

Shares and Dividends

Important Concepts

1. A share is one of a finite number of portions in the capital of a company.
2. The person who subscribes in shares is called a share holder.
3. Dividend is the profit which the company distributes to the share holders at the end of the financial year.
4. Nominal Value (N.V) or face value (F.V) is the original value of the share.
5. Market Value (M.V) is the price at which the share is quoted in the market.
6. If the market value of a share is the same as its nominal value, the share is said to be at par.
7. A share is said to be above par or at premium, if its market value is more than its face value.
8. A share is said to be below par or at a discount, if its market value is less than its face value.
9. The profit, which a share-holder gets from his investment in the company is called dividend.
10. The dividend is always calculated on the face value and not on the market value.
11. The dividend is expressed as a percentage of the nominal value of the share.
12. The shares are generally of two types:
 - i. Preferred shares
 - ii. Common or ordinary shares

Important Formulae's

1. Investment= Number of shares x Market Value of 1 share
2. Number of shares bought = $\frac{\text{Sum invested}}{\text{M.V of 1 share}}$
3. Number of shares bought = $\frac{\text{Total dividend}}{\text{Dividend on 1 share}}$
4. Number of shares bought = $\frac{\text{Total Income}}{\text{Income on 1 share}}$
5. Income = Number of shares $\times$ rate of dividend $\times$ F.V
6. F.V. = Face-value=Nominal-value=N.V.
7. Return %=Income Profit %