**Terminology Recap**

Here's a summary of the terms you just learned:

**Stock**: An asset that represents ownership in a company. A claim on part of a corportation's assets and earnings. There are two main types, *common* and *preferred*.

**Share**: A single share represents partial ownership of a company relative to the total number of shares in existence.

**Common Stock**: One main type of stock; entitles the owner to receive dividends and to vote at shareholder meetings.

**Preferred Stock**: The other main type of stock; generally does not entail voting rights, but entitles the owner to a higher claim on the assets and earnings of a company.

**Dividend**: A partial distribution of a company's profits to shareholders.

**Capital Gains**: Profits that result from the sale of an asset at a price higher than the purchase price.

**Security**: A tradable financial asset.

**Debt Security**: Money that is owed and must be repaid, like government or corporate bonds, or certificates of deposit. Also called *fixed-income* securities.

**Derivative Security**: A financial instrument whereby its value is derived from other assets.

**Equity**: The value of an owned asset minus the amount of all debts on that asset.

**Equity Security**: A security that represents fractional ownership in an entity, such as stock.

**Option Contract**: A contract which gives the buyer the right, but not the obligation, to buy or sell an underlying asset at a specified price on or by a specified date

**Futures Contract**: A contract that obligates the buyer to buy or the seller to sell an asset at a predetermined price at a specified time in the future