Define the following words and expressions.

payment	frequency of compounding
distinguish	rate of return
capital	apply
yield	compound interest
to place money	unique

1.17. STOCKHOLDERS' EQUITY

Large corporations often **raise funds** through the sale of stocks. Unlike bondholders, who are creditors of the corporation, stockholders are its owners. This **entitles** them to a share of the potential profits. All corporation issue ***COMMON STOCK***, but some also issue ***PREFERRED STOCK***.

Common stockholders receive a **share** of the profit and have a voice in a corporation management. They are entitled to vote during the election of a **board of directors**. But preferred stockholders usually do not have voting rights. Instead, they receive preferential **treatment** in two ways:

1. they receive a specified dividend before dividends are paid to common stockholders;
2. they receive their share of the **assets** ahead of the common stockholders if the corporation is **liquidated**.

The Securities and Exchange Commission (SEC), an agency of the federal government, is responsible for protecting investors in the sale of **securities** It operates on the principle of **caveat emptor**, a Latin phrase meaning "let the buyer beware." In applying this principle, the SEC requires corporations to provide the public with **essential** information about their operations and finances in a **prospectus**. A prospectus is prepared for any new issue of securities. It contains important information about the company selling its stock or other securities and describes the risks involved in purchasing them. Having done that, the SEC lets investors determine whether to buy the security.

Those who buy stocks to share in the profits and growth of a corporation for a long time are described as **investors**.

Those who buy or sell stocks to earn a fast profit are known as **speculators**.

Stock market speculators fall into two groups: **bulls** and **bears**.

BULLS – hope to profit predicting an increase in the value of a stock. They are said to "**buy long**" – that is, they buy stocks intending to hold them until they can be sold at a higher price.