

APPLIED FINANCIAL STATEMENT ANALYSIS.

ASSIGNMENT - 11 - 15

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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 increase, the overall market capitalization & 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 = \$8,000 before the split

200 shares \times \$40 = \$8,000 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 \$180 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.

Galaxy