



Stock Market



Broker



Demat Account



Stock Exchange



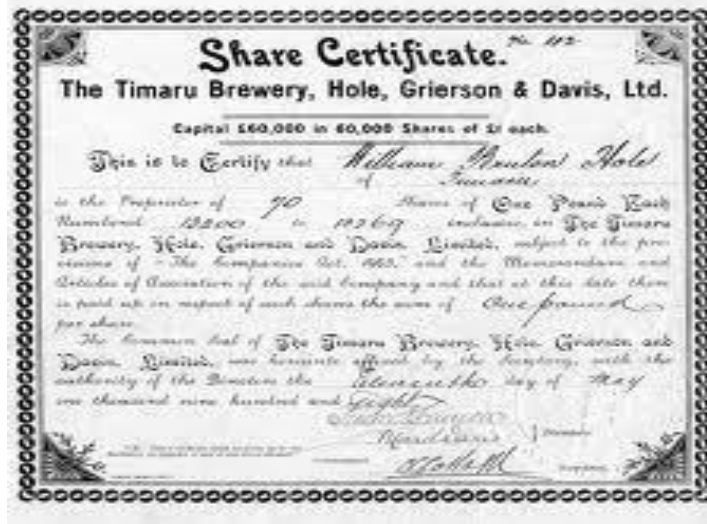
Mutual Funds



Commodities



Shares



Dividends



Bear Market



Floor Trading



Bull Market



Match the Column

1) Dividend	A) Someone who buys and sells things for other people.
2) Demat Account	B) Break down completely.
3) Law	C) part of a company's yearly profit that is divided up among the share holders.
4) Profit	D) the system of rules that a country has.
5) Contract	E) the money you get when you sell things after you have paid for your costs.
6) Broker	F) A dematerialized account.
7) Cautious	G) Written paper between two companies or people.
8) Collapse	H) Careful.

In the following conversation between two work colleagues, colleagues, Peter explains to Juan how the stock market works and the meaning of some different words used when talking about it.

Juan: I am thinking about investing my money in the stock market and buying some shares. The problem is that I have no idea about it. For example, what's the difference between **stocks** and shares?

Peter: Basically, they are the same thing. They mean the ownership of part of a company. In Britain, we normally say shares, but in North America they use both.

Juan: Can I buy shares for any company in the world on the stock market?

Peter: No, you can only buy stocks and shares on the stock market for **public limited companies**. These are generally big companies which allow anybody to buy shares in them. In fact, only companies which are public limited companies are listed on the stock market. The majority of companies in the world are **private limited companies**. These companies don't sell their shares on the stock market.

- Juan:** So, how do I buy stocks or shares in these public limited companies? Can I do it myself by calling the companies?
- Peter:** No, you don't have the permission to buy shares yourself, you have to get a **stockbroker** to buy or sell shares for you. A stockbroker is licensed/registered to **trade** stocks and shares (which means to buy or sell stocks and shares) on stock exchanges. So you have to set up an account with a stockbroker.
- Juan:** Ok. So what's the difference between a **stock exchange** and the stock market?
- Peter:** The stock market is a term used for wherever stocks and shares are traded, but a stock exchange means an actual location / organization where they are traded. For example, the actual place/ organization in London where stocks and shares are traded for some companies is called the London Stock Exchange. In New York, you have the New York Stock Exchange and the Nasdaq Stock Exchange. All three stock exchanges are part of the stock market.

Juan: But can I get a higher return on my money if I put my money in the bank from the interest than from the dividend in stocks and shares.

Peter: It's safer to put your money in a bank, but you may make more money with stocks and shares. If you want to see how much money you earn on each dollar or pound you have invested, you have to look at the **yield**. For example, if a bank pays you an interest rate of 2%, you earn 2% on every \$1 and this 2% is called the yield. For dividends you have to divide the yearly dividend per share by the amount you paid for the share. So, if a share cost you \$2.50 and the yearly dividend is 15 cents, you divide 15 by 250. So the yield for the share is 6%. So this shows you would make a higher return on your money from investing in this company's shares than by putting your money in the bank.

Role Play Exercise

Yield, dividend, share holder, stock exchange,
private limited company, trading

- 1) The name of a person who has/owns shares in a company, is _____.
- 2) A type of company where its shares are not sold on the stock market is called_____.
- 3) The name for the 'profit' that a company makes and pays to its shareholders, is_____.
- 4) The actual place where the shares of a company are bought and sold, is called a_____.
- 5) A different way to say 'profit' when talking about investing your money, which begins with the letter 'Y', is _____.
- 6) A verb that means 'to buy' and 'to sell' that is used in the stock market, is_____

Reviewed By	Reviewed On	Comments / Changes Made
Kumar	15.09.2015	Misspelled words(organization and floor brokers changed)
Honey	29.02.2016	Changed the font size (6 th slide)
Nilima	25.08.16	Changed alignment and corrected exercise.