

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 increases, the overall market capitalization 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 shares at \$80 per share

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

total investment's value remains

the same:

100 shares \times \$80 = \$8000 before the split

200 shares \times \$40 = \$8000 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 = \$7,500 before the split~~

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

~~Summary~~