shares:

3) Issue of bonus shares:

4) Issue of shares and debentures:

Explanation:-

1) Spliting up of Shares:-

The directors should split up the shares in order to decrease the rate of earning per share it does not affect the total Capitalisation because only the par value of the stock to reduced.

2) Increase in Par values of Shares.

under Capitalisation may be remodied by increasing the Par value of equity shares by reebing upwards the value of anets. This will lead to decrease in the rate of earnings per share. As a further step, the company may offer shareholders a share split up and an increase in per value.

3) **Issue of bonus shares:-** The most widely used and effective remedy for under Capitalisation is the conversion of reserves into shares this will reduce both dividend per share and the over all rate of earnings.

4) **Issue of shares and debentures:** where under Capitalisation is due to inadequate Capital more shares and debenture may be issued to the public.