APTITUDE - STOCK MARKET

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To begin a major business or an industry a lot of cash is required. It is past the limit of maybe a couple persons to orchestrate such an immense sum. Be that as it may, a few persons relate together to form an organization They then draft a proposition issue an outline (for the sake of the organization), clarifying the arrangement of the undertaking and welcome people in general to put cash in this venture, They, pool up the assets from the general population, by relegating then shares of the organization.

Important Fact and Formulae

Following are important facts and formulaes used in questions for stocks and shares.

1. **Stock Capital**- The total amount of money needed to run the company is called the stock capital.
2. **Shares or Stock**- The whole capital is divided into small units, called shares or stock. For each investment, the company issues a share certificate, showing the value of each share and the number of shares held by a person. The person who subscribes in share or stock is called a shares holder or stock holder.
3. **Dividend**- The annual profit distributed among share holder is called dividend. Dividend is paid annually as per share or as a percentage.
4. **face value**- The value of a share or stock printed on the share certificate is called its Face Value or Nominal Value or Par Value.
5. **Market value**- The stock of different companies are sold and bought in the open market through broken at stock exchange. A share (or stock) is said to be:
    - **At premiumor above par**- If its market value is more than its face value.
    - **At par**- if its market value is the same as its face value.
    - **At discount or below par**- if its market value is less than its face value.

    Thus if an Rs 100 stock is quoted at a premium of 16, then market value of the stock =Rs (100+16) =Rs 116.

    Likewise if an Rs 100 stock is quoted at a discount of 7, then market value of the stock=Rs (100-7) =Rs 93.
6. **Brokerage**- The broker charge is called brokerage.
    - When stock is purchased, brokerage is added to their cost price.
    - When stock is sold, brokerage is subtracted from the selling price.

Points to remember:

1. The face value of a share always remains the same.
2. The market value of a share changes from time to time.
3. Dividend is always paid on the face value of a share.
4. Number of shares held by a person=total investment/investment in 1 shares = total incomes/ income from 1 share = total face value/face value of 1 share.

Thus, by an Rs 100, 9% stock at 120, we mean that:

1. Face Value (N.V) of stock=Rs 100.
2. Market value (M.V) of stock=Rs 120.

3. Annual dividend on 1 share =9% of face value = 9% of Rs 100 = Rs 9.
4. An investment of Rs 120 gives an annual income of Rs9.
5. Rate of interest p.a. =Annual incomes from an investment of Rs 100 = (9/120*100)%=15/2%

Solved Examples

Solved Examples