

# Business and Personal Finance © 2012

## Chapter 18: Stocks

### Check Your Answers: Section Assessment

#### Section 1

##### Review Key Concepts

1. Companies issue common stock to raise money to start up their businesses and then to help pay for ongoing activities. Some companies offer preferred stock as another method of financing, which may attract more conservative investors.
2. Reasons for investing in common stock include: receiving dividends, appreciation of stock value, and increased value from stock splits. Investors are also given certain rights in return for the money they invest, such as voting at stockholder meetings.
3. The yield on preferred stock is generally lower than on corporate bonds but higher than the yield on common stock. Preferred stock is considered a safer investment than common stock. People who want a steady source of income often buy preferred stock.

##### Higher Order Thinking

4. The company can bring the stock price down to a price it considers reasonable, making the stock more affordable. Also, a split attracts investors who believe a company splits its stock when it is doing well.

##### English Language Arts

5. **Investing** People fear the unknown. For some people, it is easier to do nothing than take a chance. Many people feel safer with more predictable investments, like bonds or CDs. Suggestions for making sound decisions include: research, talk to professionals, and limit funds in riskier investments.

##### Mathematics

6. **Preferred Stock Dividend** Annual dividend per share =  $\$52.00 \times 4.25\% = \$2.21$ ;  
Total dividend per year =  $\$2.21 \times 95 \text{ shares} = \$209.95$