

Corporate Stocks

Another form of investment is buying **corporate stocks** that are traded on a stock exchange. A **share** of stock is a piece of ownership in a corporation. Owners of stocks are paid **dividends** on their shares when the corporation makes a profit.

Investors also make or lose money when they sell their stocks, depending on whether the price has gone up or down. Stocks can be purchased or sold through stockbrokers, and you can keep track of how your stocks are doing by reading the stock tables in the financial sections of many online newspapers.

Example 1: Part of a stock exchange listing is shown below. Identify the column headings.

52-week		Stock	Div	Yld	Vol 1,000s	Highest and lowest prices of the day		Last	Chg
High	Low					High	Low		
53.02	29.77	EagleT	1.12	2.4	109	45.78	45.05	45.78	+0.46
40.53	30.20	EastUtil	2.30	7.2	213	32.21	31.75	31.89	-0.13
25.35	14.82	Echmer	0.56	3.3	1,532	17.03	18.74	17.02	—
31.50	20.78	Ecotab	0.58	2.0	212	29.35	28.89	28.87	-0.61
19.86	14.34	EDA	0.28	1.8	141	15.50	15.23	15.40	+0.14
43.98	33.00	EdisWr	1.80	4.8	60	37.26	36.75	37.26	+0.72
85.14	52.12	EGadw	2.52	2.9	1,286	87.01	84.10	87.01	+2.10
37.88	27.65	EGH	0.56	1.6	883	34.80	34.12	34.74	+0.47
13.70	6.12	Eldar	0.22	1.6	124	13.52	13.26	13.52	—
18.00	12.47	Elgon		—	70	14.33	14.00	14.24	-0.25
3.02	1.38	Elsant		—	166	2.26	2.17	2.25	—
18.00	10.48	EmprA		—	971	16.01	15.65	15.82	-0.32
26.00	13.15	Encrsh	0.80	3.3	922	24.51	24.00	24.26	-0.20
43.24	30.75	Enhart	1.40	3.2	594	43.76	42.64	43.37	+0.72
50.60	37.85	Enrin	2.48	5.5	630	45.02	44.75	45.00	+0.23
22.62	14.37	EntB		—	287	22.05	20.98	22.05	+1.60
10.89	8.72	EqtBl	0.50	5.3	134	9.47	9.38	9.36	-0.22
10.05	6.07	Equitax	0.16	2.0	33	7.97	7.85	7.87	-0.25
12.74	6.20	ERan		—	955	7.15	6.87	7.05	-0.15
16.48	9.50	ERN		—	108	13.99	13.53	13.53	-0.34
42.37	29.05	EssWt	0.72	1.7	41	42.52	42.03	42.52	+0.68
20.27	10.28	Estren		—	41	16.47	16.25	16.25	-0.50
32.23	15.98	EthyPr	0.40	1.3	1,081	29.92	29.32	29.75	—
92.03	57.50	ExetRf	3.60	4.0	6,132	89.60	89.14	89.51	+0.13

Name _____ Date _____

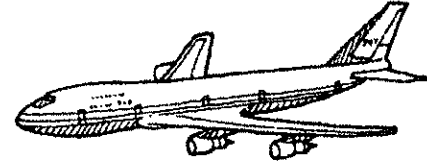
Example 2: You decide to buy 50 shares of Empire Airfreight (EmprA). How much will the shares cost?

Step 1 Use the stock listing to find that the current price for EmprA is \$15.82.

Step 2 Multiply to find the cost.

$$50 \times \$15.82 = \$791$$

The stock will cost \$791.



Example 3: You purchased 40 shares of Ethyl Products (EthyPr) at \$16.84 per share. How much profit will you make if you sell the shares at the current price?

Step 1 Use the stock listing to find that the current price for EthyPr is \$29.75.

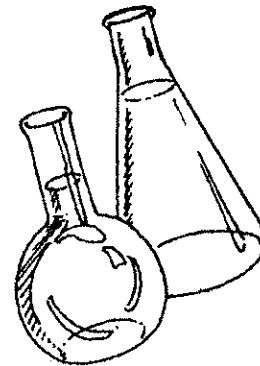
Step 2 Subtract to find the increase for each share.

$$\$29.75 - \$16.84 = \$12.91$$

Step 3 Multiply to find the profit.

$$40 \times \$12.91 = \$516.40$$

You will make a profit of \$516.40.



Example 4: You own 250 shares of Exeter Refining (ExetRf). How much did you receive in dividends over the past year on these shares? To the nearest tenth of a percent, what was your rate of return (yield) on your investment over the past year?

Step 1 Use the stock listing to find that ExetRf paid a dividend of \$3.60 per share and that the current price is \$89.51.

Step 2 Multiply to find your earnings (dividends over the past year).

$$250 \times \$3.60 = \$900$$

Step 3 Multiply to find the current value of your investment.

$$250 \times \$89.51 = \$22,377.50$$

Step 4 Divide to find your rate of return (yield).

$$\$900 \div \$22,377.50 \approx 0.0402 \approx 4.0\%$$

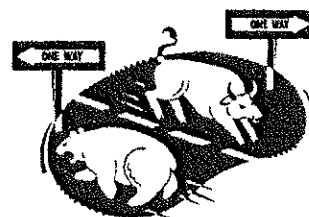
You received \$900 in dividends, which represents a 4.0% return on your investment.

Name _____ Date _____

Think About It

1. What causes stocks to go up or down in price?

2. What is meant by a “bull” market and a “bear” market?
(Research these terms on the Internet if needed.)



Practice

Remember to estimate whenever you use your calculator.

Use the stock listing on page 89 to answer.

1. What was the highest price Elgon was traded at over the past year? _____
2. What was the lowest price Enhart was traded at over the past year? _____
3. How many shares of ERN were traded on this particular day? _____
4. By how much did a share of Equitax decline from its 52-week high? _____
5. How much did Eastern Gadwick (EGadw) pay per share in dividends? _____
6. What was the day's high price for Enrin? _____
7. What is the current price of Ecotab? _____
8. How has the price of Eastern Utility (EastUtil) changed from the previous day's closing?

9. Which 3 stocks reached their highest prices in a year?

Name _____ Date _____

Use the stock listing on page 89 to find the current cost of the shares.

Stock	Number of shares held	Current cost
Eldar	75	10. _____
EntB	30	11. _____
EastUtil	125	12. _____
EDA	65	13. _____
Estren	250	14. _____
EagleT	2,300	15. _____

Complete the table.

Purchase price	Last price	Number of shares	Amount of profit (P) or loss (L)
\$14.50	\$21.74	30	16. _____
\$25.80	\$19.23	80	17. _____
\$84.36	\$125.52	50	18. _____
\$64.00	\$42.89	250	19. _____

Use the stock listing on page 89 to complete the table.

Stock owned	Dividend per share	Total annual dividend	Rate of return
10 shares of EGH	20. _____	21. _____	22. _____
40 shares of EdisWr	23. _____	24. _____	25. _____
75 shares of EssWt	26. _____	27. _____	28. _____
500 shares of EDA	29. _____	30. _____	31. _____

Solve.

32. Carey bought 25 shares of a stock when it was priced at \$25.39 per share. Later that same year, she sold the stock when it was priced at \$31.58 per share. She received a dividend of \$0.16 per share while she owned the stock.
- How much did Carey pay for the stock? _____
 - How much profit did Carey make when she sold the stock? _____
 - How much did Carey receive in dividends from the stock? _____

Corporate Stocks

Pages 82-84

Think About It

1. The U.S. federal government pays the interest out of the money collected in federal taxes.
2. because you are lending money to the federal government when you buy a U.S. Savings Bond

Practice

1. \$50
2. \$37.50
3. \$100
4. \$500
5. \$1,500
6. \$12,500
7. \$275
8. \$289.80
9. \$2,974
10. \$569.20
11. \$54.08
12. \$43.47
13. \$839.40
14. \$89.40
15. \$113.84
16. \$13.84
17. \$1,210.40
18. \$210.40
19. \$144.90
20. \$19.90
21. \$24,624
22. \$4,624
23. \$230.94
24. \$5.94
25. \$40,572
26. \$5,572
27. \$170.76
28. \$20.76
29. \$424.96
30. \$24.96
31. \$579.60
32. \$79.60
33. \$223.05
34. \$35.55
35. \$3,357.60
36. \$357.60
37. \$11,384
38. \$1,384
39. \$15,130
40. \$2,630
41. a. \$250
- b. \$265.60
- c. \$297.40
- d. \$31.80
42. a. \$50
- b. \$61.56
- c. \$100
- d. \$38.44

Pages 86-88

Think About It

1. When a customer buys a CD, the bank knows how long it will have access to those funds and how long before it will have to redeem the CD. By contrast, a customer can withdraw funds from a savings account at any time. For these reasons, banks are willing to pay more interest on CDs.
2. Possible answer: because interest rates may go up while their money is tied up in a CD and they would be subject to a penalty if they withdraw their money early

Practice

1. 0.60%
2. 1.85%
3. 2.40%
4. 1.00%
5. \$31.25
6. \$12.50
7. \$37.50
8. \$7.50
9. \$18.75
10. \$50
11. a. \$75
- b. \$75
- c. \$150
12. a. \$187.50
- b. more; \$37.50
13. a. \$7.50
- b. \$7.50
- c. \$15
14. a. \$25
- b. more; \$10

Extension

1. 2.3%
2. 1.4%
3. 3.2%
4. 2.8%
5. 3.0%
6. 2.4%
7. a. 1.3%
- b. 1.0%
- c. the CD

Pages 91-92

Think About It

1. The prices of stocks fluctuate in response to supply and demand. When more people want to buy than to sell, the price goes up. When more people want to sell than to buy, the price goes down.
2. A "bull" market is a strong market with stock prices moving up, while a "bear" market is a weak market with stock prices moving down.

Practice

1. \$18.00
2. \$30.75
3. 108,000
4. \$2.18
5. \$2.52
6. \$45.02
7. \$28.87
8. decrease of \$0.13
9. EGadW, Enhart, EssWt
10. \$1,014
11. \$661.50
12. \$3,986.25
13. \$1,001
14. \$4,062.50
15. \$105,294
16. (P) \$217.20
17. (L) \$525.60
18. (P) \$2,058
19. (L) \$5,277.50
20. \$0.56
21. \$5.60
22. 1.6%
23. \$1.80
24. \$72
25. 4.8%
26. \$0.72
27. \$54
28. 1.7%
29. \$0.28
30. \$140
31. 1.8%
32. a. \$634.75
- b. \$154.75
- c. \$4

Trading Stocks

Page 94

Problem Solving Applications

1. \$8.23 2. \$86.50
3. \$57.14 4. \$87.06
5. increase 6. increase
7. decrease 8. decrease
9. Nostro 10. Nasco
11. 3 stocks 12. Nostro
13. \$9.13 high; \$6.85 low
14. \$2.28
15. \$420
16. no
17. (P) \$162

Pages 97-98

Think About It

1. Stocks represent a piece of ownership in a corporation, while bonds represent only a loan to a corporation or government. Stocks pay dividends, while bonds pay interest.
2. Municipal bonds are issued by local governments, while corporate bonds are issued by corporations.

Practice

1. Chapman International
2. Chapman International
3. City of Yuma
4. Chapman International
5. City of Yuma, Dover Products
6. Chapman International, Eastern Metals, Finch Township
7. \$3,812 8. \$8,032
9. \$20,440 10. \$13,365
11. 95% 12. 87.5%
13. 83.75% 14. 150%

15. 105% 16. 112.5%
17. \$510 18. \$413
19. \$1,590 20. \$2,625
21. 7.1% 22. 4.6%
23. 8.1% 24. 5.2%

Pages 100-102

Think About It

1. Because mutual funds represent a broad array of investments, investing in mutual funds is usually less risky than buying and selling individual stocks and bonds. Their earnings, or yields, are often higher than most individuals would be likely to get by themselves.

Practice

1. \$38.12 2. \$1,906
3. \$9,530 4. \$17.18
5. \$859 6. \$4,295
7. \$15.28 8. \$764
9. \$3,820 10. \$24.12
11. \$1,206 12. \$6,030
13. \$4,124 14. \$14,340
15. \$5,637.50 16. \$273
17. \$33,154 18. \$9,622.50
19. \$515.40 20. \$3,105.90
21. 509 shares
22. 729 shares
23. 106 shares
24. \$832
25. \$2,964
26. \$16
27. \$13.68
28. \$684
29. \$3,420
30. \$16.09
31. \$804.50
32. \$4,022.50

33. \$16.61
34. \$830.50
35. \$4,152.50
36. \$1,846
37. \$22,752
38. \$663.50
39. \$4,983
40. 365 shares
41. \$1,117.50

Pages 106-108

Think About It

1. Because pension fund contributions are invested and earn interest, the fund grows as much from investment income as from ongoing employee contributions.
2. Possible answer: An employee with a 401(k) plan may get matching contributions to the plan from his or her employer. With an IRA, an individual does not get employer contributions.
3. Possible answer: If a person will be in a lower tax bracket when retired, he or she might pay less in taxes on withdrawals from a traditional IRA than on contributions made now to a Roth IRA.

Practice

1. 2.00
2. \$9,600
3. \$800
4. 1.41
5. \$7,994.70
6. \$666.23
7. 1.89
8. \$13,475.70
9. \$1,122.98