

Reflection Summary Assignment

Name

ACC/291

Date

Instructor Name

Learning Team Reflection Summary

Calculating stock, dividends, and stock splits

Stock is buying into ownership of a company. It is buying into their assets as well as their earnings. To calculate stock one must understand how to calculate the earnings per share. To calculate the earnings per share take the net earnings and divide by the outstanding shares.

Dividends are cash distributions that companies pay out regularly to shareholders from earnings. Profitable companies pay dividends. To calculate dividends for dollar amount take the number of owned shares and multiply by the dividend per share.

Stock split is increasing the number of outstanding shares that is owned by dividing each share. Each stockholder receives an additional share, but the value of each is reduced by half. Two shares equal the original value before the share split took place. The calculation of stock splitting is very complicated.

Differentiate types of stocks issued by corporations.

There are two basic types of stocks that corporations can issue. Common stock and preferred stock are the two types; both have different benefits and possible opportunities. Common stock is the most basic type of stock you can obtain from a corporation. Since it's the basic type of stock that you can purchase it has its limitations and is very limited in value. Owning a common share of the corporation shows that you own a fraction of company and its value is directly impacted by the company's monetary successes and failures. Most see owning common shares as a risky investment and this is why the owners will receive their profits after the preferred stock is disbursed.

Preferred stock is the other type of stock that corporations issue. The main benefit of owning a preferred share of a corporation is that your dividends are received before common shareholders. Unlike common shareholder benefits, preferred stock is based on a fixed dividend payment. If the company goes out of business or liquidates their assets, preferred shareholders still receive the money back they invested and this is disbursed before common stockholders receive theirs as well. The only setback is that preferred stock cannot doesn't gain as much in value as the common shareholder profit because of the fixed payment.

Preferred stock also has a division of classes that is based on market prices, restrictions, etc. All in all, depending on the investor's needs and financial opportunities both stock options have their benefits and possible setbacks.

Reference:

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