

Stock Prices

This lesson discuss stocks and stock prices.

The Terms

Shares of stock: Shares of stock represent fractional ownership in a company.

Two types of stock: Common and preferred stock

Shareholder

	Common Stock	Preferred Stock
Shareholders Rights	Receive a portion of profit as dividends.	Promised a fixed amount of income each year.
	Able to vote on decisions.	Get paid before common stock holders get paid dividends.
	Receive a portion of remaining assets in case of liquidation.	Usually do not have voting rights.

limited liability: Generally, ownership of shares in publicly traded companies, companies whose stock is owned and traded by the general public, entails what's called limited liability. Shareholders cannot be made to pay the company's debts if it goes bankrupt.

Capital Gains: Gains means the increases in a value of a stock. Shareholders have potential opportunity to profit selling stocks after it's value has increased.

Terminology Recap

Stock: An asset that represents ownership in a company. A claim on part of a corporation'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.