A company may need to raise funds. It can do this by issuing new shares of stock. It can also issue new bonds. New stock is “A company’s shares that are available to buy for the first time” (Cambridge Dictionary, 2024).

For stock, the company first decides how many new shares to create. It works with an investment bank as the underwriter. The bank assesses the company's finances and future earnings. It uses this to set an appropriate initial price for the shares.

The investment bank forms a group of brokers and dealers. This group helps sell the new stock. On a set date, the shares are issued to the stock market. Initial investor demand establishes the trading price. This may differ from the initial price.

For bonds, the process is similar. The company determines the bond value, number, interest rate, and maturity date. Investment banks underwrite the bond offering too. They assess if the company can pay back the debt. They set an initial bond price.

The bonds are then made available to investors through the underwriters. Whether stock or bonds, the company receives capital from investors. The funds raised can finance projects, expansion, or pay off debt.

Reference:

Cambridge Dictionary. (2024, March 6). new stock. @CambridgeWords. https://dictionary.cambridge.org/dictionary/english/new-stock