

THINK CRITICALLY

Handwrite your responses in the space below; 2 sentences each.

1. What are the main differences between common and preferred stock?

 2. What factors affect the issue value of a stock?

 3. Common stockholders have the right to _____.
 - a. vote for members of the board of directors
 - b. receive a set amount of dividends
 - c. receive payment before preferred stockholders
 - d. convert their stock into other types of securities

 4. When a company first issues shares of stock, it is referred to as the _____ market.
 - a. stock
 - b. bond
 - c. primary
 - d. secondary

 5. An initial public offering refers to _____.
 - a. issuing foreign bonds
 - b. selling stock without using an investment banker
 - c. doubling the number of shares of stock
 - d. a company going public

 6. True or False? _____ Most preferred stockholders select preferred stock so they will be able to vote for corporate officers.

 7. True or False? _____ On a daily basis, most investors buy and sell shares of stock through the primary market.
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TEAMWORK

Discuss in pairs or small groups and then write your conclusions below.

8. In your team, prepare a list of advantages and disadvantages of (a) a company regularly paying dividends, and (b) a company not paying dividends.