Shares and Dividends

Capital: Money required to start a new business or project
Share: Capital divided into small amounts that can be borne by individuals
Shareholder: A person who buys and sells the shares
Nominal Value (NV): Value at which the share is issued by the company
Market Value (MV): Value of the share in the market. Share is bought and sold at this price

Example:
A company must raise Rs.50000 as capital. It issues 500 shares. Each share will be Rs.100. This is the Nominal Value (NV) or face value.

After some time, the company is at profit, and its value is Rs.100000. Each share value is Rs.200 (100000/500). This is the Market Value (MV).

NV is *fixed*. It is the original value of the share, and cannot be changed.
MV *varies* according to the market worth of the company at that time.

When MV = NV, share is *at par*
When MV > NV, share is *at premium* MV = NV + premium
When MV < NV, share is *at discount* MV = NV – discount

Dividend: Part of profit shared by the company among the shareholders
Dividend is based only on the NV.
Rate of dividend: Percentage of the NV per year

	Other terms
Nominal Value (NV)	Face Value (FV), Printed Value, Register Value, Original Value, Par Value
Market Value (MV)	Cash Value
Dividend	Income, Return, Profit
Investment	Total Market Value, Sale Proceeds
income%	rate of interest, profit%, profit on investment, return%

Examples:
* Rs.100 shares at Rs.120
Rs.100 is NV, Rs.120 is MV

* Rs.200 shares at premium of 20%
NV is Rs.200
MV = NV + premium
MV = 200 + 20% (200) = 240

* Rs.150 shares at discount of 15%
NV = 150
MV = NV – discount
MV = 150 – 15% (150) = 127.50

$$\boldsymbol{sum\ invested\ =\ no.of\ shares\ x\ MV}$$

$$\boldsymbol{dividend\ of\ 1\ share\ = rate \times NV}$$
$$\boldsymbol{total\ dividend\ (annual\ income) = dividend\ of\ 1\ share \times no.of\ shares}$$

$$\boldsymbol{no.of\ shares = \frac{sum\ invested}{MV\ of\ 1\ share} = \frac{total\ dividend}{dividend\ of\ 1\ share}}$$

$$\boldsymbol{income\% = \frac{annual\ income}{sum\ invested} \times 100 = \frac{MV - NV}{MV} \times 100 = \frac{NV}{MV} \times rate}$$

$$\boldsymbol{investment \times rate \times NV = dividend \times MV}$$

If income tax is deducted,
$tax = tax\% \times total\ income$
$net\ income = total\ income - tax$

net income = annual income - tax
(profit) (dividend)

1 share dividend x no. of shares
(income/profit)

rate x NV

investment = no. of shares x MV

$$\frac{\text{annual income}}{\text{investment}} \times 100 = \text{return\%}$$