

What is the Stock Market?

Worksheet

The stock market is where shares of publicly traded companies are bought and sold. It enables companies to raise money and investors to own partial stake in businesses and grow wealth.

Questions

1. What is a stock?
A) A bond issued by a company
B) A share of ownership in a company
C) A loan to a company
D) A contract to sell shares later
2. What determines a stock's price?
A) Company size only
B) Supply and demand for the shares
C) Government regulation
D) The company's CEO salary
3. What is a bull market?
A) Falling prices and pessimism
B) Rising prices and optimism
C) No change in prices
D) Only tech stocks rising
4. How do investors make money from stocks?
A) Buying only
B) Price appreciation and dividends
C) Interest payments
D) Company taxes
5. You buy 10 shares of a tech company at 50/share. Two years later, the price is 75/share. What is your profit?
6. A company has 1,000,000 shares outstanding. You own 100 shares. What % of the company do you own?
7. A stock trades 50 million shares in one day. What term describes this?
8. Define: What is a stock?
9. Define: What are the two main stock exchanges in the US?
10. Define: What does 'bull market' mean?

Answer Key

1. B) A share of ownership in a company — A stock represents partial ownership. Buying stock means you own a piece of the company.
2. B) Supply and demand for the shares — Stock prices are set by buyers and sellers — higher demand pushes price up.
3. B) Rising prices and optimism — Bull market = prices up, investors confident. Bear market = prices down, pessimism.
4. B) Price appreciation and dividends — Profit comes from selling at a higher price (capital gains) or dividends (profit sharing).
5. Initial cost: $10 \times 50 = 500$ Current value: $10 \times 75 = 750$ Profit = $750 - 500 = \$250$
6. Your ownership: $100 / 1,000,000 = 0.0001$ As a percentage: $0.0001 \times 100\% = 0.01\%$
7. This is the daily trading volume High volume = high liquidity (easy to buy/sell) Low volume = risk of getting stuck holding shares at bad price
8. A share of ownership in a public company. Owning stock = owning a piece of the business.
9. NYSE (New York Stock Exchange) and NASDAQ (mostly tech companies).
10. A period when stock prices are rising and investor confidence is high.

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