

Lesson 8-6

Stock Transactions

Objective:
Compute

Capital Gain

It occurs when you sell something for

A capital loss is when you

2 ways to make money on stocks:

1. Dividends – This is when the company sends you
2. Selling your stock for a

Example 1

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

$$\text{Capital Gain} = \text{sell price} - \text{buy price}$$

Example 1 – Now 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 2

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?

Example 2 – Now 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?

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.

Capital Gain % =

$$\frac{\text{sell price} - \text{buy price}}{\text{buy price}} \times 100 = __%$$

Example 3 – Now 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.

Assignment 8-6

Read Pages 500 to 502

Do Page 503: #2-15a

Important: When the question asks for an "algebraic" answer, please give the actual amounts using the notes below.

#4,5: $x=100$ $y=\$25$ $m=\$20$

#10,12: $x=\$32$ $y=\$28$

#13: $g=75$ $w=\$80$

#14: $d=120$ $x=\$53$