

Name _____

Unlocking the World of Stocks: Your Share of Ownership

Open-Ended Response Answer Key

1. An initial public offering (IPO) is the process through which a company makes a portion of its ownership available to the public for the first time by issuing stocks. Companies choose to go public to raise capital, share ownership with a broader group of investors, provide liquidity to existing shareholders, and increase visibility. Going public also comes with regulatory responsibilities and the need to share financial information with the public.
2. Voting rights allow shareholders to participate in important company decisions, such as electing board members and approving major corporate actions. Shareholders can influence company decisions by voting for candidates or proposals aligned with their interests.
3. Individual stocks represent ownership in specific companies, ETFs offer diversified exposure to a collection of stocks or assets, and mutual funds pool money from multiple investors to invest in a diversified portfolio managed by professionals. The choice between these options depends on an investor's preferences, goals, and risk tolerance.
4. Research is crucial for investors because it helps them understand the companies they are investing in, assess their financial health, evaluate growth prospects, and make informed decisions. Investors should seek information about a company's financial statements, management team, competitive position, industry trends, and potential risks and opportunities. This information can help them make informed investment choices.

