

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 shares outstanding. This is typically done to make shares more affordable 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 shares at \$80 per share.

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

Total Investment Value remains the same

100 shares \times \$80 = \$80,000 before the split
200 shares \times \$40 = \$80,000 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

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

$$150 \text{ shares} \times \$50 = \$7500 \text{ after split}$$

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