

## ASSIGNMENT - 10

Define stock split with example.

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 in more through the number of shares increase the overall market capitalizations and 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 share at \$ 80 per share.

After the split : you will have 200 share at \$ 40 per share.

Total Investment value remains the same:

100 share  $\times$  \$ 80 = \$ 8,000 before the split.

200 share  $\times$  \$ 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 split: 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 = \$7500 before split

150 shares  $\times$  \$50 = \$7500 before split.

*Delaney*