

Name: _____

Guided Notes: How the Stock Market Works

1. While many businesses are very successful as sole proprietorships (one owner) or partnerships (more than one owner), many will eventually decide to incorporate (become corporations) and sell stock. Why do businesses do this?



How the Stock Market Works

<https://youtu.be/GnJCOof2HJk>

- a. What is the first step when a business incorporates?
 - b. What is the next step and why does this require a business plan to show past performances and opportunities for future growth?
 - c. What role does the investment banker play in helping a company incorporate?
 - d. Before any shares in a corporation must be sold, certain information about the business need to be filed with what federal agency?
2. Investment bankers give the new corporation some money. How does the investment banker earn back this money and earn a profit for it's services?
 3. Those that buy stock in the new corporation are its owners. Who elects the company's Board of Directors?

4. Who does the Board of Directors represent?

5. What do most stockholders expect once they invest in a company by purchasing stock?

6. Once a company incorporates and raises money by selling stock (ownership), how can the company raise even more money to invest in growth?

7. Can stock holders buy and sell their stock at any price that they can get for it?

8. If a stockholder sells their stocks, who gets all of the money from that sale?

9. What is the advantage of getting a corporation listed on the New York Stock Exchange?

10. If people keep investing in stocks, how does labor (workers), management, and our economy benefit?