

SECTIONS 12-3, 12-4 Stocks and Stock Dividends

When you purchase a share of stock, you become part owner of the corporation that issues the stock. The total amount you pay for the stock depends on the cost per share, the number of shares you purchase, and the stockbroker's commission. You can use the annual yield to compare different stocks as investments.

$$\text{Cost of Stock} = \text{Number of Shares} \times \text{Cost per Share}$$

$$\text{Total Paid} = \text{Cost of Stock} + \text{Commission}$$

$$\text{Annual Yield} = \frac{\text{Annual Dividend per Share}}{\text{Cost per Share}}$$

1. Tania Elliot purchased 400 shares of Frontier Oil at \$19.00 per share and paid a \$29.95 commission.
 - a. What was the cost of the stock? _____
 - b. What was the total paid? _____
2. Arthur McGrag purchased 320 shares of Auto Zone. He paid a 3 percent commission to the stockbroker. The stocks cost him \$78.50 per share.
 - a. What was the cost of the stock? _____
 - b. What was the total paid? _____
3. Warisaro Kaierithorn owns 90 shares of Allegheny Energy for which he paid \$41.56 per share. The company paid annual dividends of \$1.72 per share. What is the annual yield? _____
4. Kaiori Hayashi owns 60 shares of Comerica, Inc., for which he paid \$3,945.90, including a commission of \$113.40. Comerica pays annual dividends of \$1.92. What is the annual yield? _____
5. You are considering the purchase of either 100 shares of Health Care Right at \$28.06 per share or 80 shares of Health Care Provider at \$40.90 per share. Health Care Right is expected to pay a dividend of \$1.34 per share, and Health Care Provider is expected to pay a dividend of \$2.24 per share.
 - a. If you bought the 100 shares of Health Care Right, what would you receive in annual dividends? _____
 - b. What would your annual yield be? _____
 - c. If you bought the 80 shares of Health Care Provider, what would you receive in annual dividends? _____
 - d. What would your annual yield be? _____
6. Mario Gillespie owns 200 shares of Asset Investment Corporation for which he paid \$32.75 per share. The broker's commission was \$19.95 or 2¢ per share over 1,000. Asset Investment paid a \$5.00 per share dividend. What was the annual yield? _____

SECTION 12-5 Selling Stocks

When you sell your stocks, the sale can result in either a profit or a loss. If the amount you receive for the sale minus the sales commission is greater than the total amount you paid for the stocks, you have made a profit. If the amount you receive minus the sales commission is less than the total paid, your sale has resulted in a loss.

$$\text{Net Sale} = \text{Amount of Sale} - \text{Commission}$$

$$\text{Profit} = \text{Net Sale} - \text{Total Paid}$$

$$\text{Loss} = \text{Total Paid} - \text{Net Sale}$$

Round each answer to the nearest cent.

1. Kado Kato owned 400 shares of stock in a car company, for which he paid a total of \$11,580. He sold the stock for \$29.50 per share and paid a commission of 1 percent of the selling price.
 - a. What was the amount of the sale? _____
 - b. What was the net sale? _____
 - c. What was the profit or loss? _____
2. Marty and Irene Benefield purchased 400 shares of airline stock 2 years ago. They paid a total of \$8,484.55 for the stock. Last week they sold the stock for \$19.50 per share and paid an online commission of \$19.95.
 - a. What was the amount of the sale? _____
 - b. What was the net sale? _____
 - c. What was the profit or loss? _____
3. Jose Rodriguez recently sold 1,320 shares of oil stock for \$31.70 per share plus a commission of \$29.95 plus 3¢ per share. He paid a total of \$56,166.00 for the stock.
 - a. What was the amount of the sale? _____
 - b. What was the selling commission? _____
 - c. What was the net sale? _____
 - d. What was the profit or loss? _____
4. Emma Kishketon recently sold 300 shares of stock in a fast food company for \$46.54 per share plus a commission of \$49.95 plus 2¢ per share. She purchased the stock for \$39.22 plus a 1 percent commission.
 - a. What was the cost of the stock? _____
 - b. What was the total paid? _____
 - c. What was the amount of the sale? _____
 - d. What was the net sale? _____
 - e. What was the profit or loss? _____