

# What is a Stock: Answer Key!

## Activity Sheet 2 (True or False)

1. The government owns the stock market. F. While the government has agencies that regulate the markets, they do not own the market.
2. Only the very rich can buy stock. F. For many mutual funds provide an affordable way to invest in a diverse portfolio of stocks and other assets.
3. There is only one place you can buy stock in the United States. F. An individual can invest in stock through a brokerage firm or online.
4. Stockholders can only make money by collecting dividends. F. Stockholders make money on dividends and on the sale of their shares when the price of their stock is higher than what they initially paid.
5. People who invest in the stock market will always make money. F. There is always a certain amount of risk in any investment. Returns are not guaranteed.
6. People can only buy stock in public companies. T. Investors can only invest in companies that have offered their stock for sale to the public.
7. A dividend is a portion of the company's profits paid to its stockholders. F. A dividend is a portion of a company's profits paid out to all of its investors.
8. Stock can be purchased by any investor. T. Yes, stocks can be bought by any investor.
9. A company issues shares of stock in order to raise funds for expansion. T. Selling shares of stock is one way a company might fund its expansion and growth.
10. The New York Stock Exchange is where all stocks are traded. F. There are two US stock exchanges: the New York Stock Exchange and the NASDAQ.
11. Someone who bought a company's stock for \$16.50 and sold it for \$23.50, lost money on the investment. F. They sold it for more than they initially paid for it so they earned money.
12. An investor takes a risk when buying any stock. T. There is always risk associated with investing.

## Activity Sheet 3

1. You made a profit of \$ 1,425.00  
Bought 100 X 47.75 = \$ 4,775.00  
Sold 100 X \$ 62.00 = \$ 6,200.00  
 $\$ 6200 \text{ (Sold)} - \$ 4775.00 \text{ (Bought)} = \$ 1,425.00 \text{ (Profit)}$

2. This investment was a loss of \$ 585.34  
Total price of purchase:  
Bought 259 X \$ 24.38 = \$ 6,314.42  
Sold 259 X \$ 22.12 = \$ 5,729.08  
 $\$ 5,729.08 \text{ (Sold)} - \$ 6,314.42 \text{ (Bought)} = - \$ 585.34$

3. A profit of \$ 1,126.00  
Bought 100 X \$ 57.12 = \$ 5,712.00

Sold 100 X \$ 68.38 = \$ 6,838.00  
 $\$ 6,838.00 \text{ (Sold)} - \$ 5,712.00 \text{ (Bought)} = \$ 1,126.00$

4. \$ 23,495.23  
175 shares Gillette X \$ 71.38 = \$ 12,491.50  
189 shares General Electric X \$34.25 = \$ 6,473.25  
86 share Hershey Foods X 52.68 = \$ 4,530.48  
 $\$ 12,491.50 + \$ 6,473.25 + \$ 4,530.48 = \$ 23,495.23$

5.  $\$ 1,425.00 - \$ 585.34 + \$ 1,126.00 = \$ 1,965.66$

You could make money by holding the stocks and obtaining stock dividends paid by the companies.

## Activity Sheet 4

### Activity Sheet 4

1. Stock represents shares of ownership in a company.
2. Companies that decide to sell stock on the stock market are called public companies.
3. People who own shares of a company are called stockholders.
4. Private companies are owned by families or a small number of investors and do not issue stock to the public.
5. When you invest your money, you buy an item hoping it will increase in value over time.
6. A dividend is part of the company's profit that the board of directors decides to distribute to its shareholders.
7. If a stockholder sells his/her shares for less than he or she paid for them, the stockholder has experienced a loss.
8. Answers may vary. Students should use as many in the word box as possible. A sample response might be: "A stock represents shares of ownership in a company. Companies that sell stock on the stock market are called public companies. Private companies do not sell stock on the stock market. People who invest in stocks are called stockholders. Sometimes, a company's board of directors distribute to its shareholders a part of the company's profits. This is called a dividend. You don't always make money investing in stocks. Sometimes you experience a loss when your stock losses money.