Stocks and Shares - Important Formulas

1. **Stock Capital:**
   The total amount of money needed to run the company is called the stock capital.

2. **Shares or Stock:**
   The whole capital is divided into small units, called shares or stock.
   For each investment, the company issues a 'share-certificate', showing the value of each share and the number of shares held by a person.
   The person who subscribes in shares or stock is called a share holder or stock holder.

3. **Dividend:**
   The annual profit distributed among share holders is called dividend.
   Dividend is paid annually as per share or as a percentage.

4. **Face Value:**
   The value of a share or stock printed on the share-certificate is called its Face Value or Nominal Value or Par Value.

5. **Market Value:**
   The stock of different companies are sold and bought in the open market through brokers at stock-exchanges. A share or stock is said to be:
   - **At premium** or Above par, if its market value is more than its face value.
   - **At par**, if its market value is the same as its face value.
   - **At discount** or Below par, if its market value is less than its face value.

   Thus, if a Rs. 100 stock is quoted at premium of 16, then market value of the stock = Rs.(100 + 16) = Rs. 116.

   Likewise, if a Rs. 100 stock is quoted at a discount of 7, then market value of the stock = Rs. (100 -7) = 93.

6. **Brokerage:**
   The broker's charge is called brokerage.
   (i) When stock is purchased, brokerage is added to the cost price.
   (ii) When stock is sold, brokerage is subtracted from the selling price.
Remember:

i. The face value of a share always remains the same.

ii. The market value of a share changes from time to time.

iii. Dividend is always paid on the face value of a share.

iv. Number of shares held by a person

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\frac{\text{Total Investment}}{\text{Investment in 1 share}} = \frac{\text{Total Income}}{\text{Income from 1 share}} = \frac{\text{Total Face Value}}{\text{Face of 1 share}}.
\]

7. Thus, by a Rs. 100, 9% stock at 120, we mean that:

i. Face Value of stock = Rs. 100.

ii. Market Value (M.V) of stock = Rs. 120.

iii. Annual dividend on 1 share = 9% of face value = 9% of Rs. 100 = Rs. 9.

iv. An investment of Rs. 120 gives an annual income of Rs. 9.

v. Rate of interest p.a = \(\frac{\text{Annual income from an investment of Rs. 100}}{100} = \frac{\frac{9}{120} \times 100}{\frac{1}{2}} = 7\%\).