

## Assignment-15

Define stock split with example

A stock split is a corporate action in which a company divides its existing shares into multiple new shares to boost the stock's liquidity. While the number of shares outstanding increases by a specific multiple, the total value of the shares remains the same because the split doesn't change the price. The price per share decreases, making the stock more affordable and accessible to investors.

Example 1: 2 for 1 stock split:

In a 2-for-1 stock split, every existing share is divided into two shares.

\* Before the split: You own 100 shares at \$80 per share.

\* After the split: You will have 200 shares at \$40 per share.

Total Investment Value remains the same: 100 shares  $\times$  \$80 = \$8,000 before the split  
200 shares  $\times$  \$40 = \$8,000 after the split.

## Example 2:3 for 1 Stock Split

In a 3-for-1 stock split, each existing

Share is divided into three shares.

\* Before the splits: You own 50 shares at

\$150 Per share

\* After the split: You will have 150 shares  
at \$50 Per share.

Total investment Value remains unchanged:

50 shares  $\times$  \$150 = \$7,500 before the split

150 shares  $\times$  \$50 = \$7,500 after the split

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