

# 16 Lecture - MGT201

## Important Subjective

1. **What is a stock exchange and how does it work?** Answer: A stock exchange is a marketplace where stocks and other securities are bought and sold. Buyers and sellers place orders through brokers who execute the orders on the exchange.
2. **What is market capitalization and how is it calculated?** Answer: Market capitalization is the total value of a company's outstanding shares of stock. It is calculated by multiplying the number of shares outstanding by the current market price of the stock.
3. **What is the difference between growth stocks and value stocks?** Answer: Growth stocks are companies that are expected to grow at a faster rate than the overall market, while value stocks are companies that are considered to be undervalued by the market.
4. **What is the price-to-earnings (P/E) ratio and how is it used in stock valuation?** Answer: The P/E ratio is the current stock price divided by the earnings per share (EPS) of a company. It is used to determine whether a stock is overvalued or undervalued relative to its earnings.
5. **What is the difference between fundamental analysis and technical analysis in stock valuation?** Answer: Fundamental analysis involves analyzing a company's financial statements and economic factors to determine its intrinsic value, while technical analysis uses charts and other tools to identify patterns and trends in a stock's price and trading volume.
6. **What is a dividend yield and how is it calculated?** Answer: Dividend yield is the percentage of a company's current stock price that is paid out annually in dividends. It is calculated by dividing the annual dividend per share by the current stock price.
7. **What is the difference between common stock and preferred stock?** Answer: Common stock represents ownership in a company and gives shareholders voting rights, while preferred stock typically has a fixed dividend rate but no voting rights.
8. **What is the efficient market hypothesis and how does it relate to stock valuation?** Answer: The efficient market hypothesis suggests that all available information is already reflected in a stock's price, making it impossible to consistently outperform the market through analysis or research.
9. **What is the difference between a primary market and a secondary market?** Answer: The primary market is where new securities are issued and sold to investors for the first time, while the secondary market is where previously issued securities are bought and sold among investors.
10. **What are some risks associated with investing in the stock market?** Answer: Some risks associated with investing in the stock market include market volatility, economic and political instability, company-specific risks, and the possibility of fraud or insider trading.