You've probably heard that investing early in life is a way to build wealth over time. You've likely also heard that buying stocks is a common way to invest. But what are stocks? How are they sold, purchased and what can they offer you as an investor?

Learn more about buying stocks by watching this video and then expand your knowledge by completing this worksheet by yourself or with an adult!

Try It Yourself!

Review each set of statements. Decide which are true and which are false. Then answer the four questions at the bottom.

<table>
<thead>
<tr>
<th>Statement</th>
<th>T or F?</th>
</tr>
</thead>
<tbody>
<tr>
<td>The primary reason for buying stock is to receive free merchandise.</td>
<td></td>
</tr>
<tr>
<td>A stock is considered a wise investment if the company has popular and quality products, good service, and has shown growth in its revenue.</td>
<td></td>
</tr>
<tr>
<td>The price of a stock may fall when a company shows a decline in profit and their debts increase.</td>
<td></td>
</tr>
<tr>
<td>An investor may buy stocks from many different companies in order to reduce risk.</td>
<td></td>
</tr>
<tr>
<td>People should purchase stocks based on research about the company, its past performance, and how the company is expected to perform in the future.</td>
<td></td>
</tr>
<tr>
<td>A company issues stock primarily to downsize the company.</td>
<td></td>
</tr>
<tr>
<td>Most investors try to buy stocks at a low price and sell them at a higher price.</td>
<td></td>
</tr>
<tr>
<td>The 52-week low is the lowest price of the stock over the past year.</td>
<td></td>
</tr>
<tr>
<td>Stocks should be bought and sold quickly, even daily, in order to increase profit.</td>
<td></td>
</tr>
</tbody>
</table>
Vocabulary:

- **Broker**: An individual or firm that charges a fee or commission for executing buy and sell orders submitted by an investor.
- **Diversification**: A strategy for reducing certain risks by selecting a wide variety of saving and investment vehicles.
- **Initial Public Offer (IPO)**: The first time a company offers stock to the public.
- **Investing**: Purchasing stocks, bonds, mutual funds, or other investment vehicles in the hopes that the value will increase and be able to be sold for a gain.
- **Portfolio**: A collection of investments owned by an investor.
- **Private company**: A company held under private ownership with shares that are not traded publicly on exchanges.
- **Public company**: A company that has issued securities through an initial public offering (IPO) and trades its stock on at least one exchange or market.
- **Risk**: The potential for loss.
- **Shareholders**: People who own stock in a company.
- **Stock**: An ownership share in a company that you can sell later.
- **Stock exchange**: A market in which shares of stock are bought and sold.

Please select the correct answer for each of the following questions.

1. What is a stock?
   a. A share in the ownership of a company
   b. A portion of the company’s office building
   c. The profit of a company
   d. The salary of a company’s CEO

2. Which of the following is a reason a company would issue stock?
   a. To raise money for the executives’ retirement
   b. To raise money to expand the company
   c. To be approved for a business loan
   d. To borrow money that must be paid back

3. Which of the following is a reason why a company’s stock may fall?
   a. The company moves its headquarters to a new city
   b. The company expands by buying another successful company
   c. The company experiences a decline in earnings
   d. The company introduces a new product

4. You currently have 10 shares of stock in a popular toy company, which are valued at $85 per share. Which of the following events will **NOT** have an effect on the price of your stock?
   a. The current value of the business
   b. The predicted success of the business
   c. The company’s earnings report
   d. The number of shares you currently own
### Answer key

<table>
<thead>
<tr>
<th>The primary reason for buying stock is to receive free merchandise.</th>
<th>A stock is considered a wise investment if the company has popular and quality products, good service, and has shown growth in its revenue.</th>
<th>The price of a stock may fall when a company shows a decline in profit and their debts increase.</th>
</tr>
</thead>
<tbody>
<tr>
<td>False. Investors buy stocks so that they can share in the earnings of the company.</td>
<td>True</td>
<td>True</td>
</tr>
<tr>
<td>An investor may buy stocks from many different companies in order to reduce risk.</td>
<td>People should purchase stocks based on research about the company, its past performance, and how the company is expected to perform in the future.</td>
<td>A company issues stock primarily to downsize the company.</td>
</tr>
<tr>
<td>True</td>
<td>True</td>
<td>False. A company issues stock to raise money to expand the company.</td>
</tr>
<tr>
<td>Most investors try to buy stocks at a low price and sell them at a higher price.</td>
<td>The 52-week low is the lowest price of the stock over the past year.</td>
<td>Stocks should be bought and sold quickly, even daily, in order to maximize profit.</td>
</tr>
<tr>
<td>True</td>
<td>True</td>
<td>False. Over the long term, stocks can return a higher profit than many other types of investments. But over the short term, stocks are a relatively risky investment and they sometimes lead to loss in the long run.</td>
</tr>
</tbody>
</table>

### Answer key

1. A - A share in the ownership of a company
2. B - To raise money to expand the company
3. C - The company experiences a decline in earnings
4. D - The number of shares you currently own


© 2021 PwC. All rights reserved. PwC refers to the US member firm or one of its subsidiaries or affiliates, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.