

Define stock split with example.

A stock split is a corporate action in which a company divides its existing shares into multiple share to increase the number of shares outstanding. This is typically done to make share is more ~~At~~ Although the number of share increase the overall market capitalizations and the total value of each shareholders 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 a 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.

$$50 \text{ share} \times \$150 = \$7500 \text{ before split}$$

$$150 \text{ share} \times \$50 = \$7500 \text{ before split}$$

Shammy