

ASSIGNMENT-15

Define stock split with Example

A stock split is a Corporate action in which a Company divide its existing shares into Multiple share to increase the number of shares outstanding. This is typically done to make share is more. Although the number of share increases the overall Market Capitalization and the total Value of each share holder 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 dividend 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 remain the same

$100 \text{ share} \times \$80 = \$8000$ before the split

$200 \text{ share} \times \$40 = \$8000$ after the split.

Example 2: 3 for 1 stock split

In a 3 for 1 stock split each Investing 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 \$150 Per share

Total Investment Value remain unchanged

50 Share \times \$150 = \$7500 before Split

150 Share \times \$150 = \$7500 After Split.

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