

Assignment - 15

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 stock outstanding. This is typically done to make the stock more liquid and to increase the number of shareholders. The total value of the company remains the same, but the price per share decreases proportionally.

Example #2 for 1500 split:

In a 1500 split every 1 share is divided into 1500 shares. Before the split you own 100 shares.

At 80 per share
After the split you now have 200 shares at 40 per share.

Total investment and return the same

100 shares x 80 = 8,000 before the split
200 shares x 40 = 8,000 after the split

EXAMPLE 2.8 FOR 14000 SPLIT.

IN A 30 FOR A 14000 SPLIT. CAN
INCREASING SHARE \rightarrow DIVIDEND INTO THIS SHARE
BEFORE THE SPLIT YOU OWN 50 SHARE
180 PER SHARE.

A 14000 SPLIT. YOU WILL HAVE 180 SHARE
AT 150 PER SHARE.

TOTAL INCREASE VALUE BEING USED

50 SHARE \times 150 = 7500 BEFORE SPLIT

180 SHARE \times 150 = 27000 AFTER SPLIT

Balance