

ASSIGNMENT - 15

Define Stock Split with examples.

A Stock Split is a corporate action in which a company divides its existing shares into multiple shares to increase the number of shares outstanding. This is typically done to make shares more affordable to a wider range of investors. Although the number of shares increase, the overall market capitalization & the total value of each shareholder's investment remain the same immediately after the split.

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 ~~before~~ 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 Split: You own 50 shares at \$180 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 = \$7500 after the Split.