Glossary

1. Capital Market:

A financial market involving institution that deals with securities with a life of more than one year.

2. Money Market

This is the market for trading in short-term securities. In most cases, the banking system handles these transactions. The most important institutions of this market are central banks, commercial banks and money-exchange companies.

3. Primary Market

It is also called the IPO's market. It is the market where the securities issued for the first time are sold.

4. Secondary Market

The secondary market is where investors buy and sell securities they already own. It is what most people typically think of as the "stock market," though stocks are also sold on the primary market when they are first issued. The national exchanges, such as the Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE), are secondary markets.

5. Common Stock

A security that represents a stake in the capital of a joint-stock company. It grants the investor many rights, the most important of which are: the right to attend general assembly meetings, receiving dividends when distributed, the right to vote and the priority to subscribe in the company's new stocks issuance.

6. Preferred Stock

A class of shares that gives its holder a set of rights which the holder of common stock doesn't have. These include the priority of preferred shareholders to get a predetermined percentage of company profits, and the priority over holders of common stock in obtaining their rights in the event of a company's liquidation.

7. Defensive Stock

A stock, the return of which is not expected to decrease during recessions, but may achieve re-turns higher than the market average. Usually, it represents corporate stocks whose activity is not normally affected by the state of the overall economy or by the resulting business cycle fluctuations. They are therefore perceived as low risk stocks.

8. Treasury Stocks

Stocks that the issuing company repurchase through the market under certain controls. The company can hold these stocks, re-issue or cancel them. These shares are not part of the company capital, and they don't pay dividends.

9. Stock Dividends (bonus shares)

Dividends paid to stockholders in a form of stocks, often in place of a dividend paid in cash. Also known as bonus shares.

10. Cash dividend

A cash dividend is money paid to stockholders, normally out of the corporation's current earnings or accumulated profits.

11. Rights issue

With the issued rights, existing shareholders have the privilege to buy a new common stock from the firm in proportion to their current equity of the existing shares.

12. Record date

A date in which a shareholder must be the lawful owner of a given company's shares to be entitled to receive a dividend of that company.

13. Dividend Payout Ratio:

A measure of the level of dividend distributed by a firm defined as dividends divided by earnings

14. Dividend Yields

A percentage returns that a stockholder will receive on dividends alone. It equals dividend per share divided by current market price per share.

15. Ex-Dividend
Purchase of shares in which the buyer is not entitled to the forthcoming dividend.

16.Ex-date

The date on or after which a security is traded without a previously declared dividend or distribution. After the ex-date, a stock is said to trade ex-dividend.

17. Earnings Multiplier

The P / E ratio for a stock

18. Efficient Portfolio

A portfolio with the highest level of expected return for a given level of risk or a portfolio with the lowest risk for a given level of expected return.

19. Earnings Per Share

A measures of common shares claim on earnings, defined as the total earning available for a firm's common stockholders divided by the number of shares of common stock outstanding

20. Beta factor

Beta of a stock or asset is a measurement that describes the relation of its returns with that of the financial market as a whole. It is used as a systematic risk measure of a security or asset.

21. Price correction

A term that describes a short term steady decline in the financial market. This usually comes after a period of substantial rise in stock prices in the market.

22. Market value of the security

The price at which securities are traded in the stock market at a certain time.

23. Book value of a common stock

The value of the total equity (shareholder equity) that excludes preferred stock, divided by the number of issued common shares outstanding.

24. Capital gains (losses)

Profits (losses) resulting from the difference between the securities buy price and sell price.

25. Insider trading

An illegal trading which is based on inside information that is not available to the public. Examples of insider information: changes in the executive management, financial position of the company, merger and acquisition decisions, or similar that has not been disclosed to the public. Persons, who do not work for a company but can have access to material information about that company and illegally trade in its shares as a result of having access to that information, are considered to be in possession of insider information.

26. Open-end investment fund

An investment fund whose units may increase or decrease. The investor can redeem his investments whenever he wants, in accordance with the fund policy.

27. Closed-end investment fund

An investment fund with a limited (fixed) number of units. The value of the units invested in the fund cannot be redeemed unless there is a buyer for these units. Units of this type of fund can be traded in a stock exchange, like stocks.

28. Bond

A security that obligates the issuer to make specified payments to the holder over a period of time.

29. Coupon

Indicates the interest payment on a debt security. It is the coupon rate times the par value that indicates the interest payments on a debt security.

30. Coupon Rate

The interest rate specified on interest coupon attached to bonds. Annual interest received equal coupon rate times the par value of Bonds

31. Convertible Bond

A certificate of debt which grants the holder the option to exchange it with a number of common stocks in the same issuing company based on a predetermined ratio.

32. Perpetual Bond

A bond with no maturity date that pays coupons forever. This type of bond usually comes in the form of preferred stock.

33. Callable bond

A bond that can be redeemed in part or in full by the bond issuer prior to its maturity.

34. Cost benefit Analysis:

The method of measuring the benefits anticipated from a decision by determine the cost of the decision then deciding whether the benefit outweighs the cost of that decision.

35. Debt Ratio:

The ratio of total debt to total assets. It is measure of the proportion of total assets provided by the firm’s creditors

36. Debt to equity Ratio:

A benchmark indicator of financial leverage of a firm. It is derived by dividing long term debt by common stockholder’s equity.

37. Debt Service:

Interest payments plus repayments of principal to creditors, that is retirement of debt.

38. Revenues

Revenues are money received by a company in exchange for sold products or services provided. Revenues are different from profits in a sense where profits are the remaining of revenues after deducting costs and expenses.

39. Gross profit margin

The proportion of money left over from revenues after accounting for the cost of goods sold (COGS). It is expressed as a percentage.

40. Net profit (net income)

Net profit or net income available to owners after deducting all of a company's obligations from revenues in a specified period of time.

41. Retained earnings

The accumulated net income retained for reinvestment in a business, rather than being paid out in dividends to stockholders. They are recorded under shareholders' equity on the balance sheet. They are sometimes called "retained surplus".