

The Stock Market

**Prof. Madona Robinston
Assistant Professor in commerce,
St. Xavier's College (Autonomous),
Palayamkottai.**

Introduction

Why do people start businesses?





Profit



When you make money in business, it is called a profit.

Mathematically: $\text{Profit} = \text{Revenue} - \text{Cost}$

For example: If you buy an iPod for \$250 and sell it for \$300, you made a profit of ...

Loss

There is also a risk that you will lose money!



How do you raise money to start a new business?

One way to raise money is to borrow money from a bank. This money **must** be paid back.



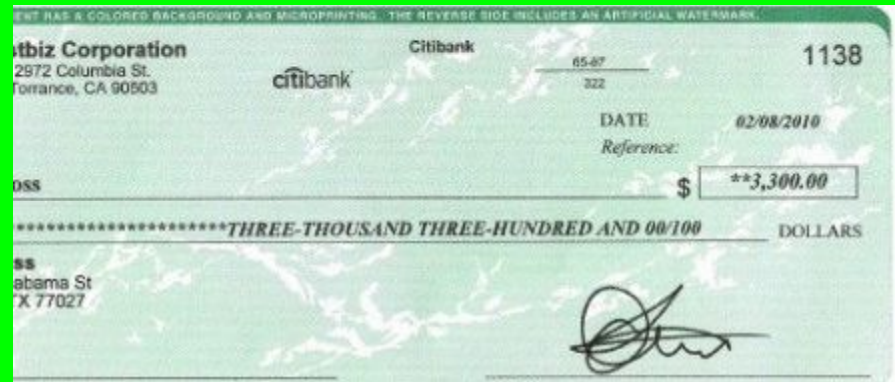
Stocks

You can also sell ownership in the company. This means you have other people give you money and they have a share in the profits (and losses) of the company. These ownership shares are called **shares of stocks**.



Dividends

When a company makes a profit, they typically pay the owners of stock a **dividend**.



The Stock Market

If you own shares of a company, you can sell them to other people in **the stock market**.



The New York Stock Exchange (NYSE) is one of these markets.

Stock Prices

When a company is doing well, more people want to buy the stock and its price in the market rises.



When a company is not doing well, more people want to sell the stock and its price falls.

Recap

Businesspeople raise money by selling stock (ownership claims) in their company. People who buy these shares can sell them on the market at a higher price and make money.

[Stock Market in Plain English](#)

The Pepsi/Coke Challenge

This week, each day you will look up and graph the stock prices for two companies: Pepsi and Coke.

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