

What Is A Share Of Stock?

Key Terms

- **Public Float:** Shares that have been publicly issued and trade freely on the markets.
- **Stock Splits:** Stock splits increase the number of shares available to investors, without increasing the market cap (price per share multiplied by the number of shares outstanding). Shareholders may get two or three shares for every one that they own.
- **Shareholder's Equity:** An accounting term; Stockholders equity is equivalent to the value of a company's assets after paying all debts. This provides a clearer metric for the value of a company's shares.

Understanding A Share Of Stock

A share of stock represents a portion of ownership in a corporation. Shareholders of a company can profit off of the company's success and growth through dividends and/or selling their shares at a higher price. Most stocks owned by individual investors are common stock, which allow owners to attend shareholder meetings and vote in certain company operations such as board elections.

Investors who own the other type of stock, preferred stock, do not participate in voting, but receive a consistent dividend. Public companies issue shares to raise capital for goals or projects that can help them grow faster than private companies. If a manufacturing company wanted to build more factories, for example, they may issue shares to raise the necessary funds.

Think Of A Pizza:

Imagine a pizza cut into 12 slices. If you take 3 slices, you own 25% of that pizza. You could keep/eat your slices, or immediately resell them at a higher price to other pizza lovers. This is a rudimentary visualization of stock ownership and the potential for profit that comes with it.

When In Rome...

The first mention of anything resembling stocks was a practice called "lease holding" developed by the Romans. Contracting organizations sold tradeable financial vehicles similar to stocks to help the government raise funds for public works projects. The prices of these instruments shifted with the success of the projects they raised capital for. The Coliseum must have been the ultimate growth pick!

The Bottom Line

A share of stock is a piece of a company which you can own. As an investor, when you purchase a share of stock, you are buying a portion of a publicly traded company from another shareholder. The process of buying and selling shares of stock between investors is what causes a stock's price to move with each trade.