

8-6 STOCK TRANSACTIONS

To do now:

1. Daily Attendance Question
2. Write down the objective
3. Take out earbuds

You will need:

- **Student Notes**
- **Textbook**
- **Calculator**
- **Notebook Paper**
- **Pen or Pencil**

Items in red are needed for the lecture.

OBJECTIVES

Compute gains and losses from stock trades.

What is a Capital Gain?

It occurs when you sell something for more than you spent to acquire it.

A capital loss is when you lose money when you sell it.



You buy an original Dufne oil painting for \$1,000 and sell it later for \$3,000. You have a capital gain of \$2,000.

Several years ago, Marlene purchased stock for \$7,241. Last week she sold the stock for \$9,219. What was her gross capital gain?

$$\begin{aligned}\text{Capital Gain} &= \text{sell price} - \text{buy price} \\ &= 9,219 - 7,241 \\ &= \mathbf{\$1,978}\end{aligned}$$

Example 1 – You try it!

Brett used money he received as a gift for high school graduation to purchase \$4,000 worth of shares of stock. After he graduated from college, he needed money to buy a car, so he sold the stock for \$2,433. What was his capital gain or loss?

Example 1 – You try it!

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$$\begin{aligned}\text{Capital Gain} &= \text{sell price} - \text{buy price} \\ &= 2,433 - 4,000 \\ &= \mathbf{\$-1,567}\end{aligned}$$

Five years ago, Jessica bought 300 shares of a cosmetics company's stock for \$34.87 per share. Yesterday she sold all of the shares for \$41 per share. What was her capital gain?

$$\begin{aligned}\text{Capital Gain} &= \text{sell price} - \text{buy price} \\ &= (41 \times 300) - (34.87 \times 300) \\ &= 12,300 - 10,461 \\ &= \mathbf{\$1,839}\end{aligned}$$

Example 2 – You try it!

Kelvin bought 125 shares of stock for \$68.24 per share. He sold them nine months later for \$85.89 per share. What was his capital gain?

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$$\begin{aligned}\text{Capital Gain} &= \text{sell price} - \text{buy price} \\ &= (85.89 \times 125) - (68.24 \times 125) \\ &= \mathbf{\$2,206.25}\end{aligned}$$

Example 3

Randy paid \$3,450 for shares of a corporation that manufactured cell phones. He sold it for \$6,100. Express his capital gain as a percent of the original purchase price. Round to the nearest tenth of a percent.

$$\begin{aligned}\text{Capital Gain \%} &= \frac{\text{sell price} - \text{buy price}}{\text{buy price}} \times 100 = \underline{\quad\quad}\% \\ &= \frac{6,100 - 3,450}{3,450} \times 100 \\ &= \mathbf{76.8\%}\end{aligned}$$

Example 3 – You try it!

Allison bought shares in Citigroup Corporation in early 2007 for \$55 per share. She sold them later that year for \$35 per share. Express her loss as a percent of the purchase price. Round to the nearest percent.

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$$\begin{aligned}\text{Capital Gain \%} &= \frac{\text{sell price} - \text{buy price}}{\text{buy price}} \times 100 = \underline{\quad\quad}\% \\ &= \frac{35 - 55}{55} \times 100 \\ &= \mathbf{-36\%}\end{aligned}$$

Please work on you assignment.
It is due at the end of next class.

Grade goes here	Read Pg: 500 to 502				Last First P__ A:8-6
	Do Pg 503: #2-15a				
	Notes:				
	#4,5	#10,12	#13	#14	
	x=100	x=\$32	g=75	d=120	
	y=\$25	y=\$28	w=\$80	x=\$53	
	m=\$20				

Important: When the question asks for an “algebraic” answer, please give the actual amounts using the notes above.